WELLS FARGO & CO/MN
Form 10-Q
August 09, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2010
Commission file number 001-2979

WELLS FARGO & COMPANY
(Exact name of registrant as specified in its charter)

Delaware	No. 41-0449260
(State of incorporation)	(I.R.S. Employer Identification No.)

420 Montgomery Street, San Francisco, California 94163
(Address of principal executive offices) (Zip Code)
Registrant s telephone number, including area code: 1-866-249-3302

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 þ No o

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 þ No o

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	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 o No þ

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

	Shares Outstanding July 30, 2010
Common stock, $1-2/3 par value	5,233,424,661

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PART I FINANCIAL INFORMATION
FINANCIAL REVIEW
SUMMARY FINANCIAL DATA

		Quarter ended		% Change June 30, 2010 from		Six months ended		
($ in millions, except per share amounts)	**June 30, 2010**	Mar. 31, 2010	June 30, 2009	Mar. 31, 2010	June 30, 2009	**June 30, 2010**	June 30, 2009	% Change
For the Period								
Wells Fargo net income	**$ 3,062**	2,547	3,172	20%	(3)	**5,609**	6,217	(10)
Wells Fargo net income applicable to common stock	**2,878**	2,372	2,575	21	12	**5,250**	4,959	6
Diluted earnings per common share	**0.55**	0.45	0.57	22	(4)	**1.00**	1.13	(12)
Profitability ratios (annualized):								
Wells Fargo net income to average assets (ROA)	**1.00%**	0.84	1.00	19		**0.92**	0.98	(6)
Wells Fargo net income applicable to common stock to average Wells Fargo common stockholders equity (ROE)	**10.40**	8.96	13.70	16	(24)	**9.69**	14.07	(31)
Efficiency ratio (1)	**59.6**	56.5	56.4	5	6	**58.0**	56.3	3
Total revenue	**$ 21,394**	21,448	22,507		(5)	**42,842**	43,524	(2)
Pre-tax pre-provision profit (PTPP) (2)	**8,648**	9,331	9,810	(7)	(12)	**17,979**	19,009	(5)
Dividends declared per common share	**0.05**	0.05	0.05			**0.10**	0.39	(74)
Average common shares outstanding	**5,219.7**	5,190.4	4,483.1	1	16	**5,205.1**	4,365.9	19
Diluted average common shares outstanding	**5,260.8**	5,225.2	4,501.6	1	17	**5,243.0**	4,375.1	20
Average loans	**$ 772,460**	797,389	833,945	(3)	(7)	**784,856**	844,708	(7)
Average assets	**1,224,180**	1,226,120	1,274,926		(4)	**1,225,145**	1,282,280	(4)
Average core deposits (3)	**761,767**	759,169	765,697		(1)	**760,475**	759,845	
Average retail core deposits (4)	**574,436**	573,653	596,648		(4)	**574,059**	593,592	(3)
Net interest margin	**4.38%**	4.27	4.30	3	2	**4.33**	4.23	2
At Period End								
Securities available for sale	**$ 157,927**	162,487	206,795	(3)	(24)	**157,927**	206,795	(24)
Loans	**766,265**	781,430	821,614	(2)	(7)	**766,265**	821,614	(7)
Allowance for loan losses	**24,584**	25,123	23,035	(2)	7	**24,584**	23,035	7
Goodwill	**24,820**	24,819	24,619		1	**24,820**	24,619	1
Assets	**1,225,862**	1,223,630	1,284,176		(5)	**1,225,862**	1,284,176	(5)
Core deposits (3)	**758,680**	756,050	761,122			**758,680**	761,122	
Wells Fargo stockholders equity	**119,772**	116,142	114,623	3	4	**119,772**	114,623	4
Total equity	**121,398**	118,154	121,382	3		**121,398**	121,382	
Tier 1 capital (5)	**101,992**	98,329	102,721	4	(1)	**101,992**	102,721	(1)
Total capital (5)	**141,088**	137,600	144,984	3	(3)	**141,088**	144,984	(3)
Capital ratios:								
Total equity to assets	**9.90%**	9.66	9.45	2	5	**9.90**	9.45	5

Risk-based capital (5)								
Tier 1 capital	**10.51**	9.93	9.80	6	7	**10.51**	9.80	7
Total capital	**14.53**	13.90	13.84	5	5	**14.53**	13.84	5
Tier 1 leverage (5)	**8.66**	8.34	8.32	4	4	**8.66**	8.32	4
Tier 1 common equity (6)	**7.61**	7.09	4.49	7	69	**7.61**	4.49	69
Book value per common share	$ **21.35**	20.76	17.91	3	19	**21.35**	17.91	19
Team members (active, full-time equivalent)	**267,600**	267,400	269,900		(1)	**267,600**	269,900	(1)
Common stock price:								
High	$ **34.25**	31.99	28.45	7	20	**34.25**	30.47	12
Low	**25.52**	26.37	13.65	(3)	87	**25.52**	7.80	227
Period end	**25.60**	31.12	24.26	(18)	6	**25.60**	24.26	6

(1) The efficiency ratio is noninterest expense divided by total revenue (net interest income and noninterest income).

(2) Pre-tax pre-provision profit (PTPP) is total revenue less noninterest expense. Management believes that PTPP is a useful financial measure because it enables investors and others to assess the Company s ability to generate capital to cover credit losses through a credit cycle.

(3) Core deposits are noninterest-bearing deposits, interest-bearing checking, savings certificates, certain market rate and other savings, and certain foreign deposits (Eurodollar sweep balances).

(4)

Retail core deposits are total core deposits excluding Wholesale Banking core deposits and retail mortgage escrow deposits.

(5) See Note 18 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information.

(6) See the Capital Management section in this Report for additional information.

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This Report on Form 10-Q for the quarter ended June 30, 2010, including the Financial Review and the Financial Statements and related Notes, contains forward-looking statements, which may include forecasts of our financial results and condition, expectations for our operations and business, and our assumptions for those forecasts and expectations. Do not unduly rely on forward-looking statements. Actual results may differ materially from our forward-looking statements due to several factors. Some of these factors are described in the Financial Review and in the Financial Statements and related Notes. For a discussion of other factors, refer to the Forward-Looking Statements and Risk Factors sections in this Report and to the Risk Factors and Regulation and Supervision sections of our Annual Report on Form 10-K for the year ended December 31, 2009 (2009 Form 10-K) and the Risk Factors section of our Quarterly Report on Form 10-Q for the period ended March 31, 2010 (First Quarter Form 10-Q), filed with the Securities and Exchange Commission (SEC) and available on the SEC s website at www.sec.gov.

See the Glossary of Acronyms at the end of this Report for terms used throughout the Financial Review, and Financial Statements and related Notes of this Report.

FINANCIAL REVIEW

OVERVIEW

Wells Fargo & Company is a nationwide, diversified, community-based financial services company, with $1.2 trillion in assets, providing banking, insurance, trust and investments, mortgage banking, investment banking, retail banking, brokerage and consumer finance through banking stores, the internet and other distribution channels to individuals, businesses and institutions in all 50 states, the District of Columbia (D.C.) and in other countries. We ranked fourth in assets and third in the market value of our common stock among our peers at June 30, 2010. When we refer to Wells Fargo, the Company, we, our or us in this Report, we mean Wells Fargo & Company and Subsidiaries (consolidat
When we refer to the Parent, we mean Wells Fargo & Company. When we refer to legacy Wells Fargo, we mean Wells Fargo excluding Wachovia Corporation (Wachovia), which was acquired by Wells Fargo on December 31, 2008.

Our vision is to satisfy all our customers financial needs, help them succeed financially, be recognized as the premier financial services company in our markets and be one of America s great companies. Our primary strategy to achieve this vision is to increase the number of products our customers buy from us and to provide them all the financial products that will help them fulfill their needs. Our cross-sell strategy, diversified business model and the breadth of our geographic reach facilitate growth in both strong and weak economic cycles, as we can grow by expanding the number of products our current customers have with us, gain new customers in our extended markets, and increase market share in many businesses. All of our business segments contributed to earnings in second quarter 2010.

Our company earned $3.1 billion ($0.55 diluted earnings per common share) in second quarter 2010, compared with $3.2 billion ($0.57 diluted earnings per common share) in second quarter 2009. This is the fourth time since the Wachovia merger that quarterly net income was greater than $3.0 billion. Net income for the first half of 2010 was $5.6 billion ($1.00 diluted earnings per common share), compared with $6.2 billion ($1.13 diluted earnings per common share) for the first half of 2009. Despite declining loan demand since early last year and lower mortgage hedging results in second quarter, total revenue and pre-tax pre-provision profit remained strong at $21.4 billion and $8.6 billion, respectively. Year-over-year growth in the franchise was driven by our diverse businesses including commercial real estate (CRE) brokerage, wealth management, asset-based lending, merchant services, debit card and global remittance.

Significant items in second quarter 2010 included:

- $500 million release of loan loss reserves, reflecting improved loan portfolio performance;
- $506 million of commercial purchased credit-impaired (PCI) loan resolutions, due to success in selling or settling commercial PCI loans;
- $627 million of operating losses, up $468 million from a year ago, predominantly due to additional litigation accruals;
- $498 million of merger integration expenses, up from $380 million in first quarter 2010; and
- $137 million of severance costs for the Well Fargo Financial restructuring.

In the six quarters since our merger with Wachovia, we have earned cumulative profits of $17.9 billion reflecting the breadth of our business model and the power of the consolidation with Wachovia. Merger integration activities are proceeding on track and the combined company continued to produce financial results including revenue synergies better than our original expectations. We currently expect aggregate merger costs of approximately $5.7 billion ($3.0 billion in aggregate through June 30, 2010). Integration costs were $498 million in second quarter 2010. We currently project $600 million to $650 million in merger costs per quarter in the third and fourth quarters of 2010, before these costs decline in 2011. We continue to expect to achieve $5.0 billion in annual cost savings upon completing the merger integration. We have achieved approximately 80% of run-rate cost savings by the end of second quarter 2010, and expect to achieve 90% by year-end 2010.

Our cross-sell at legacy Wells Fargo set a record in second quarter 2010 with 6.06 Wells Fargo products for retail banking households. Our goal is eight products per customer, which is approximately half of our estimate of potential demand. One of every four of our legacy Wells Fargo retail banking households has eight or more products and our average middle-market commercial banking customer has almost eight products. Wachovia retail bank households had an average of 4.88 Wachovia products. We believe there is potentially significant opportunity for growth from an increase in cross-sell to Wachovia retail bank households. For legacy Wells Fargo, our average middle-market commercial banking customer had an average of 7.7 products and an average of 6.4 products for Wholesale Banking customers. Business banking cross-sell offers another potential opportunity for growth, with cross-sell of 3.88 products at legacy Wells Fargo.

We continued taking actions to build capital and further strengthen our balance sheet, including reducing previously identified non-strategic and liquidating loan portfolios (including the Wells Fargo Financial liquidating portfolio), which declined by $6.9 billion in second quarter 2010 and $40.6 billion cumulatively since the Wachovia acquisition. We significantly built capital in second quarter 2010, driven by strong earnings. Our capital ratios at June 30, 2010, were higher than they were prior to the Wachovia acquisition. Our capital ratios continued to build rapidly, with Tier 1 common reaching 7.61%, up 52 basis points from first quarter 2010, and Tier 1 capital at 10.51%, even with the May 20, 2010, purchase of $540 million of Wells Fargo warrants auctioned by the U.S. Treasury. The Tier 1 leverage ratio increased to 8.66%. See the Capital Management section in this Report for more information regarding Tier 1 common equity.

As we have stated in the past, successful companies must invest in their core businesses and maintain strong balance sheets to consistently grow over the long term. In second quarter 2010, we opened 13 retail banking stores for a retail network total of 6,445 stores. We converted 87 Wachovia banking stores in California in second quarter 2010 and Texas and Kansas store conversions took place in July 2010.

In July 2010, we announced that we will be restructuring the operations of Wells Fargo Financial and closing its store network in the U.S. Due to the restructuring of this business, we recorded $137 million in severance costs in second quarter 2010. The business will largely be realigned into existing retail,

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mortgage banking and commercial business lines. The legacy Wells Fargo Financial debt consolidation portfolio is now considered to be a liquidating or non-strategic portfolio as we are exiting the business of originating non-prime portfolio mortgage loans. Wells Fargo Financial s other consumer loans, such as Federal Housing Administration (FHA) home loans, auto loans and credit cards, will be consolidated with similar products within Community Banking.

Wells Fargo remained one of the largest providers of credit to the U.S. economy in second quarter 2010. We continued to lend to creditworthy customers and, during second quarter 2010, made $150 billion in new loans and commitments to consumer, small business and commercial customers, including $81 billion of residential mortgage originations. We have been an industry leader in loan modifications for homeowners, with more than half a million active and completed trial modifications between January 2009 and June 30, 2010, including 75,577 *Home Affordability Modification Program* (HAMP) active trial and completed modifications, and 429,466 proprietary trial and completed modifications. On March 17, 2010, we announced our participation in the government s *Second-Lien Modification Program* under HAMP to help struggling homeowners with a reduction in their home equity loan payments.

We believe credit quality has turned the corner, with net charge-offs declining to $4.5 billion, down 16% from first quarter 2010 and down 17% from last year s peak quarter. The significant reduction in credit losses in second quarter 2010 confirmed our prior outlook that credit losses peaked in fourth quarter 2009 and provision expense peaked in third quarter 2009. Based on declining losses and across-the-board improved credit quality trends, we released $500 million in loan loss reserves in second quarter 2010. Absent significant deterioration in the economy, we currently expect the positive trend in charge-offs will continue over the coming year and expect future reductions in the allowance for loan losses.

Nonaccrual loan growth in second quarter 2010 decelerated to 2% from first quarter 2010, down significantly from prior quarters. The growth in second quarter 2010 occurred in the real estate portfolios (commercial and residential), which consist of secured loans. Nonaccrual loans in all other loan portfolios were essentially flat or down. New inflows to nonaccrual loans continued to decline (down 18% linked quarter). For additional information, see Balance Sheet Analysis Loan Portfolio and Note 5 (Loans and Allowance for Credit Losses) in this Report.

The improvement in credit quality was also evident in the portfolio of PCI loans, which have continued to perform in line with or better than original expectations at the time of the Wachovia merger. In particular, the Pick-a-Pay portfolio continued to have positive performance trends, resulting in a $1.8 billion transfer from nonaccretable difference to accretable yield in second quarter 2010. This increase in the accretable yield for the Pick-a-Pay portfolio is expected to be recognized as a yield adjustment to income over the remaining life of these loans, which is estimated to have a weighted-average life of eight years. In addition, for commercial PCI loans, due to increased payoffs and dispositions, we reduced the associated nonaccretable difference by $506 million (reflected in income in the second quarter).

The continued improvement in credit performance is a result of a slowly improving economy coupled with actions taken by us over the past several years to improve underwriting standards, mitigate losses and exit portfolios with unattractive credit metrics. We have seen the positive impact of these actions in the current quarter and in projected losses for future quarters.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) became law. The Dodd-Frank Act reshapes and restructures the supervision and regulation of the financial services industry. Although the Dodd-Frank Act became generally effective in July, many of its provisions have extended implementation periods and delayed effective dates and will require extensive

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rulemaking by regulatory authorities. The ultimate impact of the Dodd-Frank Act cannot be determined. See the Risk Factors section of this Report for additional information regarding the Dodd-Frank Act.

EARNINGS PERFORMANCE

Revenue was $21.4 billion in second quarter 2010, essentially flat from first quarter 2010, and down 5% from second quarter 2009. Revenue for the first half of 2010 was $42.8 billion, down 2% from the same period a year ago. Reflecting the breadth and growth potential of the Company s business model, many businesses had double-digit revenue growth from second quarter 2009, including commercial real estate brokerage (deal flow), asset-based lending (loan volume and syndications), merchant services (processing volume), debit cards (increased account activity) and wealth management. Mortgage banking revenues in second quarter 2010 were down 34% from the prior year due to lower origination volumes and a net increase in the mortgage loan repurchase reserve. Net interest income of $11.4 billion declined only 3% from a year ago despite the 7% decline in average loans.

Noninterest expense of $12.7 billion in second quarter 2010 was flat from a year ago. Second quarter 2010 expenses included $498 million of merger integration costs, compared with $244 million a year ago, and $137 million of severance costs related to the Wells Fargo Financial restructuring. Operating losses were $627 million in second quarter 2010, up $468 million from the prior year, predominantly due to additional litigation accruals. Our expenses reflect, in addition to merger integration and credit resolution expenses, our continued investment for long-term growth, hiring in regional and commercial banking as we apply the Wells Fargo business model throughout legacy Wachovia markets, and investing in technology to improve service across the franchise. As of second quarter 2010, we have already realized approximately 80% of our targeted projected run-rate savings from the Wachovia merger. The efficiency ratio was 59.6% in second quarter 2010 compared with 56.5% in first quarter 2010 and 56.4% in second quarter 2009, with the increase largely due to additional merger expenses, litigation accruals and Wells Fargo Financial s restructuring costs.

NET INTEREST INCOME

Net interest income is the interest earned on debt securities, loans (including yield-related loan fees) and other interest-earning assets minus the interest paid for deposits, short-term borrowings and long-term debt. The net interest margin is the average yield on earning assets minus the average interest rate paid for deposits and our other sources of funding. Net interest income and the net interest margin are presented on a taxable-equivalent basis to consistently reflect income from taxable and tax-exempt loans and securities based on a 35% federal statutory tax rate.

Net interest income on a taxable-equivalent basis was $11.6 billion in second quarter 2010 and $11.9 billion in second quarter 2009, reflecting a decline in average loans, including a reduction in loans in the liquidating portfolios. Continued strong growth in consumer and commercial checking and savings accounts partially offset the impact on income from the decline in loans. The net interest margin was 4.38% in second quarter 2010 up from 4.30% a year ago, due to additional PCI loan resolution income and the benefit of lower deposit and market funding costs. Average earning assets were $1.1 trillion in second quarter 2010, flat compared with second quarter 2009. Average loans decreased to $772.5 billion in second quarter 2010 from $833.9 billion a year ago. We continued to supply significant amounts of credit to consumers and businesses in second quarter 2010, although loan demand remained soft. We continued to reduce high-risk/non-strategic loans (including Pick-a-Pay mortgage, legacy Wells Fargo Financial debt consolidation, and commercial and commercial real estate PCI loans), which were down $26.1 billion in second quarter 2010 from a year ago. Average mortgages held for sale (MHFS) were $32.2 billion in second quarter 2010, down from $43.2 billion a year ago. Average debt securities available for sale were $157.6 billion in second quarter 2010, down from $179.0 billion a year ago.

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Core deposits are a low-cost source of funding and thus an important contributor to net interest income and the net interest margin. Core deposits include noninterest-bearing deposits, interest-bearing checking, savings certificates, certain market rate and other savings, and certain foreign deposits (Eurodollar sweep balances). Average core deposits declined to $761.8 billion in second quarter 2010 from $765.7 billion in second quarter 2009, and funded 99% and 92% of average loans in the same periods, respectively. Average checking and savings deposits, typically the lowest cost deposits, represented about 88% of our average core deposits, one of the highest percentages in the industry. Average certificates of deposit (CDs) declined $63 billion from second quarter 2009, predominantly the result of $57 billion of higher-cost Wachovia CDs maturing, yet total average core deposits were down only $3.9 billion from a year ago. Of average core deposits, $672.0 billion represent transaction accounts or low-cost savings accounts from consumer and commercial customers, which increased 10% from $613.3 billion in second quarter 2009. Total average retail core deposits, which exclude Wholesale Banking core deposits and retail mortgage escrow deposits, decreased to $574.4 billion for second quarter 2010 from $596.6 billion a year ago. Average mortgage escrow deposits were $25.7 billion in second quarter 2010, compared with $32.0 billion a year ago. Average certificates of deposits decreased to $89.8 billion in second quarter 2010 from $152.4 billion a year ago. Total average interest-bearing deposits decreased to $635.4 billion in second quarter 2010 from $638.0 billion a year ago.

The following table presents the individual components of net interest income and the net interest margin.

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AVERAGE BALANCES, YIELDS AND RATES PAID (TAXABLE-EQUIVALENT BASIS) (1)(2)

						Quarter ended June 30,
			2010			2009
(in millions)	**Average balance**	**Yields/ rates**	**Interest income/ expense**	Average balance	Yields/ rates	Interest income/ expense
Earning assets						
Federal funds sold, securities purchased under resale agreements and other short-term investments	**$ 67,712**	**0.33%**	**$ 56**	20,889	0.66%	$ 34
Trading assets	**28,760**	**3.79**	**272**	18,464	4.61	213
Debt securities available for sale (3):						
Securities of U.S. Treasury and federal agencies	**2,094**	**3.50**	**18**	2,102	3.45	17
Securities of U.S. states and political subdivisions	**16,192**	**6.48**	**255**	12,189	6.47	206
Mortgage-backed securities:						
Federal agencies	**72,876**	**5.39**	**930**	92,550	5.36	1,203
Residential and commercial	**33,197**	**9.59**	**769**	41,257	9.03	1,044
Total mortgage-backed securities	**106,073**	**6.72**	**1,699**	133,807	6.60	2,247
Other debt securities (4)	**33,270**	**7.21**	**562**	30,901	7.23	572
Total debt securities available for sale (4)	**157,629**	**6.75**	**2,534**	178,999	6.67	3,042
Mortgages held for sale (5)	**32,196**	**5.04**	**405**	43,177	5.05	545
Loans held for sale (5)	**4,386**	**2.73**	**30**	7,188	2.83	50
Loans:						
Commercial and commercial real estate:						
Commercial	**147,965**	**5.44**	**2,009**	187,501	4.11	1,922
Real estate mortgage	**97,731**	**3.89**	**949**	96,131	3.52	843
Real estate construction	**33,060**	**3.44**	**284**	42,023	2.71	284
Lease financing	**13,622**	**9.54**	**325**	14,750	9.22	340
Total commercial and commercial real estate	**292,378**	**4.89**	**3,567**	340,405	3.99	3,389
Consumer:						
Real estate 1-4 family first mortgage	**237,500**	**5.24**	**3,108**	240,798	5.53	3,328
Real estate 1-4 family junior lien mortgage	**102,678**	**4.53**	**1,162**	108,422	4.77	1,290
Credit card	**22,239**	**13.24**	**736**	22,963	12.74	731
Other revolving credit and installment	**88,617**	**6.57**	**1,452**	90,729	6.64	1,502
Total consumer	**451,034**	**5.74**	**6,458**	462,912	5.93	6,851

Foreign	**29,048**	**3.62**	**262**	30,628	4.06	310
Total loans (5)	**772,460**	**5.34**	**10,287**	833,945	5.07	10,550
Other	**6,082**	**3.44**	**53**	6,079	2.91	45
Total earning assets	**$ 1,069,225**	**5.14%**	**$ 13,637**	1,108,741	5.21%	$ 14,479
Funding sources						
Deposits:						
Interest-bearing checking	**$ 61,212**	**0.13%**	**$ 19**	79,955	0.13%	$ 26
Market rate and other savings	**412,062**	**0.26**	**267**	334,067	0.40	336
Savings certificates	**89,773**	**1.44**	**323**	152,444	1.19	451
Other time deposits	**14,936**	**1.90**	**72**	21,660	2.00	108
Deposits in foreign offices	**57,461**	**0.23**	**33**	49,885	0.29	36
Total interest-bearing deposits	**635,444**	**0.45**	**714**	638,011	0.60	957
Short-term borrowings	**45,082**	**0.22**	**25**	59,844	0.39	58
Long-term debt	**195,440**	**2.52**	**1,233**	235,590	2.52	1,484
Other liabilities	**6,737**	**3.33**	**55**	4,604	3.45	40
Total interest-bearing liabilities	**882,703**	**0.92**	**2,027**	938,049	1.08	2,539
Portion of noninterest-bearing funding sources	**186,522**			170,692		
Total funding sources	**$ 1,069,225**	**0.76**	**2,027**	1,108,741	0.91	2,539
Net interest margin and net interest income on a taxable-equivalent basis (6)		**4.38%**	**$ 11,610**		4.30%	$ 11,940
Noninterest-earning assets						
Cash and due from banks	**$ 17,415**			19,340		
Goodwill	**24,820**			24,261		
Other	**112,720**			122,584		
Total noninterest-earning assets	**$ 154,955**			166,185		
Noninterest-bearing funding sources						
Deposits	**$ 176,908**			174,529		
Other liabilities	**43,713**			49,570		
Total equity	**120,856**			112,778		
Noninterest-bearing funding sources used to fund earning assets	**(186,522)**			(170,692)		
Net noninterest-bearing funding sources	**$ 154,955**			166,185		
Total assets	**$ 1,224,180**			1,274,926		

(1) Our average prime rate was 3.25% for

the quarters ended June 30, 2010 and 2009, and 3.25% for the first half of 2010 and 2009. The average three-month London Interbank Offered Rate (LIBOR) was 0.44% and 0.84% for the quarters ended June 30, 2010 and 2009, respectively, and 0.35% and 1.04% for the first half of 2010 and 2009, respectively.

(2) Interest rates and amounts include the effects of hedge and risk management activities associated with the respective asset and liability categories.

(3) Yields and rates are based on interest income/expense amounts for the period, annualized based on the accrual basis for the respective accounts. The average balance amounts include the effects of any unrealized gain or loss marks but those marks carried in other comprehensive income are not included in yield determination of affected earning

assets. Thus yields are based on amortized cost balances computed on a settlement date basis.

(4) Includes certain preferred securities.

(5) Nonaccrual loans and related income are included in their respective loan categories.

(6) Includes taxable-equivalent adjustments primarily related to tax-exempt income on certain loans and securities. The federal statutory tax rate was 35% for the periods presented.

				Six months ended June 30,		
			2010			2009
(in millions)	**Average balance**	**Yields/ rates**	**Interest income/ expense**	Average balance	Yields/ rates	Interest income/ expense
Earning assets						
Federal funds sold, securities purchased under resale agreements and other short-term investments	**$ 54,347**	**0.33%**	**$ 89**	22,472	0.75%	$ 84
Trading assets	**28,338**	**3.85**	**544**	20,323	4.81	488
Debt securities available for sale (3):						
Securities of U.S. Treasury and federal agencies	**2,186**	**3.56**	**38**	2,498	2.00	24
Securities of U.S. states and political subdivisions	**14,951**	**6.53**	**476**	12,201	6.45	419
Mortgage-backed securities:						
Federal agencies	**76,284**	**5.39**	**1,953**	84,592	5.51	2,271
Residential and commercial	**32,984**	**9.63**	**1,559**	39,980	8.80	2,061
Total mortgage-backed securities	**109,268**	**6.70**	**3,512**	124,572	6.71	4,332
Other debt securities (4)	**32,810**	**6.86**	**1,054**	30,493	7.02	1,123
Total debt securities available for sale (4)	**159,215**	**6.67**	**5,080**	169,764	6.68	5,898
Mortgages held for sale (5)	**31,784**	**4.99**	**792**	37,151	5.17	960
Loans held for sale (5)	**5,390**	**2.39**	**64**	7,567	3.13	117
Loans:						
Commercial and commercial real estate:						
Commercial	**152,192**	**4.97**	**3,752**	192,186	3.99	3,806
Real estate mortgage	**97,848**	**3.79**	**1,839**	96,087	3.52	1,678
Real estate construction	**34,448**	**3.25**	**555**	42,370	2.86	601
Lease financing	**13,814**	**9.38**	**648**	15,277	8.99	687
Total commercial and commercial real estate	**298,302**	**4.59**	**6,794**	345,920	3.94	6,772
Consumer:						
Real estate 1-4 family first mortgage	**241,241**	**5.25**	**6,318**	243,133	5.59	6,772
Real estate 1-4 family junior lien mortgage	**104,151**	**4.50**	**2,330**	109,270	4.91	2,665
Credit card	**22,789**	**13.20**	**1,503**	23,128	12.42	1,435
Other revolving credit and installment	**89,566**	**6.49**	**2,879**	91,770	6.66	3,029
Total consumer	**457,747**	**5.72**	**13,030**	467,301	5.98	13,901
Foreign	**28,807**	**3.62**	**518**	31,487	4.22	659

Total loans (5)	**784,856**	**5.21**	**20,342**	844,708	5.08	21,332
Other	**6,075**	**3.40**	**103**	6,110	2.89	88
Total earning assets	**$ 1,070,005**	**5.10%**	**$ 27,014**	1,108,095	5.22%	$ 28,967
Funding sources						
Deposits:						
Interest-bearing checking	**$ 61,614**	**0.14%**	**$ 42**	80,173	0.14%	$ 56
Market rate and other savings	**408,026**	**0.27**	**553**	323,813	0.47	755
Savings certificates	**92,254**	**1.40**	**640**	161,234	1.05	838
Other time deposits	**15,405**	**1.97**	**152**	23,597	1.98	232
Deposits in foreign offices	**56,453**	**0.22**	**62**	47,901	0.32	75
Total interest-bearing deposits	**633,752**	**0.46**	**1,449**	636,718	0.62	1,956
Short-term borrowings	**45,082**	**0.20**	**44**	67,911	0.54	181
Long-term debt	**202,186**	**2.48**	**2,509**	247,209	2.65	3,267
Other liabilities	**6,203**	**3.38**	**104**	4,194	3.64	76
Total interest-bearing liabilities	**887,223**	**0.93**	**4,106**	956,032	1.15	5,480
Portion of noninterest-bearing funding sources	**182,782**			152,063		
Total funding sources	**$ 1,070,005**	**0.77**	**4,106**	1,108,095	0.99	5,480
Net interest margin and net interest income on a taxable-equivalent basis (6)		**4.33%**	**$ 22,908**		4.23%	$ 23,487
Noninterest-earning assets						
Cash and due from banks	**$ 17,730**			19,795		
Goodwill	**24,818**			23,725		
Other	**112,592**			130,665		
Total noninterest-earning assets	**$ 155,140**			174,185		
Noninterest-bearing funding sources						
Deposits	**$ 174,487**			167,458		
Other liabilities	**44,224**			50,064		
Total equity	**119,211**			108,726		
Noninterest-bearing funding sources used to fund earning assets	**(182,782)**			(152,063)		
Net noninterest-bearing funding sources	**$ 155,140**			174,185		
Total assets	**$ 1,225,145**			1,282,280		

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NONINTEREST INCOME

(in millions)	Quarter ended June 30, 2010	2009	% Change	Six months ended June 30, 2010	2009	% Change
Service charges on deposit accounts	**$ 1,417**	1,448	(2)%	**$ 2,749**	2,842	(3)%
Trust and investment fees:						
Trust, investment and IRA fees	**1,035**	839	23	**2,084**	1,561	34
Commissions and all other fees	**1,708**	1,574	9	**3,328**	3,067	9
Total trust and investment fees	**2,743**	2,413	14	**5,412**	4,628	17
Card fees	**911**	923	(1)	**1,776**	1,776	
Other fees:						
Cash network fees	**58**	58		**113**	116	(3)
Charges and fees on loans	**401**	440	(9)	**820**	873	(6)
Processing and all other fees	**523**	465	12	**990**	875	13
Total other fees	**982**	963	2	**1,923**	1,864	3
Mortgage banking (1):						
Servicing income, net	**1,218**	816	49	**2,584**	1,722	50
Net gains on mortgage loan origination/sales activities	**793**	2,230	(64)	**1,897**	3,828	(50)
Total mortgage banking	**2,011**	3,046	(34)	**4,481**	5,550	(19)
Insurance	**544**	595	(9)	**1,165**	1,176	(1)
Net gains from trading activities	**109**	749	(85)	**646**	1,536	(58)
Net gains (losses) on debt securities available for sale	**30**	(78)	NM	**58**	(197)	NM
Net gains (losses) from equity investments	**288**	40	620	**331**	(117)	NM
Operating leases	**329**	168	96	**514**	298	72
All other	**581**	476	22	**1,191**	1,028	16
Total	**$ 9,945**	10,743	(7)	**$ 20,246**	20,384	(1)

NM Not meaningful

(1) 2009 categories have been

revised to
conform to
current
presentation.

Noninterest income represented 46% and 47% of total revenues for the second quarter and first half of 2010, respectively, compared with 48% and 47%, respectively, for the same periods a year ago. Noninterest income was down 7% year over year, predominantly due to lower mortgage banking hedge results.

The Federal Reserve Board (FRB) announced regulatory changes to debit card and ATM overdraft practices in fourth quarter 2009. In third quarter 2009, we also announced policy changes that should help customers limit overdraft and returned item fees. We currently estimate that the combination of these changes will reduce our 2010 fee revenue by approximately $225 million (after tax) in third quarter 2010 and $275 million in fourth quarter 2010. The actual impact in 2010 and future periods could vary due to a variety of factors, including changes in customer behavior, economic conditions and other potential offsetting factors.

We earn fees on trust, investment and IRA (Individual Retirement Account) accounts from managing and administering assets, including mutual funds, corporate trust, personal trust, employee benefit trust and agency assets. At June 30, 2010, these assets totaled $1.9 trillion, up 12% from $1.7 trillion a year ago, primarily reflecting a 12% increase in the S&P 500 over the same period. Trust, investment and IRA fees are primarily based on a tiered scale relative to the market value of the assets under management or administration. These fees increased to $1.0 billion in second quarter 2010 from $839 million a year ago.

We received commissions and other fees for providing services to full-service and discount brokerage customers of $1.7 billion in second quarter 2010 and $1.6 billion a year ago. These fees include transactional commissions, which are based on the number of transactions executed at the customer s direction, and asset-based fees, which are based on the market value of the customer s assets. Client assets totaled $1.1 trillion at June 30, 2010, up from $1.0 trillion a year ago. Commissions and other fees also include fees from investment banking activities including equity and bond underwriting.

Card fees were $911 million in second quarter 2010, down from $923 million a year ago. Recent legislative and regulatory changes limit our ability to increase interest rates and assess certain fees on card accounts. The anticipated net impact in third quarter 2010 related to these changes is estimated to be $30 million (after tax). The actual impact in 2010 and future periods could vary due to a variety of factors, including changes in customer behavior, economic conditions and other potential offsetting factors.

Mortgage banking noninterest income was $2.0 billion in second quarter 2010, down from $3.0 billion a year ago. The reduction in mortgage banking noninterest income is primarily driven by the decline in net gains on mortgage loan origination/sales activities of $1.4 billion to $793 million for second quarter 2010 from $2.2 billion for second quarter 2009, primarily due to lower origination volumes and a net increase in the mortgage loan repurchase reserve. Residential real estate originations were $81 billion in second quarter 2010, down 37% from $129 billion a year ago. The 1-4 family first mortgage unclosed pipeline was $68 billion at June 30, 2010, and $57 billion at December 31, 2009. For additional information, see the Risk Management Mortgage Banking Interest Rate and Market Risk section and Note 1 (Summary of Significant Accounting Policies), Note 8 (Mortgage Banking Activities) and Note 12 (Fair Values of Assets and Liabilities) to Financial Statements in this Report.

Net gains on mortgage loan origination/sales activities include the cost of any additions to the mortgage repurchase reserve as well as adjustments of loans in the warehouse/pipeline for changes in market conditions that affect their value. Mortgage loans are repurchased based on standard representations and warranties and early payment default clauses in mortgage sale contracts. Additions to the mortgage repurchase reserve that were charged against net gains on mortgage loan origination/sales activities during second quarter 2010 were $382 million and $784 million for the first half of 2010. For additional information about mortgage loan repurchases, see the Risk Management Credit Risk Management Process Reserve for Mortgage Loan Repurchase Losses section and Note 7 (Securitizations and Variable Interest Entities) to Financial Statements in this Report.

The reduction in net gains on mortgage loan origination/sales activities was partially offset by an increase in net servicing income. Net servicing income increased $402 million from a year ago primarily due to growth in the servicing portfolio, reduced mortgage servicing rights (MSR) amortization due to lower payoffs, and lower servicing foreclosure costs due to more loan modifications and loss mitigation activities in addition to stabilization in the delinquencies in our servicing portfolio. In addition to servicing fees, net servicing income includes both changes in the fair value of MSRs during the period as well as changes in the value of derivatives (economic hedges) used to hedge the MSRs. Net servicing income for second quarter 2010 included a $626 million net MSRs valuation gain ($2.7 billion decrease in the fair value of the MSRs offsetting a $3.3 billion hedge gain) and for second quarter 2009 included a $1.0 billion net MSRs valuation gain ($2.3 billion increase in the fair value of MSRs partially offsetting a $1.3 billion hedge loss). See the Risk Management Mortgage Banking Interest Rate and Market Risk section of this Report for additional information regarding our MSRs risks and hedging approach. At June 30, 2010, the ratio of MSRs to related loans serviced for others was 0.76% compared with 0.91% at December 31, 2009. The average note rate was 5.53%, the lowest since we reentered the servicing business.

Income from trading activities was a $109 million gain in second quarter 2010, down from a $749 million gain a year ago. This decrease was driven by challenging market conditions and continued reductions in risk positions in this business, since the merger with Wachovia, while continuing to support customer-related activities.

Aggregate net gains on debt securities available for sale and equity securities totaled $318 million in second quarter 2010, compared with net losses of $38 million a year ago. The year-over-year

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improvement was due to lower impairment write-downs of $168 million in second quarter 2010, down from $463 million a year ago. For additional information, see the Balance Sheet Analysis Securities Available for Sale section and Note 4 (Securities Available for Sale) to Financial Statements in this Report.

Operating lease income was $329 million in second quarter 2010, up $161 million from a year ago primarily due to gains on early lease terminations.

The increase in All other noninterest income to $581 million in second quarter 2010 from $476 million a year ago was due to gains on loan sales.

NONINTEREST EXPENSE

	Quarter ended June 30,		%	Six months ended June 30,		%
(in millions)	**2010**	2009	Change	**2010**	2009	Change
Salaries	**$ 3,564**	3,438	4%	**$ 6,878**	6,824	1%
Commission and incentive compensation	**2,225**	2,060	8	**4,217**	3,884	9
Employee benefits	**1,063**	1,227	(13)	**2,385**	2,511	(5)
Equipment	**588**	575	2	**1,266**	1,262	
Net occupancy	**742**	783	(5)	**1,538**	1,579	(3)
Core deposit and other intangibles	**553**	646	(14)	**1,102**	1,293	(15)
FDIC and other deposit assessments	**295**	981	(70)	**596**	1,319	(55)
Outside professional services	**572**	451	27	**1,056**	861	23
Contract services	**384**	256	50	**731**	472	55
Foreclosed assets	**333**	187	78	**719**	435	65
Outside data processing	**276**	282	(2)	**548**	494	11
Postage, stationery and supplies	**230**	240	(4)	**472**	490	(4)
Operating losses	**627**	159	294	**835**	331	152
Insurance	**164**	259	(37)	**312**	526	(41)
Telecommunications	**156**	164	(5)	**299**	322	(7)
Travel and entertainment	**196**	131	50	**367**	236	56
Advertising and promotion	**156**	111	41	**268**	236	14
Operating leases	**27**	61	(56)	**64**	131	(51)
All other	**595**	686	(13)	**1,210**	1,309	(8)
Total	**$ 12,746**	12,697		**$ 24,863**	24,515	1

Noninterest expense was $12.7 billion in second quarter 2010, flat compared with $12.7 billion in second quarter 2009, and included $498 million and $244 million of merger integration costs for the same periods, respectively. Noninterest expense in second quarter 2010 also included $137 million of severance costs related to the Wells Fargo Financial restructuring. Foreclosed assets expense was $333 million in second quarter 2010, up 78% from a year ago due to a $2.5 billion increase in foreclosed assets year over year, including $1.6 billion of foreclosed loans in the PCI portfolio that are now recorded as foreclosed assets. Operating losses were $627 million, up $468 million from a year ago, predominantly due to additional litigation accruals. The $128 million increase in contract services from a year ago was merger related. Of our approximately $5.7 billion of estimated total Wachovia merger integration costs

($3.0 billion in aggregate through June 30, 2010), we expect to incur approximately $2.1 billion in 2010, of which $878 million was recorded in the first half of 2010, as we convert banking stores and lines of business, and continue to build infrastructure.

Federal Deposit Insurance Corporation (FDIC) and other deposit assessments were $295 million in second quarter 2010, down from $981 million a year ago, which included additional assessments related to the FDIC Transaction Account Guarantee Program and the FDIC special assessment of $565 million. The $95 million decline in insurance expense from second quarter 2009 was predominantly due to lower insurance reserves at our captive mortgage reinsurance operation for second quarter 2009.

In addition to merger integration, we continued to invest for long-term growth throughout the Company, hiring in regional banking and commercial banking as we apply Wells Fargo s model to the eastern markets, and investing in technology to improve service across our franchise. We converted 87 Wachovia

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banking stores in California in second quarter 2010 and opened 13 banking stores in the quarter for a retail network total of 6,445 stores.

INCOME TAX EXPENSE

Our effective income tax rate was 33.1% in second quarter 2010, up from 31.8% in second quarter 2009, and was 34.2% for the first half of 2010, up from 32.8% for the first half of 2009. The increase for the first half of 2010 was partly due to additional tax expense in 2010 related to the new health care legislation and fewer favorable settlements with tax authorities.

OPERATING SEGMENT RESULTS

We have three lines of business for management reporting: Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement. We define our operating segments by product and customer. Our management accounting process measures the performance of the operating segments based on our management structure and is not necessarily comparable with similar information for other financial services companies.

The table below and the following discussion present our results by operating segment. For a more complete description of our operating segments, including additional financial information and the underlying management accounting process, see Note 16 (Operating Segments) to Financial Statements in this Report.

OPERATING SEGMENT RESULTS HIGHLIGHTS

	Community Banking		Wholesale Banking		Wealth, Brokerage and Retirement	
(in billions)	**2010**	2009	**2010**	2009	**2010**	2009
Quarter ended June 30,						
Revenue	**$ 13.7**	15.2	**5.7**	5.2	**2.9**	2.8
Net income	**1.8**	2.1	**1.4**	1.1	**0.3**	0.3
Average loans	**539.1**	565.8	**223.4**	258.4	**42.6**	46.0
Average core deposits	**533.4**	565.6	**161.5**	137.4	**121.5**	113.5
Six months ended June 30,						
Revenue	**$ 27.8**	29.6	**11.0**	10.1	**5.8**	5.3
Net income	**3.2**	4.0	**2.6**	2.2	**0.6**	0.4
Average loans	**547.1**	566.8	**227.8**	268.3	**43.2**	46.3
Average core deposits	**532.8**	560.3	**161.2**	138.5	**121.3**	108.2

Community Banking offers a complete line of diversified financial products and services for consumers and small businesses including investment, insurance and trust services in 39 states and D.C., and mortgage and home equity loans in all 50 states and D.C.

Community Banking s net income decreased 14% to $1.8 billion in second quarter 2010 from $2.1 billion a year ago. Revenue decreased to $13.7 billion and $27.8 billion in the second quarter and first half of 2010, respectively, from $15.2 billion and $29.6 billion for the same periods a year ago. Net interest income decreased $840 million, or 9%, in second quarter 2010 from a year ago driven by the planned reduction in certain liquidating loan portfolios. Average loans decreased $26.7 billion, or 5%, in second quarter 2010 from a year ago, due to the run-off of liquidating loan portfolios and low demand. Average core deposits decreased $32.2 billion in second quarter 2010 from a year ago, primarily due to

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$57 billion of higher cost Wachovia CDs maturing, partially offset by $31 billion of largely lower-cost CDs retained, and growth in customer deposits. Noninterest income decreased $671 million, or 11%, driven primarily by lower mortgage banking income. The provision for loan losses decreased $946 million, or 22%, due to lower net charge-offs and a $389 million credit reserve release in second quarter 2010 compared with a $479 million credit reserve build a year ago. Noninterest expense decreased $211 million, or 3%, due to the FDIC special assessment in second quarter 2009 and Wachovia merger-related cost savings.

Wholesale Banking provides financial solutions to businesses across the United States with annual sales generally in excess of $10 million and financial institutions globally. Products include middle market banking, corporate banking, commercial real estate, treasury management, asset-based lending, insurance brokerage, foreign exchange, correspondent banking, trade services, specialized lending, equipment finance, corporate trust, investment banking, capital markets, and asset management.

Wholesale Banking s net income of $1.4 billion in second quarter 2010 was up 32% from second quarter 2009. Net income increased to $2.6 billion for the first half of 2010 from $2.2 billion a year ago. Wholesale banking results for second quarter 2010 included $495 million in commercial PCI loan resolutions, substantially all of which was recognized in net interest income, due to success in selling or settling commercial PCI loans. Net interest income of $3.0 billion in second quarter 2010 increased 21% from $2.5 billion a year ago, due to the commercial PCI loan resolutions, offset by lower average loans. Average loans of $223.4 billion declined 14% from second quarter 2009 driven by declines across most lending areas. Average core deposits of $161.5 billion in second quarter 2010 increased 18% from $137.4 billion a year ago driven by growth in both interest-bearing and non-interest bearing deposits primarily in global financial institutions, government and institutional banking and commercial banking. The provision for credit losses declined $112 million from second quarter 2009. The decrease included a $111 million reserve release in the second quarter 2010 compared with a $162 million credit reserve build a year ago. Noninterest income of $2.7 billion in second quarter 2010 decreased 4% from $2.8 billion a year ago. The decline was driven primarily by lower capital markets related trading results as well as lower investment banking revenues. Noninterest expense of $2.8 billion in second quarter 2010 increased 1% from a year ago as higher legal and foreclosed asset expenses were partially offset by lower personnel expense and FDIC assessments.

Wealth, Brokerage and Retirement provides a full range of financial advisory services to clients using a planning approach to meet each client s needs. Wealth Management provides affluent and high net worth clients with a complete range of wealth management solutions including financial planning, private banking, credit, investment management and trust. Family Wealth meets the unique needs of the ultra high net worth customers. Retail brokerage s financial advisors serve customers advisory, brokerage and financial needs as part of one of the largest full-service brokerage firms in the U.S. Retirement is a national leader in providing institutional retirement and trust services (including 401(k) and pension plan record keeping) for businesses, retail retirement solutions for individuals, and reinsurance services for the life insurance industry.

Wealth, Brokerage and Retirement s net income increased 5% to $270 million in second quarter 2010 from $258 million a year ago. Net income increased to $552 million in the first half of 2010, up from $434 million a year ago. Revenue increased to $2.9 billion and $5.8 billion in the second quarter and first half of 2010, respectively, from $2.8 billion and $5.3 billion a year ago. Net interest income increased 7% to $684 million from $637 million a year ago, predominantly due to higher corporate investment allocation. Average loans decreased 7% to $42.6 billion in second quarter 2010 from $46.0 billion a year ago. The provision for credit losses decreased $30 million to $81 million in second quarter 2010 from $111 million a year ago, primarily due to second quarter 2009 reserve build. Noninterest expense

increased $50 million, 2%, to $2.4 billion in second quarter 2010 from $2.3 billion a year ago predominantly due to higher broker commissions on increased production.

BALANCE SHEET ANALYSIS

During second quarter 2010, our total assets, loans and core deposits each decreased slightly from December 31, 2009, but the strength of our business model continued to produce high rates of internal capital generation as reflected in our improved capital ratios. As a percentage of total risk-weighted assets, Tier 1 capital increased to 10.5%, total capital to 14.5%, Tier 1 leverage to 8.7% and Tier 1 common equity to 7.6% at June 30, 2010, up from 9.3%, 13.3%, 7.9% and 6.5%, respectively, at December 31, 2009. The Company purchased $540 million of warrants from the U.S. Treasury during second quarter 2010, which reduced the Tier 1 common ratio by approximately 5 basis points. The loan portfolio is now predominantly funded with core deposits and we have significant capacity to add higher yielding long-term mortgage-backed securities (MBS) for future revenue and earnings growth.

The following sections provide additional information about the major components of our balance sheet. Capital is discussed in the Capital Management section of this Report.

SECURITIES AVAILABLE FOR SALE

		June 30, 2010			December 31, 2009	
(in billions)	**Cost**	**Net unrealized gain**	**Fair value**	Cost	Net unrealized gain	Fair value
Debt securities available for sale	**$ 144.8**	**8.0**	**152.8**	162.3	4.8	167.1
Marketable equity securities	**4.5**	**0.6**	**5.1**	4.8	0.8	5.6
Total securities available for sale	**$ 149.3**	**8.6**	**157.9**	167.1	5.6	172.7

Securities available for sale consist of both debt and marketable equity securities. We hold debt securities available for sale primarily for liquidity, interest rate risk management and long-term yield enhancement. Accordingly, this portfolio consists primarily of very liquid, high-quality federal agency debt and privately issued MBS. The total net unrealized gains on securities available for sale of $8.6 billion at June 30, 2010, were up from $5.6 billion at December 31, 2009, due to a general decline in long-term yields and narrowing of credit spreads.

Comparative detail of average balances of securities available for sale is provided in the table under Earnings Performance Net Interest Income earlier in this Report.

We analyze securities for other-than-temporary impairment (OTTI) on a quarterly basis, or more often if a potential loss-triggering event occurs. The initial indication of OTTI for both debt and equity securities is a decline in the market value below the amount recorded for an investment, and the severity and duration of the decline. In determining whether an impairment is other than temporary, we consider the length of time and the extent to which the market value has been below cost, recent events specific to the issuer, including investment downgrades by rating agencies and economic conditions within its industry, and whether it is more likely than not that we will be required to sell the security before a recovery in value.

At June 30, 2010, we had approximately $6 billion of investments in securities, primarily municipal bonds, which are guaranteed against loss by bond insurers. These securities are predominantly investment grade and were generally underwritten in accordance with our own investment standards prior to the determination to purchase, without relying on the bond insurer s guarantee in making the investment

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decision. These securities will continue to be monitored as part of our on-going impairment analysis of our securities available for sale, but are expected to perform, even if the rating agencies reduce the credit rating of the bond insurers. The weighted-average expected maturity of debt securities available for sale was 5.0 years at June 30, 2010. Since 69% of this portfolio is MBS, the expected remaining maturity may differ from contractual maturity because borrowers generally have the right to prepay obligations before the underlying mortgages mature. The estimated effect of a 200 basis point increase or decrease in interest rates on the fair value and the expected remaining maturity of the MBS available for sale are shown in the following table.

MORTGAGE-BACKED SECURITIES INTEREST RATE SENSITIVITY ANALYSIS

(in billions)	Fair value	Net unrealized gains (losses)	Expected remaining maturity (in years)
At June 30, 2010	$ 105.1	6.2	3.7
At June 30, 2010, assuming a 200 basis point:			
Increase in interest rates	97.3	(1.6)	5.6
Decrease in interest rates	109.3	10.4	2.9

See Note 4 (Securities Available for Sale) to Financial Statements in this Report for securities available for sale by security type.

LOAN PORTFOLIO

	June 30, 2010			December 31, 2009		
(in millions)	**PCI loans**	**All other loans**	**Total**	PCI loans	All other loans	Total
Commercial and commercial real estate:						
Commercial	**$ 1,113**	**144,971**	**146,084**	1,911	156,441	158,352
Real estate mortgage	**3,487**	**96,139**	**99,626**	4,137	93,390	97,527
Real estate construction	**4,194**	**26,685**	**30,879**	5,207	31,771	36,978
Lease financing		**13,492**	**13,492**		14,210	14,210
Total commercial and commercial real estate	**8,794**	**281,287**	**290,081**	11,255	295,812	307,067
Consumer:						
Real estate 1-4 family first mortgage	**35,972**	**197,840**	**233,812**	38,386	191,150	229,536
Real estate 1-4 family junior lien mortgage	**290**	**101,037**	**101,327**	331	103,377	103,708
Credit card		**22,086**	**22,086**		24,003	24,003
Other revolving credit and installment		**88,485**	**88,485**		89,058	89,058

Total consumer	**36,262**	**409,448**	**445,710**	38,717	407,588	446,305
Foreign	**1,457**	**29,017**	**30,474**	1,733	27,665	29,398
Total loans	**$ 46,513**	**719,752**	**766,265**	51,705	731,065	782,770

A discussion of average loan balances and a comparative detail of average loan balances is included in Earnings Performance Net Interest Income earlier in this Report; period-end balances and other loan related information are in Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

As of December 31, 2008, certain of the loans acquired from Wachovia had evidence of credit deterioration since their origination, and it was probable that we would not collect all contractually required principal and interest payments. Such loans identified at the time of the acquisition were accounted for using the measurement provisions for PCI loans. PCI loans were recorded at fair value at the date of acquisition, and any related allowance for loan losses was not permitted to be carried over.

PCI loans were written down to an amount estimated to be collectible. Accordingly, such loans are not classified as nonaccrual, even though they may be contractually past due, because we expect to fully collect the new carrying values of such loans (that is, the new cost basis arising out of our purchase accounting).

A nonaccretable difference was established in purchase accounting for PCI loans to absorb losses expected at that time on those loans. Amounts absorbed by the nonaccretable difference do not affect the income statement or the allowance for credit losses. Substantially all of our commercial, CRE and foreign PCI loans are accounted for as individual loans. Conversely, Pick-a-Pay and other consumer PCI loans have been aggregated into several pools based on common risk characteristics. Each pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. Resolutions of loans may include sales of loans to third parties, receipt of payments in settlement with the borrower, or foreclosure of the collateral. Our policy is to remove an individual loan from a pool based on comparing the amount received from its resolution with its contractual amount. Any difference between these amounts is absorbed by the nonaccretable difference. This removal method assumes that the amount received from resolution approximates pool performance expectations. The remaining accretable yield balance is unaffected and any material change in remaining effective yield caused by this removal method is addressed by our quarterly cash flow evaluation process for each pool. For loans in pools that are resolved by payment in full, there is no release of the nonaccretable difference since there is no difference between the amount received at resolution and the contractual amount of the loan. In second quarter 2010, we recognized in income $506 million of nonaccretable difference related to commercial PCI loans due to payoffs and dispositions of these loans, compared with $182 million in first quarter 2010. We also transferred $1.9 billion from the nonaccretable difference to the accretable yield, of which $1.8 billion was due to sustained positive performance in the Pick-a-Pay portfolio. The increase in the accretable yield for the Pick-a-Pay portfolio had no impact on second quarter 2010 net income and is expected to be recognized as a yield adjustment to income over the remaining life of the loans, which is estimated to have a weighted-average life of eight years.

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The following table provides an analysis of changes in the nonaccretable difference related to principal that is not expected to be collected for the second quarter and first half of 2010.

CHANGES IN NONACCRETABLE DIFFERENCE FOR PCI LOANS

(in millions)	Commercial, CRE and foreign	Pick-a-Pay	Other consumer	Total
Balance, December 31, 2008	$ 10,410	26,485	4,069	40,964
Release of nonaccretable difference due to:				
Loans resolved by settlement with borrower (1)	(330)			(330)
Loans resolved by sales to third parties (2)	(86)		(85)	(171)
Reclassification to accretable yield for loans with improving cash flows (3)	(138)	(27)	(276)	(441)
Use of nonaccretable difference due to:				
Losses from loan resolutions and write-downs (4)	(4,853)	(10,218)	(2,086)	(17,157)
Balance, December 31, 2009	**5,003**	**16,240**	**1,622**	**22,865**
Release of nonaccretable difference due to:				
Loans resolved by settlement with borrower (1)	**(586)**			**(586)**
Loans resolved by sales to third parties (2)	**(102)**			**(102)**
Reclassification to accretable yield for loans with improving cash flows (3)	**(169)**	**(2,356)**	**(70)**	**(2,595)**
Use of nonaccretable difference due to:				
Losses from loan resolutions and write-downs (4)	**(1,223)**	**(1,892)**	**(263)**	**(3,378)**
Balance, June 30, 2010	**$ 2,923**	**11,992**	**1,289**	**16,204**
Balance, March 31, 2010	**$ 4,001**	**14,514**	**1,412**	**19,927**
Release of nonaccretable difference due to:				
Loans resolved by settlement with borrower (1)	**(440)**			**(440)**
Loans resolved by sales to third parties (2)	**(66)**			**(66)**
Reclassification to accretable yield for loans with improving cash flows (3)	**(77)**	**(1,807)**	**(43)**	**(1,927)**
Use of nonaccretable difference due to:				
Losses from loan resolutions and write-downs (4)	**(495)**	**(715)**	**(80)**	**(1,290)**
Balance, June 30, 2010	**$ 2,923**	**11,992**	**1,289**	**16,204**

(1) Release of the nonaccretable difference for settlement with borrower, on individually

accounted PCI loans, increases interest income in the period of settlement. Pick-a-Pay and Other consumer PCI loans do not reflect nonaccretable difference releases due to pool accounting for those loans, which assumes that the amount received approximates the pool performance expectations.

(2) Release of the nonaccretable difference as a result of sales to third parties increases noninterest income in the period of the sale.

(3) Reclassification of nonaccretable difference for increased cash flow estimates to the accretable yield will result in increasing income and thus the rate of return realized. Amounts reclassified to accretable yield are expected to be probable of realization over the estimated remaining life of the loan.

(4) Write-downs to net realizable value of PCI loans are charged to the nonaccretable difference when severe delinquency (normally 180 days) or other indications of severe borrower financial stress exist that indicate there will be a loss of contractually due amounts upon final resolution of the loan.

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Since the Wachovia acquisition, we have released $4.2 billion in nonaccretable difference, including $3.0 billion transferred from the nonaccretable difference to the accretable yield and $1.2 billion released through loan resolutions. We provided $1.2 billion in the allowance for credit losses in excess of the initial expected levels on certain PCI loans; the net result is a $3.0 billion improvement in our initial projected losses on PCI loans. At June 30, 2010, the allowance for credit losses in excess of initial expected levels on certain PCI loans was $225 million. The following table analyzes the actual and projected loss results on PCI loans since the acquisition of Wachovia on December 31, 2008, through June 30, 2010.

(in millions)	Commercial, CRE and foreign	Pick-a-Pay	Other consumer	Total
Release of unneeded nonaccretable difference due to:				
Loans resolved by settlement with borrower (1)	$ 916			916
Loans resolved by sales to third parties (2)	188		85	273
Reclassification to accretable yield for loans with improving cash flows (3)	307	2,383	346	3,036
Total releases of nonaccretable difference due to better than expected losses	1,411	2,383	431	4,225
Provision for worse than originally expected losses (4)	(1,226)		(29)	(1,255)
Actual and projected losses on PCI loans better (worse) than originally expected	$ 185	2,383	402	2,970

(1) Release of the nonaccretable difference for settlement with borrower, on individually accounted PCI loans, increases interest income in the period of settlement. Pick-a-Pay and Other consumer PCI loans do not reflect nonaccretable difference releases due to pool accounting for those loans, which assumes that the amount

received approximates the pool performance expectations.

(2) Release of the nonaccretable difference as a result of sales to third parties increases noninterest income in the period of the sale.

(3) Reclassification of nonaccretable difference for increased cash flow estimates to the accretable yield will result in increasing income and thus the rate of return realized. Amounts reclassified to accretable yield are expected to be probable of realization over the estimated remaining life of the loan.

(4) Provision for additional losses recorded as a charge to income, when it is estimated that the expected cash flows for a PCI loan or pool of loans have decreased subsequent to the acquisition.

For further information on PCI loans, see Note 1 (Summary of Significant Accounting Policies Loans) to Financial Statements in the 2009 Form 10-K and Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

DEPOSITS

Deposits totaled $815.6 billion at June 30, 2010, compared with $824.0 billion at December 31, 2009. Comparative detail of average deposit balances is provided in the table under Earnings Performance Net Interest Income earlier in this Report. Total core deposits were $758.7 billion at June 30, 2010, down from $780.7 billion at December 31, 2009.

(in millions)	**June 30, 2010**	Dec. 31, 2009	% Change
Noninterest-bearing	**$ 175,013**	181,356	(3)%
Interest-bearing checking	**61,195**	63,225	(3)
Market rate and other savings	**405,412**	402,448	1
Savings certificates	**88,117**	100,857	(13)
Foreign deposits (1)	**28,943**	32,851	(12)
Core deposits	**758,680**	780,737	(3)
Other time and savings deposits	**20,861**	16,142	29
Other foreign deposits	**36,082**	27,139	33
Total deposits	**$ 815,623**	824,018	(1)

(1) Reflects Eurodollar sweep balances included in core deposits.

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OFF-BALANCE SHEET ARRANGEMENTS

In the ordinary course of business, we engage in financial transactions that are not recorded in the balance sheet, or may be recorded in the balance sheet in amounts that are different from the full contract or notional amount of the transaction. These transactions are designed to (1) meet the financial needs of customers, (2) manage our credit, market or liquidity risks, (3) diversify our funding sources, and/or (4) optimize capital.

OFF-BALANCE SHEET TRANSACTIONS WITH UNCONSOLIDATED ENTITIES

In the normal course of business, we enter into various types of on- and off-balance sheet transactions with special purpose entities (SPEs), which are corporations, trusts or partnerships that are established for a limited purpose. Historically, the majority of SPEs were formed in connection with securitization transactions. For more information on securitizations, including sales proceeds and cash flows from securitizations, see Note 7 (Securitizations and Variable Interest Entities) to Financial Statements in this Report.

NEWLY CONSOLIDATED VIE ASSETS AND LIABILITIES

Effective January 1, 2010, we adopted new consolidation accounting guidance and, accordingly, consolidated certain VIEs that were not included in our consolidated financial statements at December 31, 2009. On January 1, 2010, we recorded the assets and liabilities of the newly consolidated variable interest entities (VIEs) and derecognized our existing interests in those VIEs. We also recorded a $183 million increase to beginning retained earnings as a cumulative effect adjustment and recorded a $173 million increase to other comprehensive income (OCI).

The following table presents the net incremental assets recorded on our balance sheet by structure type upon adoption of new consolidation accounting guidance.

(in millions)	Incremental assets as of Jan. 1, 2010
Structure type:	
Residential mortgage loans nonconforming (1)	$ 11,479
Commercial paper conduit	5,088
Other	2,002
Total	$ 18,569

(1) Represents certain of our residential mortgage loans that are not guaranteed by GSEs (nonconforming).

In accordance with the transition provisions of the new consolidation accounting guidance, we initially recorded newly consolidated VIE assets and liabilities at a basis consistent with our accounting for respective assets at their amortized cost basis, except for those VIEs for which the fair value option was elected. The carrying amount for loans approximate the outstanding unpaid principal balance, adjusted for allowance for loan losses. Short-term borrowings and long-term debt approximate the outstanding par amount due to creditors.

Upon adoption of new consolidation accounting guidance on January 1, 2010, we elected fair value option accounting for certain nonconforming residential mortgage loan securitization VIEs. This election requires us to recognize the VIE s eligible assets and liabilities on the balance sheet at fair value with changes in fair value recognized in earnings. Such eligible assets and liabilities consisted primarily of loans and long-term debt, respectively. The fair value option

was elected for those newly consolidated

VIEs for which our interests, prior to January 1, 2010, were predominantly carried at fair value with changes in fair value recorded to earnings. Accordingly, the fair value option was elected to effectively continue fair value accounting through earnings for those interests. Conversely, fair value option was not elected for those newly consolidated VIEs that did not share these characteristics. At January 1, 2010, the fair value of loans and long-term debt for which the fair value option was elected was $1.0 billion and $1.0 billion, respectively. The incremental impact of electing fair value option (compared to not electing) on the cumulative effect adjustment to retained earnings was an increase of $15 million.

RISK MANAGEMENT

All financial institutions must manage and control a variety of business risks that can significantly affect their financial performance. Key among these are credit, asset/liability and market risk.

For further discussion about how we manage these risks, see pages 54 71 of our 2009 Form 10-K. The discussion that follows is intended to provide an update on these risks.

CREDIT RISK MANAGEMENT

Our credit risk management process is governed centrally, but provides for decentralized credit management and accountability by our lines of business. Our overall credit process includes comprehensive credit policies, judgmental or statistical credit underwriting, frequent and detailed risk measurement and modeling, extensive credit training programs, and a continual loan review and audit process. In addition, regulatory examiners review and perform detailed tests of our credit underwriting, loan administration and allowance processes. For more information on our credit risk management process, please refer to page 54 in our 2009 Form 10-K.

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Credit Quality Overview

In connection with first quarter 2010 results, we said we believed quarterly credit losses peaked in fourth quarter 2009 and provision expense peaked in third quarter 2009. The significant reduction in credit losses in second quarter 2010 confirmed our prior outlook and we have seen credit quality improve earlier and to a greater extent than we had previously expected. The continued improvement in credit performance is a result of a slowly improving economy coupled with actions taken by the Company over the past several years to improve underwriting standards, mitigate losses and exit portfolios with unattractive credit metrics.

Quarterly credit losses declined 16% to $4.5 billion in second quarter 2010 from $5.3 billion in first quarter 2010. This improvement in losses was broad based across the consumer portfolios, with reduced losses in the home equity, Wells Fargo Financial, Pick-a-Pay, consumer lines and loans, auto dealer services and credit card portfolios.

Losses in the commercial portfolio continued to improve from the higher levels experienced last year, including a 10% linked-quarter reduction in commercial real estate losses.

We also saw improvement in early indicators of credit quality, with improved 30 day delinquencies in many portfolios, including Business Direct, credit card, home equity, student lending and Wells Fargo Home Mortgage.

Based on declining losses and improved credit quality trends, the provision for credit losses of $4.0 billion was $500 million less than net charge-offs in second quarter 2010. Absent significant deterioration in the economy, we currently expect future reductions in the allowance for loan losses.

Measuring and monitoring our credit risk is an ongoing process that tracks delinquencies, collateral values, economic trends by geographic areas, loan-level risk grading for certain portfolios (typically commercial) and other indications of risk to loss. Our credit risk monitoring process is designed to enable early identification of developing risk to loss and to support our determination of an adequate allowance for loan losses. During the current economic cycle our monitoring and resolution efforts have focused on loan portfolios exhibiting the highest levels of risk including mortgage loans supported by real estate (both consumer and commercial), junior lien, commercial, credit card and subprime portfolios. The following sections include additional information regarding each of these loan portfolios and their relevant concentrations and credit quality performance metrics.

The following table identifies our non-strategic and liquidating loan portfolios as of June 30, 2010, and December 31, 2009.

NON-STRATEGIC AND LIQUIDATING LOAN PORTFOLIOS

	Outstanding balances	
(in billions)	**June 30, 2010**	Dec. 31, 2009
Commercial and commercial real estate PCI loans (1)	**$ 8.8**	11.3
Pick-a-Pay mortgage (1)	**80.2**	85.2
Liquidating home equity	**7.6**	8.4
Legacy Wells Fargo Financial indirect auto	**8.3**	11.3
Legacy Wells Fargo Financial debt consolidation (2)	**20.4**	22.4
Total non-strategic and liquidating loan portfolios	**$ 125.3**	138.6

(1) Net of purchase accounting adjustments related to PCI

loans.

(2) In July 2010, we announced the restructuring of our Wells Fargo Financial division and exiting the origination of non-prime portfolio mortgage loans.

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Commercial Real Estate (CRE)

The CRE portfolio consists of both CRE mortgages and CRE construction loans. The combined CRE loans outstanding totaled $130.5 billion at June 30, 2010, or 17% of total loans. CRE construction loans totaled $30.9 billion at June 30, 2010, or 4% of total loans. Permanent CRE loans totaled $99.6 billion at June 30, 2010, or 13% of total loans. The portfolio is diversified both geographically and by property type. The largest geographic concentrations are found in California and Florida, which represented 22% and 11% of the total CRE portfolio, respectively. By property type, the largest concentrations are office buildings at 23% and industrial/warehouse at 12% of the portfolio.

The underwriting of CRE loans primarily focuses on cash flows and creditworthiness, and not solely collateral valuations. To identify and manage newly emerging problem CRE loans, we employ a high level of surveillance and regular customer interaction to understand and manage the risks associated with these assets, including regular loan reviews and appraisal updates. As issues are identified, management is engaged and dedicated workout groups are in place to manage problem assets. At June 30, 2010, the remaining balance of PCI CRE loans totaled $7.7 billion, down from a balance of $19.3 billion at December 31, 2008, reflecting the reduction resulting from loan resolutions and write-downs.

The following table summarizes CRE loans by state and property type with the related nonaccrual totals. At June 30, 2010, the highest concentration of non-PCI CRE loans by state was $27.3 billion in California, more than double the next largest state concentration, and the related nonaccrual loans totaled about $1.7 billion, or 6.2% of CRE loans in California. Office buildings, at $27.9 billion of non-PCI loans, were the largest property type concentration, almost double the next largest, and the related nonaccrual loans totaled $1.5 billion, or 5.3% of CRE loans for office buildings. Of CRE mortgage loans (excluding CRE construction loans), 42% related to owner-occupied properties at June 30, 2010. Nonaccrual loans totaled 6.6% of the non-PCI outstanding balance at June 30, 2010.

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CRE LOANS BY STATE AND PROPERTY TYPE

							June 30, 2010
		Real estate mortgage		Real estate construction		Total	% of
(in millions)	Nonaccrual loans	Outstanding balance (1)	Nonaccrual loans	Outstanding balance (1)	Nonaccrual loans	Outstanding balance (1)	total loans
By state:							
PCI loans:							
Florida	$	561		886		1,447	*%
California		731		258		989	*
North Carolina		199		481		680	*
Georgia		260		382		642	*
Virginia		227		391		618	*
Other		1,509		1,796		3,305(2)	*
Total PCI loans		3,487		4,194		7,681	1
All other loans:							
California	1,109	22,987	593	4,311	1,702	27,298	4
Florida	853	9,667	475	2,754	1,328	12,421	2
Texas	284	6,549	311	2,650	595	9,199	1
North Carolina	226	4,891	255	1,669	481	6,560	*
Georgia	303	3,850	111	1,149	414	4,999	*
Virginia	57	3,075	184	1,791	241	4,866	*
Arizona	195	3,744	342	937	537	4,681	*
New York	52	3,940	40	1,221	92	5,161	*
New Jersey	87	2,814	57	702	144	3,516	*
Colorado	95	3,031	86	777	181	3,808	*
Other	1,428	31,591	975	8,724	2,403	40,315(3)	5
Total all other loans	4,689	96,139	3,429	26,685	8,118	122,824	16
Total	$ 4,689	99,626	3,429	30,879	8,118	130,505	17%
By property:							
PCI loans:							
Apartments	$	709		1,004		1,713	*%
Office buildings		1,148		376		1,524	*
1-4 family land		242		852		1,094	*
Retail (excluding shopping center)		437		167		604	*
Land (excluding 1-4 family)		21		576		597	*
Other		930		1,219		2,149	*

Total PCI loans		**3,487**		**4,194**		**7,681**	**1**
All other loans:							
Office buildings	**1,179**	**24,545**	**309**	**3,357**	**1,488**	**27,902**	**4**
Industrial/warehouse	**674**	**13,519**	**93**	**1,129**	**767**	**14,648**	**2**
Real estate other	**601**	**13,215**	**114**	**904**	**715**	**14,119**	**2**
Apartments	**283**	**7,770**	**330**	**4,482**	**613**	**12,252**	**2**
Retail (excluding shopping center)	**599**	**10,210**	**158**	**1,192**	**757**	**11,402**	**1**
Land (excluding 1-4 family)	**21**	**343**	**778**	**7,931**	**799**	**8,274**	**1**
Shopping center	**308**	**6,312**	**241**	**1,959**	**549**	**8,271**	**1**
Hotel/motel	**375**	**5,553**	**105**	**904**	**480**	**6,457**	*
1-4 family land	**114**	**314**	**685**	**2,695**	**799**	**3,009**	*
Institutional	**85**	**2,721**	**39**	**229**	**124**	**2,950**	*
Other	**450**	**11,637**	**577**	**1,903**	**1,027**	**13,540**	**2**
Total all other loans	**4,689**	**96,139**	**3,429**	**26,685**	**8,118**	**122,824**	**16**
Total	**$ 4,689**	**99,626**(4)	**3,429**	**30,879**	**8,118**	**130,505**	**17%**

* Less than 1%
(1) For PCI loans amounts represent carrying value.
(2) Includes 37 states; no state had loans in excess of $570 million.
(3) Includes 40 states; no state had loans in excess of $3.1 billion.
(4) Includes $41.8 billion of loans to owner-occupants where 51% or more of the property is used in the conduct of their business.

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						December 31, 2009	
	Real estate mortgage		Real estate construction				
(in millions)	Nonaccrual loans	Outstanding balance (1)	Nonaccrual loans	Outstanding balance (1)	Nonaccrual loans	Total Outstanding balance (1)	% of total loans
By state:							
PCI loans:							
Florida	$	629		1,115		1,744	*%
California		995		271		1,266	*
North Carolina		150		618		768	*
Georgia		226		523		749	*
Virginia		219		480		699	*
Other		1,918		2,200		4,118(5)	*
Total PCI loans		4,137		5,207		9,344	1
All other loans:							
California	1,132	22,739	874	5,024	2,006	27,763	4
Florida	563	9,899	374	3,227	937	13,126	2
Texas	225	6,098	256	3,054	481	9,152	1
North Carolina	179	4,983	161	2,079	340	7,062	*
Georgia	207	3,809	127	1,507	334	5,316	*
Virginia	53	3,080	117	1,974	170	5,054	*
New York	53	3,591	49	1,456	102	5,047	*
Arizona	158	3,810	200	1,193	358	5,003	*
New Jersey	66	2,904	23	768	89	3,672	*
Colorado	78	2,252	110	875	188	3,127	*
Other	982	30,225	1,022	10,614	2,004	40,839(6)	5
Total all other loans	3,696	93,390	3,313	31,771	7,009	125,161	16
Total	$ 3,696	97,527	3,313	36,978	7,009	134,505	17%
By property:							
PCI loans:							
Apartments	$	810		1,300		2,110	*%
Office buildings		1,443		399		1,842	*
1-4 family land		270		1,076		1,346	*
1-4 family structure		96		693		789	*
Land (excluding 1-4 family)				759		759	*
Other		1,518		980		2,498	*
Total PCI loans		4,137		5,207		9,344	1

All other loans:							
Office buildings	887	24,688	188	4,005	1,075	28,693	4
Industrial/warehouse	508	13,643	36	1,281	544	14,924	2
Real estate other	550	13,563	102	1,105	652	14,668	2
Apartments	267	7,102	254	5,138	521	12,240	2
Retail (excluding shopping center)	597	10,457	108	1,327	705	11,784	2
Land (excluding 1-4 family)	9	262	778	8,943	787	9,205	1
Shopping center	204	5,912	210	2,398	414	8,310	1
Hotel/motel	208	5,216	123	1,160	331	6,376	*
1-4 family land	77	232	764	3,156	841	3,388	*
1-4 family structure	60	1,065	689	2,199	749	3,264	*
Other	329	11,250	61	1,059	390	12,309	2
Total all other loans	3,696	93,390	3,313	31,771	7,009	125,161	16
Total	$ 3,696	97,527(7)	3,313	36,978	7,009	134,505	17%

(5) Includes 38 states; no state had loans in excess of $605 million.

(6) Includes 40 states; no state had loans in excess of $3.0 billion.

(7) Includes $42.1 billion of loans to owner-occupants where 51% or more of the property is used in the conduct of their business.

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Commercial Loans and Lease Financing

For purposes of portfolio risk management, we aggregate commercial loans and lease financing according to market segmentation and standard industry codes. The following table summarizes commercial loans and lease financing by industry with the related nonaccrual totals. This portfolio has experienced less credit deterioration than our CRE portfolio as evidenced by its lower nonaccrual rate of 2.5% compared with 6.2% for the CRE portfolios. We believe this portfolio is well underwritten and is diverse in its risk with relatively similar concentrations across several industries. A majority of our commercial loans and lease financing portfolio is secured by short-term assets, such as accounts receivable, inventory and securities, as well as long-lived assets, such as equipment and other business assets. Our credit risk management process for this portfolio primarily focuses on a customer s ability to repay the loan through their cash flow. Generally, collateral securing this portfolio represents a secondary source of repayment.

COMMERCIAL LOANS AND LEASE FINANCING BY INDUSTRY

		June 30, 2010			December 31, 2009	
(in millions)	**Nonaccrual loans**	**Outstanding balance (1)**	**% of total loans**	Nonaccrual loans	Outstanding balance (1)	% of total loans
PCI loans:						
Media	**$**	**159**	*%	$	314	*%
Real estate investment trust		**92**	*		351	*
Insurance		**108**	*		118	*
Investors		**113**	*		140	*
Airlines		**73**	*		87	*
Technology		**69**	*		72	*
Other		**499**(2)	*		829(2)	*
Total PCI loans		**1,113**	*		1,911	*
All other loans:						
Financial institutions	**141**	**11,529**	**2**	496	11,111	1
Cyclical retailers	**82**	**8,374**	**1**	71	8,188	1
Healthcare	**112**	**8,125**	**1**	88	8,397	1
Food and beverage	**78**	**7,859**	**1**	77	8,316	1
Oil and gas	**219**	**7,863**	**1**	202	8,464	1
Industrial equipment	**96**	**6,503**	*	119	7,524	*
Business services	**138**	**5,341**	*	99	6,722	*
Transportation	**61**	**6,177**	*	31	6,469	*
Utilities	**10**	**5,216**	*	15	5,752	*
Real estate other	**141**	**5,767**	*	167	6,570	*
Technology	**42**	**5,486**	*	72	5,489	*
Hotel/restaurant	**224**	**4,693**	*	195	5,050	*
Other	**2,662**	**75,530**(3)	**10**	2,936	82,599(3)	11
Total all other loans	**4,006**	**158,463**	**21**	4,568	170,651	22
Total	**$ 4,006**	**159,576**	**21%**	$ 4,568	172,562	22%

* Less than 1%

(1) For PCI loans amounts represent carrying value.

(2) No other single category had loans in excess of $66 million at June 30, 2010, or $110 million (leisure) at December 31, 2009.

(3) No other single category had loans in excess of $4.7 billion at June 30, 2010, or $5.8 billion (public administration) at December 31, 2009. The next largest categories included public administration, investors, media, non-residential construction and leisure.

During the recent credit cycle, we have experienced an increase in requests for extensions of construction and commercial loans which have repayment guarantees. All extensions are granted based on a re-underwriting of the loan and our assessment of the borrower s ability to perform under the agreed-upon terms. At the time of extension, borrowers are generally performing in accordance with the contractual loan terms. Extension terms generally range from six to thirty-six months and may require that the borrower provide additional economic support in the form of partial repayment, amortization or additional collateral or guarantees. In cases where the value of collateral or financial condition of the

borrower is insufficient to repay our loan, we may rely upon the support of an outside repayment guarantee in providing the extensions. In considering the impairment status of the loan, we evaluate the collateral and future cash flows as well as the anticipated support of any repayment guarantor. When performance under a loan is not reasonably assured, including the performance of the guarantor, we charge-off all or a portion of a loan based on the fair value of the collateral securing the loan.

Our ability to seek performance under the guarantee is directly related to the guarantor s creditworthiness, capacity and willingness to perform. We evaluate a guarantor s capacity and willingness to perform on an annual basis, or more frequently as warranted. Our evaluation is based on the most current financial information available and is focused on various key financial metrics, including net worth, leverage, and current and future liquidity. We consider the guarantor s reputation, creditworthiness, and willingness to work with us based on our analysis as well as other lenders experience with the guarantor. Our assessment of the guarantor s credit strength is reflected in our loan risk ratings for such loans. The loan risk rating is an important factor in our allowance methodology for commercial and commercial real estate loans.

Pick-a-Pay Portfolio

As part of the Wachovia acquisition, we acquired residential first mortgage and home equity loans that are very similar to the Wells Fargo core originated portfolio. We also acquired the Pick-a-Pay portfolio, which describes one of the consumer mortgage portfolios. Under purchase accounting for the Wachovia acquisition, we made purchase accounting adjustments to the Pick-a-Pay loans considered to be impaired under accounting guidance for PCI loans. Our Pick-a-Pay portfolio had an unpaid principal balance of $97.1 billion and a carrying value of $80.2 billion at June 30, 2010. The Pick-a-Pay portfolio is a liquidating portfolio, as Wachovia ceased originating new Pick-a-Pay loans in 2008. Equity lines of credit and closed-end second liens associated with Pick-a-Pay loans are reported in the Home Equity core portfolio. The Pick-a-Pay portfolio includes loans that offer payment options (Pick-a-Pay option payment loans), loans that were originated without the option payment feature, loans that no longer offer the option feature as a result of our modification efforts since the acquisition, and loans where the customer voluntarily converted to a fixed-rate product. The following table provides balances over time related to the types of loans included in the portfolio.

	June 30, 2010		December 31, 2009		December 31, 2008	
(in millions)	**Outstandings**	**% of total**	Outstandings	% of total	Outstandings	% of total
Option payment loans	**$ 63,974**	**66%**	$ 73,060	70%	$ 101,297	86%
Non-option payment ARMs and fixed-rate loans	**13,286**	**14**	14,178	14	15,978	14
Loan modifications Pick-a-Pay	**19,851**	**20**	16,420	16		
Total unpaid principal balance	**$ 97,111**	**100%**	$ 103,658	100%	$ 117,275	100%
Total carrying value	**$ 80,208**		$ 85,238		$ 95,315	

PCI loans in the Pick-a-Pay portfolio had an unpaid principal balance of $51.0 billion and a carrying value of $34.9 billion at June 30, 2010. The carrying value of the PCI loans is net of purchase accounting write-downs to reflect their fair value at acquisition. Upon acquisition, we recorded a $22.4 billion write-down in purchase accounting on Pick-a-Pay loans that were impaired. Due to the sustained positive performance observed on the Pick-a-Pay portfolio compared to the original acquisition estimates, we reclassified $1.8 billion from the nonaccretable difference to the accretable yield in second quarter 2010 for a total of $2.4 billion that has been reclassified since the Wachovia

merger. This improvement in the lifetime credit outlook for this portfolio is primarily attributable to the significant modification efforts and the observed emergence of performance on these modifications as well as the portfolio s delinquency

stabilization over the last several months. This improvement in the credit outlook will be realized over the remaining life of the portfolio, which is estimated to have a weighted average life of approximately eight years.

Pick-a-Pay option payment loans may be adjustable or fixed rate. They are home mortgages on which the customer has the option each month to select from among four payment options: (1) a minimum payment as described below, (2) an interest-only payment, (3) a fully amortizing 15-year payment, or (4) a fully amortizing 30-year payment. The minimum monthly payment for substantially all of our Pick-a-Pay loans is reset annually. The new minimum monthly payment amount generally increases by no more than 7.5% of the prior minimum monthly payment. The minimum payment may not be sufficient to pay the monthly interest due and in those situations a loan on which the customer has made a minimum payment is subject to negative amortization, where unpaid interest is added to the principal balance of the loan. The amount of interest that has been added to a loan balance is referred to as deferred interest. Total deferred interest was $3.2 billion at June 30, 2010, down from $3.7 billion at December 31, 2009, due to loan modification efforts as well as falling interest rates resulting in the minimum payment option covering the interest and some principal on many loans. At June 30, 2010, approximately 64% of customers choosing the minimum payment option did not defer interest. In situations where the minimum payment is greater than the interest-only option, the customer has only three payment options available: (1) a minimum required payment, (2) a fully amortizing 15-year payment, or (3) a fully amortizing 30-year payment.

Deferral of interest on a Pick-a-Pay loan may continue as long as the loan balance remains below a pre-defined principal cap, which is based on the percentage that the current loan balance represents to the original loan balance. Loans with an original loan-to-value (LTV) ratio equal to or below 85% have a cap of 125% of the original loan balance, and these loans represent substantially all the Pick-a-Pay portfolio. Loans with an original LTV ratio above 85% have a cap of 110% of the original loan balance. Most of the Pick-a-Pay loans on which there is a deferred interest balance re-amortize (the monthly payment amount is recast) on the earlier of the date when the loan balance reaches its principal cap, or the 10-year anniversary of the loan. For a small population of Pick-a-Pay loans, the recast occurs at the five-year anniversary. After a recast, the customers new payment terms are reset to the amount necessary to repay the balance over the remainder of the original loan term.

Due to the terms of this Pick-a-Pay portfolio, we believe there is minimal recast risk over the next three years. Based on assumptions of a flat rate environment, if all eligible customers elect the minimum payment option 100% of the time and no balances prepay, we would expect the following balances of option payment loans to recast based on reaching the principal cap: $2 million in the remaining half of 2010, $1 million in 2011 and $3 million in 2012. In second quarter 2010, no option payment loans recast based on reaching the principal cap. In addition, we would expect the following balances of option payment loans to start fully amortizing due to reaching their recast anniversary date and also having a payment change at the recast date greater than the annual 7.5% reset: $12 million in the remaining half of 2010, $37 million in 2011 and $41 million in 2012. In second quarter 2010, the amount of option payment loans reaching their recast anniversary date and also having a payment change over the annual 7.5% reset was $12 million.

The following table reflects the geographic distribution of the Pick-a-Pay portfolio broken out between PCI loans and all other loans. In stressed housing markets with declining home prices and increasing delinquencies, the LTV ratio is a useful metric in predicting future real estate 1-4 family first mortgage loan performance, including potential charge-offs. Because PCI loans were initially recorded at fair value written down for expected credit losses, the ratio of the carrying value to the current collateral value for

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acquired loans with credit impairment will be lower as compared with the LTV based on the unpaid principal. For informational purposes, we have included both ratios in the following table.
PICK-A-PAY PORTFOLIO (1)

			PCI loans				All other loans
(in millions)	**Unpaid principal balance**	**Current LTV ratio (2)**	**Carrying value (3)**	**Ratio of carrying value to current value**	**Unpaid principal balance**	**Current LTV ratio (2)**	**Carrying value (3)**
June 30, 2010							
California	**$ 34,458**	**137%**	**$ 23,505**	**93%**	**$ 22,653**	**90%**	**$ 22,283**
Florida	**5,375**	**146**	**3,098**	**84**	**4,817**	**109**	**4,621**
New Jersey	**1,590**	**100**	**1,241**	**77**	**2,747**	**81**	**2,729**
Texas	**412**	**80**	**366**	**71**	**1,842**	**65**	**1,846**
Washington	**601**	**101**	**519**	**86**	**1,380**	**84**	**1,366**
Other states	**8,582**	**117**	**6,170**	**83**	**12,654**	**88**	**12,464**
Total Pick-a-Pay loans	**$ 51,018**		**$ 34,899**		**$ 46,093**		**$ 45,309**
December 31, 2009							
California	$ 37,341	141%	$ 25,022	94%	$ 23,795	93%	$ 23,626
Florida	5,751	139	3,199	77	5,046	104	4,942
New Jersey	1,646	101	1,269	77	2,914	82	2,912
Texas	442	82	399	74	1,967	66	1,973
Washington	633	103	543	88	1,439	84	1,435
Other states	9,283	116	6,597	82	13,401	87	13,321
Total Pick-a-Pay loans	$ 55,096		$ 37,029		$ 48,562		$ 48,209

(1) The individual states shown in this table represent the top five states based on the total net carrying value of the Pick-a-Pay loans at the beginning of 2010. The

December 31, 2009 table has been revised to conform to the 2010 presentation of top five states.

(2) The current LTV ratio is calculated as the unpaid principal balance plus the unpaid principal balance of any equity lines of credit that share common collateral divided by the collateral value. Collateral values are generally determined using automated valuation models (AVM) and are updated quarterly. AVMs are computer-based tools used to estimate market values of homes based on processing large volumes of market data including market comparables and price trends for local market areas.

(3) Carrying value, which does not reflect the allowance for loan losses, includes purchase accounting adjustments,

which, for PCI loans are the nonaccretable difference and the accretable yield, and for all other loans, an adjustment to mark the loans to a market yield at date of merger less any subsequent charge-offs.

To maximize return and allow flexibility for customers to avoid foreclosure, we have in place several loss mitigation strategies for our Pick-a-Pay loan portfolio. We contact customers who are experiencing difficulty and may in certain cases modify the terms of a loan based on a customer s documented income and other circumstances.

We also have taken steps to work with customers to refinance or restructure their Pick-a-Pay loans into other loan products. For customers at risk, we offer combinations of term extensions of up to 40 years (from 30 years), interest rate reductions, forbearance of principal, interest only payments for a period of time and, in geographies with substantial property value declines, we will even offer permanent principal reductions.

In fourth quarter 2009, we rolled out the U.S. Treasury Department s HAMP to the customers in this portfolio. As of June 30, 2010, over 15,000 HAMP applications were being reviewed by our loan servicing department and an additional 13,500 loans have been approved for the HAMP trial modification. We believe a key factor to successful loss mitigation is tailoring the revised loan payment to the customer s sustainable income. We continually reassess our loss mitigation strategies and may adopt additional or different strategies in the future.

In second quarter 2010, we completed 7,052 proprietary and HAMP loan modifications and have completed over 64,000 modifications since acquisition. The majority of the loan modifications were

concentrated in our PCI Pick-a-Pay loan portfolio. Approximately 5,400 modification offers were proactively sent to customers in second quarter 2010. As part of the modification process, the loans are re-underwritten, income is documented and the negative amortization feature is eliminated. Most of the modifications result in material payment reduction to the customer. Because of the write-down of the PCI loans in purchase accounting, our post merger modifications to PCI Pick-a-Pay loans have not resulted in any modification-related provision for credit losses. To the extent we modify loans not in the PCI Pick-a-Pay portfolio, we establish an impairment reserve in accordance with the applicable accounting requirements for loan restructurings.

Home Equity Portfolios

The deterioration in specific segments of the legacy Wells Fargo Home Equity portfolios, which began almost three years ago, required a targeted approach to managing these assets. In fourth quarter 2007, a liquidating portfolio was identified, consisting of home equity loans generated through the wholesale channel not behind a Wells Fargo first mortgage, and home equity loans acquired through correspondents. The liquidating portion of the Home Equity portfolio was $7.6 billion at June 30, 2010, compared with $8.4 billion at December 31, 2009. The loans in this liquidating portfolio represent about 1% of total loans outstanding at June 30, 2010, and contain some of the highest risk in our $123.0 billion Home Equity portfolio, with a loss rate of 10.90% compared with 3.54% for the core portfolio. The loans in the liquidating portfolio are largely concentrated in geographic markets that have experienced the most abrupt and steepest declines in housing prices. The core portfolio was $115.3 billion at June 30, 2010, of which 97% was originated through the retail channel and approximately 19% of the outstanding balance was in a first lien position. The following table includes the credit attributes of these two portfolios. California loans represent the largest state concentration in each of these portfolios and have experienced among the highest early-term delinquency and loss rates.

HOME EQUITY PORTFOLIOS (1)

	Outstanding balances		% of loans two payments or more past due		Loss rate (annualized) Quarter ended	
(in millions)	**June 30, 2010**	Dec. 31, 2009	**June 30, 2010**	Dec. 31, 2009	**June 30, 2010**	Dec. 31, 2009
Core portfolio						
California	**$ 28,819**	30,264	**3.67%**	4.12	**4.70**	6.12
Florida	**12,616**	12,038	**4.95**	5.48	**6.02**	6.98
New Jersey	**8,416**	8,379	**2.45**	2.50	**1.84**	1.51
Virginia	**5,802**	5,855	**1.86**	1.91	**2.00**	1.13
Pennsylvania	**5,240**	5,051	**1.86**	2.03	**1.22**	1.81
Other	**54,439**	53,811	**2.73**	2.85	**2.96**	3.04
Total (2)	**115,332**	115,398	**3.11**	3.35	**3.54**	3.90
Liquidating portfolio						
California	**2,860**	3,205	**7.50**	8.78	**15.36**	17.94
Florida	**366**	408	**8.40**	9.45	**14.84**	19.53
Arizona	**169**	193	**8.78**	10.46	**22.31**	19.29
Texas	**141**	154	**2.24**	1.94	**2.57**	2.40
Minnesota	**100**	108	**5.70**	4.15	**7.59**	7.53
Other	**4,003**	4,361	**4.35**	5.06	**7.22**	7.33

Total	**7,639**	8,429	**5.80**	6.74	**10.90**	12.16
Total core and liquidating portfolios	**$ 122,971**	123,827	**3.28**	3.58	**4.00**	4.48

(1) Consists of real estate 1-4 family junior lien mortgages and lines of credit secured by real estate, excluding PCI loans.

(2) Includes equity lines of credit and closed-end second liens associated with the Pick-a-Pay portfolio totaling $1.7 billion at June 30, 2010, and $1.8 billion at December 31, 2009.

Wells Fargo Financial

Wells Fargo Financial s portfolio consists of real estate loans, substantially all of which are secured debt consolidation loans, and both prime and non-prime auto secured loans, unsecured loans and credit cards. In July 2010, we announced the restructuring of our Wells Fargo Financial division and that we are exiting the origination of non-prime portfolio mortgage loans. The remaining consumer and commercial loan products offered through Wells Fargo Financial will be realigned with those offered by our other business units and will be available through our expanded network of community banking and home mortgage stores.

Wells Fargo Financial had $23.5 billion in real estate secured loans at June 30, 2010, and $25.8 billion at December 31, 2009. Of this portfolio, $1.4 billion and $1.6 billion, respectively, was considered prime based on secondary market standards and has been priced to the customer accordingly. The remaining portfolio is non-prime but was originated with standards to reduce credit risk. These loans were originated through our retail channel with documented income, LTV limits based on credit quality and property characteristics, and risk-based pricing. In addition, the loans were originated without teaser rates, interest-only or negative amortization features. Credit losses in the portfolio have increased in the current economic environment compared with historical levels, but performance remained similar to prime portfolios in the industry with overall loss rates of 4.20% (annualized) in the first half of 2010 on the entire portfolio. At June 30, 2010, $7.8 billion of the portfolio was originated with customer FICO scores below 620, but these loans have further restrictions on LTV and debt-to-income ratios intended to limit the credit risk.

Wells Fargo Financial also had $13.4 billion in auto secured loans and leases at June 30, 2010, and $16.5 billion at December 31, 2009, of which $4.0 billion and $4.4 billion, respectively, were originated with customer FICO scores below 620. Loss rates in this portfolio were 2.76% (annualized) in the second quarter and 3.57% (annualized) in the first half of 2010 for FICO scores of 620 and above, and 3.59% (annualized) and 4.75% (annualized), respectively, for FICO scores below 620. These loans were priced based on relative risk. Of this portfolio, $8.3 billion represented loans and leases originated through its indirect auto business, a channel Wells Fargo Financial ceased using near the end of 2008.

Wells Fargo Financial had $7.2 billion in unsecured loans and credit card receivables at June 30, 2010, and $8.1 billion at December 31, 2009, of which $0.8 billion and $1.0 billion, respectively, was originated with customer FICO scores below 620. Net loss rates in this portfolio were 11.51% (annualized) in the second quarter and 11.41% (annualized) in the first half of 2010 for FICO scores of 620 and above, and 15.51% (annualized) and 15.08% (annualized), respectively, for FICO scores below 620. Wells Fargo Financial has tightened credit policies and managed credit lines to reduce exposure during the recent economic environment.

Credit Cards

Our credit card portfolio, a portion of which is included in the Wells Fargo Financial discussion above, totaled $22.1 billion at June 30, 2010, which represented 3% of our total outstanding loans and was smaller than the credit card portfolios of each of our large bank peers. Delinquencies of 30 days or more were 5.3% of credit card outstandings at June 30, 2010, down from 5.5% at December 31, 2009. Net charge-offs were 10.45% (annualized) for second quarter 2010, down from 11.17% (annualized) in first quarter 2010, reflecting previous risk mitigation efforts that included tightened underwriting and line management changes. Enhanced underwriting criteria and line management initiatives instituted in previous quarters continued to have positive effects on loss performance.

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Nonaccrual Loans and Other Nonperforming Assets

The following table shows the comparative data for nonaccrual loans and other nonperforming assets (NPAs). We generally place loans on nonaccrual status when:

the full and timely collection of interest or principal becomes uncertain;

they are 90 days (120 days with respect to real estate 1-4 family first and junior lien mortgages and auto loans) past due for interest or principal (unless both well-secured and in the process of collection); or

part of the principal balance has been charged off and no restructuring has occurred.

Note 1 (Summary of Significant Accounting Policies Loans) to Financial Statements in our 2009 Form 10-K describes our accounting policy for nonaccrual and impaired loans.

NONACCRUAL LOANS AND OTHER NONPERFORMING ASSETS

(in millions)	**June 30, 2010**	Mar. 31, 2010	Dec. 31, 2009
Nonaccrual loans:			
Commercial and commercial real estate:			
Commercial (includes LHFS of $12, $0 and $19)	**$ 3,843**	4,273	4,397
Real estate mortgage	**4,689**	4,345	3,696
Real estate construction (includes LHFS of $7, $7 and $8)	**3,429**	3,327	3,313
Lease financing	**163**	185	171
Total commercial and commercial real estate	**12,124**	12,130	11,577
Consumer:			
Real estate 1-4 family first mortgage (includes MHFS of $450, $412 and $339)	**12,865**	12,347	10,100
Real estate 1-4 family junior lien mortgage	**2,391**	2,355	2,263
Other revolving credit and installment	**316**	334	332
Total consumer	**15,572**	15,036	12,695
Foreign	**115**	135	146
Total nonaccrual loans (1)(2)	**27,811**	27,301	24,418
As a percentage of total loans	**3.63%**	3.49	3.12
Foreclosed assets:			
GNMA loans (3)	**$ 1,344**	1,111	960
Other	**3,650**	2,970	2,199
Real estate and other nonaccrual investments (4)	**131**	118	62
Total nonaccrual loans and other nonperforming assets	**$ 32,936**	31,500	27,639
As a percentage of total loans	**4.30%**	4.03	3.53

(1) Excludes loans acquired from Wachovia that

are accounted for as PCI loans because they continue to earn interest income from accretable yield, independent of performance in accordance with their contractual terms.

(2) See Note 5 to Financial Statements in this Report and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in our 2009 Form 10-K for further information on impaired loans.

(3) Consistent with regulatory reporting requirements, foreclosed real estate securing Government National Mortgage Association (GNMA) loans is classified as nonperforming. Both principal and interest for GNMA loans secured by the foreclosed real estate are collectible because the GNMA loans are insured by the Federal Housing

Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA).

(4) Includes real estate investments (contingent interest loans accounted for as investments) that would be classified as nonaccrual if these assets were recorded as loans, and nonaccrual debt securities.

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Total NPAs were $32.9 billion (4.30% of total loans) at June 30, 2010, and included $27.8 billion of nonaccrual loans and $5.1 billion of foreclosed assets, real estate, and other nonaccrual investments. The growth rate in nonaccrual loans slowed in second quarter 2010, while the balance still increased from first quarter 2010 by $510 million. The growth in second quarter occurred in the real estate portfolios (commercial and residential) which consist of secured loans. Nonaccruals in all other loan portfolios were essentially flat or down. New inflows to nonaccrual loans continued to decline (down 18% linked quarter). The amount of disposed nonaccruals increased (up 12% linked quarter), but was below the level of inflows.

Typically, changes to nonaccrual loans period-over-period represent inflows for loans that reach a specified past due status, offset by reductions for loans that are charged off, sold, transferred to foreclosed properties, or are no longer classified as nonaccrual because they return to accrual status. During 2009, due to purchase accounting, the rate of growth in nonaccrual loans was higher than it would have been without PCI loan accounting because the balance of nonaccrual loans in Wachovia s loan portfolio was approximately zero at the beginning of 2009, due to purchase accounting write-downs taken at the close of acquisition. The impact of purchase accounting on our credit data will diminish over time. In addition, we have also increased loan modifications and restructurings to assist homeowners and other borrowers in the current difficult economic cycle. This increase is expected to result in elevated nonaccrual loan levels in those portfolios which are being actively modified for longer periods because consumer nonaccrual loans that have been modified remain in nonaccrual status generally until a borrower has made six consecutive months of payments, or equivalent, inclusive of consecutive payments made prior to the modification. Loans are re-underwritten at the time of the modification in accordance with underwriting guidelines established for governmental and proprietary loan modification programs. For an accruing loan that has been modified, if the borrower has demonstrated performance under the previous terms and shows the capacity to continue to perform under the restructured terms, the loan will remain in accruing status. Otherwise, the loan will be placed in a nonaccrual status generally until the borrower has made six consecutive months of payments, or equivalent.

Loss expectations for nonaccrual loans are driven by delinquency rates, default probabilities and severities. While nonaccrual loans are not free of loss content, we believe the estimated loss exposure remaining in these balances is significantly mitigated by four factors. First, 98% of nonaccrual loans are secured. Second, losses have already been recognized on 39% of the consumer nonaccruals and 33% of commercial nonaccruals. Residential nonaccrual loans are written down to net realizable value at 180 days past due, except for loans that go into trial modification prior to going 180 days past due, which are not written down in the trial period (3 months) as long as trial payments are being made timely. Third, as of June 30, 2010, 54% of commercial nonaccrual loans were current on interest. Fourth, there are certain nonaccruals for which there are loan level reserves in the allowance, while others are covered by pool level reserves.

Commercial and CRE nonaccrual loans, net of write-downs, amounted to $12.1 billion at both June 30 and March 31, 2010. Consumer nonaccrual loans (including nonaccrual troubled debt restructurings (TDRs)) amounted to $15.6 billion at June 30, 2010, compared with $15.0 billion at March 31, 2010. The $536 million increase in nonaccrual consumer loans from March 31, 2010, represented an increase of $518 million in 1-4 family first mortgage loans and an increase of $36 million in 1-4 family junior liens. Residential mortgage nonaccrual loans increased largely due to slower disposition as quarterly inflow has remained relatively stable. Federal government programs, such as HAMP, and Wells Fargo proprietary programs, such as the Company s Pick-a-Pay Mortgage Assistance program, require customers to provide updated documentation and complete trial repayment periods, to evidence sustained performance, before the loan can be removed from nonaccrual status. In addition, for loans in foreclosure, many states, including California and Florida where Wells Fargo has significant exposures, have enacted legislation that significantly increases the time frames to complete the foreclosure process,

meaning that loans will remain in nonaccrual status for longer periods. At the conclusion of the foreclosure process, we continue to sell real estate owned in a very timely fashion.

When a consumer real estate loan is 120 days past due, we move it to nonaccrual status and when the loan reaches 180 days past due it is our policy to write these loans down to net realizable value, except for trial modifications. Thereafter, we revalue each loan in nonaccrual status regularly and recognize additional charges if needed. Our quarterly market classification process, employed since late 2007, indicates as of June 30, 2010, that home values in most metropolitan statistical areas have stabilized. We anticipate manageable additional write-downs while properties work through the foreclosure process.

Of the $15.6 billion of consumer nonaccrual loans:

- 99% are secured, substantially all by real estate; and
- 21% have a combined LTV ratio of 80% or below.

In addition to the $15.6 billion of consumer nonaccrual loans, there were also accruing consumer TDRs of $8.2 billion at June 30, 2010. In total, there were $23.8 billion of consumer nonaccrual loans and accruing TDRs at June 30, 2010.

NPAs at June 30, 2010, included $1.3 billion of loans that are FHA insured or VA guaranteed, which are expected to have little to no loss content, and $3.7 billion of foreclosed assets, which have been written down to the value of the underlying collateral. Foreclosed assets increased $913 million, or 22%, in second quarter 2010 from the prior quarter. Of this increase, $427 million were foreclosed loans from the PCI portfolio that are now recorded as foreclosed assets. The majority of the inherent loss content in these assets has already been accounted for, and increases to this population of assets should have minimal additional impact to expected loss levels.

Given our real estate-secured loan concentrations and current economic conditions, we anticipate continuing to hold a high level of NPAs on our balance sheet. We believe the loss content in the nonaccrual loans has either already been realized or provided for in the allowance for credit losses at June 30, 2010. We remain focused on proactively identifying problem credits, moving them to nonperforming status and recording the loss content in a timely manner. We ve increased staffing in our workout and collection organizations to ensure troubled borrowers receive the attention and help they need. See the Risk Management Allowance for Credit Losses section in this Report for additional information. The performance of any one loan can be affected by external factors, such as economic or market conditions, or factors affecting a particular borrower.

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Troubled Debt Restructurings (TDRs)

The following table provides information regarding the recorded investment in loans modified in TDRs.

(in millions)	**June 30, 2010**	Mar. 31, 2010	Dec. 31, 2009
Consumer TDRs:			
Real estate 1-4 family first mortgage	**$ 9,525**	7,972	6,685
Real estate 1-4 family junior lien mortgage	**1,469**	1,563	1,566
Other revolving credit and installment	**502**	310	17
Total consumer TDRs	**11,496**	9,845	8,268
Commercial and commercial real estate TDRs	**656**	386	265
Total TDRs	**$ 12,152**	10,231	8,533
TDRs on nonaccrual status	**$ 3,877**	2,738	2,289
TDRs on accrual status	**8,275**	7,493	6,244
Total TDRs	**$ 12,152**	10,231	8,533

We establish an impairment reserve when a loan is restructured in a TDR. The impairment reserve for TDRs was $2.9 billion at June 30, 2010, and $1.8 billion at December 31, 2009. Total charge-offs related to loans modified in a TDR were $486 million and $163 million for the six months ended 2010 and 2009, respectively.

Our nonaccrual policies are generally the same for all loan types when a restructuring is involved. We underwrite consumer loans at the time of restructuring to determine if there is sufficient evidence of sustained repayment capacity based on the borrower s documented income, debt to income ratios, and other factors. Any loans lacking sufficient evidence of sustained repayment capacity at the time of modification are charged down to the fair value of the collateral. If the borrower has demonstrated performance under the previous terms and the underwriting process shows capacity to continue to perform under the restructured terms, the loan will remain in accruing status. Otherwise, the loan will be placed in nonaccrual status until the borrower demonstrates a sustained period of performance which we generally believe to be six consecutive months of payments, or equivalent. Loans will also be placed on nonaccrual, and a corresponding charge-off recorded to the loan balance, if we believe that principal and interest contractually due under the modified agreement will not be collectible.

We do not forgive principal for a majority of our TDRs, but in those situations where principal is forgiven, the entire amount of such principal forgiveness is immediately charged off. When a TDR performs in accordance with its modified terms, the loan either continues to accrue interest (for performing loans), or will return to accrual status after the borrower demonstrates a sustained period of performance.

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Loans 90 Days or More Past Due and Still Accruing

Loans included in this category are 90 days or more past due as to interest or principal and still accruing, because they are (1) well-secured and in the process of collection or (2) real estate 1-4 family mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual. PCI loans are excluded from the disclosure of loans 90 days or more past due and still accruing interest. Even though certain of them are 90 days or more contractually past due, they are considered to be accruing because the interest income on these loans relates to the accretable yield under the accounting for PCI loans and not to contractual interest payments.

Loans 90 days or more past due and still accruing totaled $19.4 billion at June 30, 2010, and $22.2 billion at December 31, 2009. The totals included $14.4 billion and $15.3 billion, respectively, in advances pursuant to our servicing agreements to GNMA mortgage pools and similar loans whose repayments are insured by the FHA or guaranteed by the VA.

LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING (EXCLUDING INSURED/GUARANTEED GNMA AND SIMILAR LOANS) (1)

(in millions)	**June 30, 2010**	Dec. 31, 2009
Commercial and commercial real estate:		
Commercial	**$ 540**	590
Real estate mortgage	**654**	1,014
Real estate construction	**471**	909
Total commercial and commercial real estate	**1,665**	2,513
Consumer:		
Real estate 1-4 family first mortgage (2)	**1,049**	1,623
Real estate 1-4 family junior lien mortgage (2)	**352**	515
Credit card	**610**	795
Other revolving credit and installment	**1,300**	1,333
Total consumer	**3,311**	4,266
Foreign	**21**	73
Total	**$ 4,997**	6,852

(1) The carrying value of PCI loans contractually 90 days or more past due was $15.1 billion at June 30, 2010, and $16.1 billion at December 31, 2009. These

amounts are excluded from the above table as PCI loan accretable yield interest recognition is independent from the underlying contractual loan delinquency status. See table on page 17 for detail of PCI loans.

(2) Includes mortgage loans held for sale 90 days or more past due and still accruing.

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Net Charge-offs
NET CHARGE-OFFS

	Quarter ended June 30,				Six months ended June 30,			
	2010		2009		**2010**		2009	
($ in millions)	**Net loan charge-offs**	**As a % of average loans (1)**	Net loan charge-offs	As a % of average loans (1)	**Net loan charge-offs**	**As a % of average loans (1)**	Net loan charge-offs	As a % of average loans (1)
Commercial and commercial real estate:								
Commercial	**$ 689**	**1.87%**	$ 704	1.51%	**$ 1,339**	**1.77%**	$ 1,260	1.32%
Real estate mortgage	**360**	**1.47**	119	0.49	**631**	**1.30**	138	0.29
Real estate construction	**238**	**2.90**	259	2.48	**632**	**3.70**	364	1.73
Lease financing	**27**	**0.78**	61	1.68	**56**	**0.82**	78	1.04
Total commercial and commercial real estate	**1,314**	**1.80**	1,143	1.35	**2,658**	**1.80**	1,840	1.07
Consumer:								
Real estate 1-4 family first mortgage	**1,009**	**1.70**	758	1.26	**2,320**	**1.94**	1,149	0.95
Real estate 1-4 family junior lien mortgage	**1,184**	**4.62**	1,171	4.33	**2,633**	**5.10**	2,018	3.72
Credit card	**579**	**10.45**	664	11.59	**1,222**	**10.82**	1,246	10.86
Other revolving credit and installment	**361**	**1.64**	604	2.66	**908**	**2.05**	1,300	2.86
Total consumer	**3,133**	**2.79**	3,197	2.77	**7,083**	**3.12**	5,713	2.47
Foreign	**42**	**0.57**	46	0.61	**78**	**0.54**	91	0.58
Total	**$ 4,489**	**2.33%**	$ 4,386	2.11%	**$ 9,819**	**2.52%**	$ 7,644	1.82%

(1) Net charge-offs as a percentage of average loans

are annualized.

Net charge-offs in second quarter 2010 were $4.5 billion (2.33% of average total loans outstanding, annualized) compared with $5.3 billion (2.71%) in first quarter 2010, and $4.4 billion (2.11%) a year ago. This quarter s significant reduction in credit losses confirms our prior outlook that credit losses peaked in fourth quarter 2009 and credit quality appears to have improved earlier and to a greater extent than we had previously expected. Total credit losses included $1.3 billion of commercial and commercial real estate loans (1.80%) and $3.1 billion of consumer loans (2.79%) in second quarter 2010 as shown in the table above.

Allowance for Credit Losses

The allowance for credit losses, which consists of the allowance for loan losses and the reserve for unfunded credit commitments, is management s estimate of credit losses inherent in the loan portfolio at the balance sheet date and excludes loans carried at fair value. The detail of the changes in the allowance for credit losses, including charge-offs and recoveries by loan category, is in Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

We employ a disciplined process and methodology to establish our allowance for loan losses each quarter. This process takes into consideration many factors, including historical and forecasted loss trends, loan-level credit quality ratings and loan grade specific loss factors. The process involves subjective as well as complex judgments. In addition, we review a variety of credit metrics and trends. However, these trends are not determinative of the adequacy of the allowance as we use several analytical tools in determining the adequacy of the allowance.

For individually graded (typically commercial) portfolios, we generally use loan-level credit quality ratings, which are based on borrower information and strength of collateral, combined with historically based grade specific loss factors. The allowance for individually rated nonaccruing commercial loans with an outstanding exposure of $10 million or greater is determined through an individual impairment analysis. Those individually rated nonaccruing commercial loans with exposures below $10 million are evaluated using a loss factor assumption. For statistically evaluated portfolios (typically consumer), we

generally leverage models that use credit-related characteristics such as credit rating scores, delinquency migration rates, vintages, and portfolio concentrations to estimate loss content. Additionally, the allowance for TDRs is based on the risk characteristics of the modified loans and the resultant estimated cash flows discounted at the pre-modification effective yield of the loan. While the allowance is determined using product and business segment estimates, it is available to absorb losses in the entire loan portfolio.

At June 30, 2010, the allowance for loan losses totaled $24.6 billion (3.21% of total loans), compared with $25.1 billion (3.22%), at March 31, 2010. The allowance for credit losses was $25.1 billion (3.27% of total loans) at June 30, 2010, and $25.7 billion (3.28%) at March 31, 2010. The allowance for credit losses included $225 million at June 30, 2010, and $247 million at March 31, 2010, related to PCI loans acquired from Wachovia. Loans acquired from Wachovia are included in total loans net of related purchase accounting net write-downs. The reserve for unfunded credit commitments was $501 million at June 30, 2010, and $533 million at March 31, 2010. In addition to the allowance for credit losses there was $16.2 billion of nonaccretable difference at June 30, 2010, and $19.9 billion at March 31, 2010, to absorb losses for PCI loans. For additional information on PCI loans, see the Balance Sheet Analysis Loan Portfolio section and Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

The ratio of the allowance for credit losses to total nonaccrual loans was 90% at June 30, 2010, and 94% at March 31, 2010. In general, this ratio may fluctuate significantly from period to period due to such factors as the mix of loan types in the portfolio, borrower credit strength and the value and marketability of collateral. Over half of nonaccrual loans were home mortgages, auto and other consumer loans at June 30, 2010.

Total provision for credit losses was $4.0 billion in second quarter 2010, down from the peak of $6.1 billion in third quarter 2009 and from $5.3 billion in first quarter 2010. The second quarter 2010 provision included a $500 million reserve release, compared with a $700 million reserve build a year ago. Total provision for credit losses was $9.3 billion for the first half of 2010, including the $500 million second quarter reserve release, compared with $9.6 billion for the first half of 2009, which included a $2.0 billion reserve build.

We believe the allowance for credit losses of $25.1 billion was adequate to cover credit losses inherent in the loan portfolio, including unfunded credit commitments, at June 30, 2010. The allowance for credit losses is subject to change and we consider existing factors at the time, including economic and market conditions and ongoing internal and external examination processes. Due to the sensitivity of the allowance for credit losses to changes in the economic environment, it is possible that unanticipated economic deterioration would create incremental credit losses not anticipated as of the balance sheet date. Our process for determining the adequacy of the allowance for credit losses is discussed in the Financial Review Critical Accounting Policies Allowance for Credit Losses section and Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in our 2009 Form 10-K.

Reserve for Mortgage Loan Repurchase Losses

We sell mortgage loans to various parties, including government sponsored entities (GSEs), under contractual provisions that include various representations and warranties which typically cover ownership of the loan, compliance with loan criteria set forth in the applicable agreement, validity of the lien securing the loan, absence of delinquent taxes or liens against the property securing the loan, and similar matters. We may be required to repurchase the mortgage loans with identified defects, indemnify the investor or insurer, or reimburse the investor for credit loss incurred on the loan (collectively repurchase) in the event of a material breach of such contractual representations or warranties. The time periods specified in our mortgage loan sales contracts to respond to repurchase requests vary, but are generally 90 days or less and generally include no specific remedies if the repurchase time period is not met. Upon receipt of a repurchase request, we work with our investors to arrive at a mutually agreeable resolution. Repurchase demands are typically reviewed on an individual loan by loan basis to validate the claims made by the investor and determine if a contractually required repurchase event occurred. Occasionally, in lieu of conducting the loan level evaluation, we may negotiate global settlements in order to resolve a pipeline of demands in lieu of repurchasing the loans. We manage the risk associated with potential repurchases or other forms of settlement through our underwriting and quality assurance practices and by servicing mortgage loans to meet investor and secondary market standards.

We establish mortgage repurchase reserves related to various representations and warranties that reflect management s estimate of losses based on a combination of factors. Such factors incorporate estimated levels of defects based on internal quality assurance sampling, default expectations, historical investor repurchase demand and appeals success rates (where the investor rescinds the demand based on a cure of the defect or acknowledges that the loan satisfies the investor s applicable representations and warranties), reimbursement by correspondent and other third party originators, and projected loss severity. We establish a reserve at the time loans are sold and continually update our reserve estimate during their life. Although investors may demand repurchase at any time, the majority of repurchase demands occurs in the first 24 to 36 months following origination of the mortgage loan and can vary by investor. Currently, repurchase demands primarily relate to 2006 through 2008 vintages. For additional information on our repurchase liability, including an adverse impact analysis, see Note 7 (Securitizations and Variable Interest Entities) to Financial Statements in this Report.

During second quarter 2010, we continued to experience elevated levels of repurchase activity measured by number of loans, investor repurchase demands and our level of repurchases. In the second quarter and first half of 2010 we repurchased or otherwise settled mortgage loans with balances of $530 million and $1.1 billion, respectively, and incurred net losses on repurchased or settled loans of $270 million and $442 million, respectively. Most repurchases under our representation and warranty provisions are attributable to borrower misrepresentations and appraisals obtained at origination that investors believe do not fully comply with applicable industry standards. A majority of our repurchases continued to be government agency conforming loans from Freddie Mac and Fannie Mae and predominantly from 2006 through 2008 originations.

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Adjustments made to our mortgage repurchase reserve in recent periods have incorporated the increase in repurchase demands and mortgage insurance rescissions that we have experienced. The table below provides the number of unresolved repurchase demands and mortgage insurance rescissions as of June 30, 2010, and December 31, 2009.

	June 30, 2010		Dec. 31, 2009	
($ in millions)	**Number of loans**	**Original loan balance (1)**	Number of loans	Original loan balance (1)
Government sponsored entities (2)	**12,536**	**$ 2,840**	8,354	$ 1,911
Private	**3,160**	**707**	2,929	886
Mortgage insurance rescissions (3)	**2,979**	**760**	2,965	859
Total	**18,675**	**$ 4,307**	14,248	$ 3,656

(1) While original loan balance related to these demands is presented above, the establishment of the repurchase reserve is based on a combination of factors, such as our appeals success rates, reimbursement by correspondent and other third party originators, and projected loss severity, which is driven by the difference between the current loan balance and the estimated collateral value less costs to sell

the property.

(2) Includes repurchase demands of 2,141 and $417 million and 1,536 and $322 million for June 30, 2010, and December 31, 2009, respectively, received from investors on mortgage servicing rights acquired from other originators. We have the right of recourse against the seller for these repurchase demands and would only incur a loss on these demands for counterparty risk associated with the seller.

(3) As part of our representations and warranties in our loan sales contracts, we represent that certain loans have mortgage insurance. To the extent the mortgage insurance is rescinded by the mortgage insurer, the lack of insurance may result in a repurchase demand from an investor.

Customary with industry practice, Wells Fargo has the right of recourse against correspondent lenders with respect to representations and warranties. Of the repurchase demands presented in the table above, approximately 20% relate to loans purchased from correspondent lenders. Due primarily to the financial difficulties of some correspondent lenders, we typically recover on average approximately 50% from these lenders, and this estimate of their performance is incorporated in the establishment of our mortgage repurchase reserve.

Our reserve for repurchases, included in Accrued expenses and other liabilities in our consolidated financial statements, was $1.4 billion at June 30, 2010, and $1.0 billion at December 31, 2009. In the second quarter and first half of 2010, $382 million and $784 million, respectively, of additions to the reserve were recorded, which reduced net gains on mortgage loan origination/sales. Our additions to the repurchase reserve this quarter reflect updated assumptions about the losses we expect on repurchases as well as the recent increase in repurchase demands and mortgage insurance rescissions as noted above. Also, based on current uncertainty about the economic recovery and the loss severity we continue to experience on repurchased loans, we extended our assumptions about the time period over which we will incur the current elevated level of loss severity.

The following table summarizes the changes in our mortgage repurchase reserve.

	Quarter ended		**Six months ended**	Year ended
(in millions)	**June 30, 2010**	March 31, 2010	**June 30, 2010**	Dec. 31, 2009
Balance, beginning of period	**$ 1,263**	1,033	**1,033**	620
Provision for repurchase losses:				
Loan sales	**36**	44	**80**	302
Change in estimate primarily due to credit deterioration	**346**	358	**704**	625
Total additions	**382**	402	**784**	927
Losses	**(270)**	(172)	**(442)**	(514)
Balance, end of period	**$ 1,375**	1,263	**1,375**	1,033

The mortgage repurchase reserve of $1.4 billion at June 30, 2010, represents our best estimate of the probable loss that we may incur for various representations and warranties in the contractual provisions of our sales of mortgage loans. There may be a wide range of reasonably possible losses in excess of the estimated liability that cannot be estimated with confidence. Because the level of mortgage loan repurchase losses are dependent on economic factors, investor demand strategies and other external conditions that may change over the life of the underlying loans, the level of the reserve for mortgage loan repurchase losses is difficult to estimate and requires considerable management judgment. We maintain regular contact with the GSEs and other significant investors to monitor and address their repurchase demand practices and concerns.

To the extent that economic conditions and the housing market do not recover or future investor repurchase demand and appeals success rates differ from past experience, we could continue to have increased demands and increased loss severity on repurchases, causing future additions to the repurchase reserve. However, some of the underwriting standards that were permitted by the GSEs for conforming loans in the 2006 through 2008 vintages, which significantly contributed to recent levels of repurchase demands, were tightened starting in mid to late 2008. Accordingly, we do not expect a similar rate of repurchase requests from the 2009 and prospective vintages, absent deterioration in economic conditions or changes in investor behavior.

ASSET/LIABILITY MANAGEMENT

Asset/liability management involves the evaluation, monitoring and management of interest rate risk, market risk, liquidity and funding. The Corporate Asset/Liability Management Committee (Corporate ALCO) which oversees these risks and reports periodically to the Finance Committee of the Board of Directors consists of senior financial and business executives. Each of our principal business groups has its own asset/liability management committee and process linked to the Corporate ALCO process.

Interest Rate Risk

Interest rate risk, which potentially can have a significant earnings impact, is an integral part of being a financial intermediary. We assess interest rate risk by comparing our most likely earnings plan with various earnings simulations using many interest rate scenarios that differ in the direction of interest rate changes, the degree of change over time, the speed of change and the projected shape of the yield curve. For example, as of June 30, 2010, our most recent simulation indicated estimated earnings at risk of approximately 1.5% of our most likely earnings plan over the next 12 months using a scenario in which the federal funds rate rises to 4.25% and the 10-year Constant Maturity Treasury bond yield rises to 5.00%. Simulation estimates depend on, and will change with, the size and mix of our actual and projected balance sheet at the time of each simulation. Due to timing differences between the quarterly valuation of MSRs and the eventual impact of interest rates on mortgage banking volumes, earnings at risk in any particular quarter could be higher than the average earnings at risk over the 12-month simulation period, depending on the path of interest rates and on our hedging strategies for MSRs. See the Risk Management Mortgage Banking Interest Rate and Market Risk section in this Report for more information.

We use exchange-traded and over-the-counter (OTC) interest rate derivatives to hedge our interest rate exposures. The notional or contractual amount, credit risk amount and estimated net fair value of these derivatives as of June 30, 2010, and December 31, 2009, are presented in Note 11 (Derivatives) to Financial Statements in this Report.

For additional information regarding interest rate risk, see pages 66-67 of our 2009 Form 10-K.

Mortgage Banking Interest Rate and Market Risk

We originate, fund and service mortgage loans, which subjects us to various risks, including credit, liquidity and interest rate risks. For a discussion of mortgage banking interest rate and market risk, see pages 67-69 of our 2009 Form 10-K.

In second quarter 2010, a $2.7 billion decrease in the fair value of our MSRs and $3.3 billion gain on free-standing derivatives used to hedge the MSRs resulted in a net gain of $626 million. This net gain was largely due to hedge-carry income which reflected the low short-term interest rate environment. The net gain on the MSR of $626 million in second quarter 2010 was down from $989 million in first quarter 2010 and $1.0 billion a year ago, due to a change in the composition of the hedge and a hedge position that considered natural business offsets.

While our hedging activities are designed to balance our mortgage banking interest rate risks, the financial instruments we use may not perfectly correlate with the values and income being hedged. For example, the change in the value of adjustable-rate mortgages (ARMs) production held for sale from changes in mortgage interest rates may or may not be fully offset by Treasury and LIBOR index-based financial instruments used as economic hedges for such ARMs. Additionally, the hedge-carry income we earn on our economic hedges for the MSRs may not continue if the spread between short-term and long-term rates decreases, we shift the composition of the hedge to more interest rate swaps, or there are other changes in the market for mortgage forwards that impact the implied carry.

For additional information regarding other risk factors related to the mortgage business, see pages 67-69 of our 2009 Form 10-K.

The total carrying value of our residential and commercial MSRs was $14.3 billion at June 30, 2010, and $17.1 billion at December 31, 2009. The weighted-average note rate on our portfolio of loans serviced for others was 5.53% at June 30, 2010, and 5.66% at December 31, 2009. Our total MSRs were 0.76% of mortgage loans serviced for others at June 30, 2010, compared with 0.91% at December 31, 2009.

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Market Risk Trading Activities

From a market risk perspective, our net income is exposed to changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices and their implied volatilities. The credit risk amount and estimated net fair value of all customer accommodation derivatives are included in Note 11 (Derivatives) to Financial Statements in this Report. Open, at risk positions for all trading businesses are monitored by Corporate ALCO.

The standardized approach for monitoring and reporting market risk for the trading activities consists of value-at-risk (VaR) metrics complemented with factor analysis and stress testing. VaR measures the worst expected loss over a given time interval and within a given confidence interval. We measure and report daily VaR at a 99% confidence interval based on actual changes in rates and prices over the past 250 trading days. The analysis captures all financial instruments that are considered trading positions. The average one-day VaR throughout second quarter 2010 was $30 million, with a lower bound of $24 million and an upper bound of $40 million. For additional information regarding market risk related to trading activities, see page 69 of our 2009 Form 10-K.

Market Risk Equity Markets

We are directly and indirectly affected by changes in the equity markets. For additional information regarding market risk related to equity markets, see page 69 of our 2009 Form 10-K.

The following table provides information regarding our marketable and nonmarketable equity investments.

(in millions)	**June 30, 2010**	Dec. 31, 2009
Nonmarketable equity investments:		
Private equity investments:		
Cost method	**$ 3,769**	3,808
Equity method	**6,144**	5,138
Federal bank stock	**6,024**	5,985
Principal investments	**360**	1,423
Total nonmarketable equity investments (1)	**$ 16,297**	16,354
Marketable equity securities:		
Cost	**$ 4,571**	4,749
Net unrealized gains	**592**	843
Total marketable equity securities (2)	**$ 5,163**	5,592

(1) Included in other assets on the balance sheet. See Note 6 (Other Assets) to Financial Statements in this Report for additional information.

(2) Included in securities available for

sale. See Note 4 (Securities Available for Sale) to Financial Statements in this Report for additional information.

Liquidity and Funding

The objective of effective liquidity management is to ensure that we can meet customer loan requests, customer deposit maturities/withdrawals and other cash commitments efficiently under both normal operating conditions and under unpredictable circumstances of industry or market stress. To achieve this objective, Corporate ALCO establishes and monitors liquidity guidelines that require sufficient asset-based liquidity to cover potential funding requirements and to avoid over-dependence on volatile, less reliable funding markets. We set these guidelines for both the consolidated balance sheet and for the Parent to ensure that the Parent is a source of strength for its regulated, deposit-taking banking subsidiaries.

Debt securities in the securities available-for-sale portfolio provide asset liquidity, in addition to the immediately liquid resources of cash and due from banks and federal funds sold, securities purchased under resale agreements and other short-term investments. Asset liquidity is further enhanced by our ability to sell or securitize loans in secondary markets and to pledge loans to access secured borrowing facilities through the Federal Home Loan Banks, the FRB, or the U.S. Treasury.

Core customer deposits have historically provided a sizeable source of relatively stable and low-cost funds. At June 30, 2010, core deposits funded 99% of the Company s loan portfolio. Additional funding is provided by long-term debt (including trust preferred securities), other foreign deposits and short-term borrowings (federal funds purchased, securities sold under repurchase agreements, commercial paper and other short-term borrowings).

Liquidity is also available through our ability to raise funds in a variety of domestic and international money and capital markets. We access capital markets for long-term funding through issuances of registered debt securities, private placements and asset-backed secured funding. Investors in the long-term capital markets generally will consider, among other factors, a company s credit rating in making investment decisions. Rating agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix, the level and quality of earnings, and rating agency assumptions regarding the probability and extent of Federal financial assistance or support for certain large financial institutions. Adverse changes in these factors could result in a reduction of our credit ratings; however, a reduction in our credit ratings would not cause us to violate any of our debt covenants. See the Risk Factors section of this Report and our First Quarter Form 10-Q for additional information regarding recent legislative developments and our credit ratings.

Parent. Under SEC rules, the Parent is classified as a well-known seasoned issuer, which allows it to file a registration statement that does not have a limit on issuance capacity. Well-known seasoned issuers generally include those companies with a public float of common equity of at least $700 million or those companies that have issued at least $1 billion in aggregate principal amount of non-convertible securities, other than common equity, in the last three years. In June 2009, the Parent filed a registration statement with the SEC for the issuance of senior and subordinated notes, preferred stock and other securities. The Parent s ability to issue debt and other securities under this registration statement is limited by the debt issuance authority granted by the Board. The Parent is currently authorized by the Board to issue $60 billion in outstanding short-term debt and $170 billion in outstanding long-term debt.

At June 30, 2010, the Parent had outstanding short-term debt of $10.2 billion and long-term debt of $110.2 billion under these authorities. During the first half of 2010, the Parent issued a total of $1.3 billion in non-guaranteed registered senior notes. Effective August 2009, the Parent established an SEC registered $25 billion medium-term note program series I and J (MTN I&J), under which it may issue senior and subordinated debt securities. Also, effective April 2010, the Parent established an SEC registered $25 billion medium-term note program series K (MTN K), under which it may issue senior

debt securities linked to one or more indices. In December 2009, the Parent established a $25 billion European medium-term note programme (EMTN), under which it may issue senior and subordinated debt securities. In March 2010, the Parent increased its Australian medium-term note programme (AMTN) from A$5 billion to A$10 billion, under which it may issue senior and subordinated debt securities. The EMTN and AMTN securities are not registered with the SEC and may not be offered in the United States without applicable exemptions from registration. The Parent has $21.8 billion, $25.0 billion, $25.0 billion, and A$6.8 billion available for issuance under the MTN - I&J, MTN - K, EMTN and AMTN, respectively. The proceeds from securities issued in the first half of 2010 were used for general corporate purposes, and we expect the proceeds from securities issued in the future will also be used for general corporate purposes. The Parent also issues commercial paper from time to time, subject to its short-term debt limit.

Wells Fargo Bank, N.A. Wells Fargo Bank, N.A. is authorized by its board of directors to issue $100 billion in outstanding short-term debt and $125 billion in outstanding long-term debt. In December 2007, Wells Fargo Bank, N.A. established a $100 billion bank note program under which, subject to any other debt outstanding under the limits described above, it may issue $50 billion in outstanding short-term senior notes and $50 billion in long-term senior or subordinated notes. At June 30, 2010, Wells Fargo Bank, N.A. had remaining issuance capacity on the bank note program of $50 billion in short-term senior notes and $50 billion in long-term senior or subordinated notes. Securities are issued under this program as private placements in accordance with Office of the Comptroller of the Currency (OCC) regulations. Effective March 20, 2010, Wachovia Bank, N.A. merged with and into Wells Fargo Bank, N.A.

Wells Fargo Financial. In January 2010, Wells Fargo Financial Canada Corporation (WFFCC), an indirect wholly owned Canadian subsidiary of the Parent, qualified with the Canadian provincial securities commissions CAD$7.0 billion in medium-term notes for distribution from time to time in Canada. At June 30, 2010, CAD$7.0 billion remained available for future issuance. All medium-term notes issued by WFFCC are unconditionally guaranteed by the Parent.

Federal Home Loan Bank Membership

We are a member of the Federal Home Loan Banks based in Dallas, Des Moines and San Francisco (collectively, the FHLBs). Each member of each of the FHLBs is required to maintain a minimum investment in capital stock of the applicable FHLB. The board of directors of each FHLB can increase the minimum investment requirements in the event it has concluded that additional capital is required to allow it to meet its own regulatory capital requirements. Any increase in the minimum investment requirements outside of specified ranges requires the approval of the Federal Housing Finance Board. Because the extent of any obligation to increase our investment in any of the FHLBs depends entirely upon the occurrence of a future event, potential future payments to the FHLBs are not determinable.

CAPITAL MANAGEMENT

We have an active program for managing stockholders equity and regulatory capital and we maintain a comprehensive process for assessing the Company s overall capital adequacy. We generate capital internally primarily through the retention of earnings net of dividends. Our objective is to maintain capital levels at the Company and its bank subsidiaries above the regulatory well-capitalized thresholds by an amount commensurate with our risk profile. Our potential sources of stockholders equity include retained earnings and issuances of common and preferred stock. Retained earnings increased $4.6 billion from December 31, 2009, predominantly from Wells Fargo net income of $5.6 billion, less common and preferred dividends of $889 million. During the first half of 2010, we issued approximately 55 million shares of common stock, with net proceeds of $865 million, including 18 million shares during the period

under various employee benefit (including our employee stock option plan) and director plans, as well as under our dividend reinvestment and direct stock purchase programs.

On April 29, 2010, following stockholder approval, the Company amended its certificate of incorporation to provide for an increase in the number of shares of the Company s common stock authorized for issuance from 6 billion to 9 billion.

From time to time the Board authorizes the Company to repurchase shares of our common stock. Although we announce when the Board authorizes share repurchases, we typically do not give any public notice before we repurchase our shares. Various factors determine the amount and timing of our share repurchases, including our capital requirements, the number of shares we expect to issue for acquisitions and employee benefit plans, market conditions (including the trading price of our stock), and regulatory and legal considerations. The FRB published clarifying supervisory guidance in first quarter 2009, *SR 09-4 Applying Supervisory Guidance and Regulations on the Payment of Dividends, Stock Redemptions, and Stock Repurchases at Bank Holding Companies,* pertaining to the FRB s criteria, assessment and approval process for reductions in capital. As with all 19 participants in the FRB s Supervisory Capital Assessment Program, under this supervisory letter, before repurchasing our common shares, we must consult with the FRB staff and demonstrate that the proposed actions are consistent with the existing supervisory guidance, including demonstrating that our internal capital assessment process is consistent with the complexity of our activities and risk profile. In 2008, the Board authorized the repurchase of up to 25 million additional shares of our outstanding common stock. During second quarter 2010, we repurchased 1 million shares of our common stock, all from our employee benefit plans. At June 30, 2010, the total remaining common stock repurchase authority was approximately 4 million shares.

Historically, our policy has been to repurchase shares under the safe harbor conditions of Rule 10b-18 of the Securities Exchange Act of 1934 including a limitation on the daily volume of repurchases. Rule 10b-18 imposes an additional daily volume limitation on share repurchases during a pending merger or acquisition in which shares of our stock will constitute some or all of the consideration. Our management may determine that during a pending stock merger or acquisition when the safe harbor would otherwise be available, it is in our best interest to repurchase shares in excess of this additional daily volume limitation. In such cases, we intend to repurchase shares in compliance with the other conditions of the safe harbor, including the standing daily volume limitation that applies whether or not there is a pending stock merger or acquisition.

In connection with our participation in the Troubled Asset Relief Program Capital Purchase Program, we issued to the U.S. Treasury Department warrants to purchase 110,261,688 shares of our common stock with an exercise price of $34.01 per share. On May 26, 2010, in an auction by the U.S. Treasury, we purchased 70,165,963 of the warrants at a price of $7.70 per warrant. The Board has authorized the repurchase of up to $1 billion of the warrants, including the warrants purchased in the auction. As of June 30, 2010, $460 million of that authority remained. Depending on market conditions, we may repurchase from time to time additional warrants and/or our outstanding debt securities in privately negotiated or open market transactions, by tender offer or otherwise.

The Company and each of our subsidiary banks are subject to various regulatory capital adequacy requirements administered by the FRB and the OCC. Risk-based capital (RBC) guidelines establish a risk-adjusted ratio relating capital to different categories of assets and off-balance sheet exposures. At June 30, 2010, the Company and each of our subsidiary banks were well capitalized under applicable regulatory capital adequacy guidelines. See Note 18 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information.

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Current regulatory RBC rules are based primarily on broad credit-risk considerations and limited market-related risks, but do not take into account other types of risk a financial company may be exposed to. Our capital adequacy assessment process contemplates a wide range of risks that the Company is exposed to and also takes into consideration our performance under a variety of economic conditions, as well as regulatory expectations and guidance, rating agency viewpoints and the view of capital market participants.

At June 30, 2010, stockholders equity and Tier 1 common equity levels were higher than the quarter ending prior to the Wachovia acquisition. During 2009, as regulators and the market focused on the composition of regulatory capital, the Tier 1 common equity ratio gained significant prominence as a metric of capital strength. There is no mandated minimum or well capitalized standard for Tier 1 common equity; instead the RBC rules state voting common stockholders equity should be the dominant element within Tier 1 common equity. Tier 1 common equity was $73.9 billion at June 30, 2010, or 7.61% of risk-weighted assets, an increase of $8.4 billion from December 31, 2009. The following table provides the details of the Tier 1 common equity calculation.

TIER 1 COMMON EQUITY (1)

(in billions)		**June 30, 2010**	Dec. 31, 2009
Total equity		**$ 121.4**	114.4
Less: Noncontrolling interests		**(1.6)**	(2.6)
Total Wells Fargo stockholders equity		**119.8**	111.8
Less: Preferred equity		**(8.1)**	(8.1)
Goodwill and intangible assets (other than MSRs)		**(36.7)**	(37.7)
Applicable deferred taxes		**5.0**	5.3
Deferred tax asset limitation			(1.0)
MSRs over specified limitations		**(1.0)**	(1.6)
Cumulative other comprehensive income		**(4.8)**	(3.0)
Other		**(0.3)**	(0.2)
Tier 1 common equity	(A)	**$ 73.9**	65.5
Total risk-weighted assets (2)	(B)	**$ 970.8**	1,013.6
Tier 1 common equity to total risk-weighted assets	(A)/(B)	**7.61%**	6.46

(1) Tier 1 common equity is a non-generally accepted accounting principle (GAAP) financial measure that is used by investors, analysts and bank regulatory

agencies, to assess the capital position of financial services companies. Tier 1 common equity includes total Wells Fargo stockholders equity, less preferred equity, goodwill and intangible assets (excluding MSRs), net of related deferred taxes, adjusted for specified Tier 1 regulatory capital limitations covering deferred taxes, MSRs, and cumulative other comprehensive income. Management reviews Tier 1 common equity along with other measures of capital as part of its financial analyses and has included this non-GAAP financial information, and the corresponding reconciliation to total equity, because of current interest in such information on the part of market participants.

(2) Under the regulatory guidelines for risk-based capital, on-balance sheet assets and credit

equivalent amounts of derivatives and off-balance sheet items are assigned to one of several broad risk categories according to the obligor or, if relevant, the guarantor or the nature of any collateral. The aggregate dollar amount in each risk category is then multiplied by the risk weight associated with that category. The resulting weighted values from each of the risk categories are aggregated for determining total risk-weighted assets.

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CRITICAL ACCOUNTING POLICIES

Our significant accounting policies (see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report) are fundamental to understanding our results of operations and financial condition, because they require that we use estimates and assumptions that may affect the value of our assets or liabilities and financial results. Six of these policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. These policies govern:

- the allowance for credit losses;
- purchased credit-impaired (PCI) loans;
- the valuation of residential mortgage servicing rights (MSRs);
- the fair valuation of financial instruments;
- pension accounting; and
- income taxes.

Management has reviewed and approved these critical accounting policies and has discussed these policies with the Audit and Examination Committee of the Company s Board. These policies are described in the Financial Review Critical Accounting Policies section and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2009 Form 10-K.

FAIR VALUATION OF FINANCIAL INSTRUMENTS

We use fair value measurements to record fair value adjustments to certain financial instruments and to determine fair value disclosures. See our 2009 Form 10-K for the complete critical accounting policy related to fair valuation of financial instruments.

For the securities available-for-sale portfolio, we typically use independent pricing services and brokers to obtain fair value based upon quoted prices. We determine the most appropriate and relevant pricing service for each security class and generally obtain one quoted price for each security. For securities in our trading portfolio, we typically use prices developed internally by our traders to measure the security at fair value. Internal traders base their prices upon their knowledge of current market information for the particular security class being valued. Current market information includes recent transaction prices for the same or similar securities, liquidity conditions, relevant benchmark indices and other market data. For both trading and available-for-sale securities, we validate prices using a variety of methods, including but not limited to, comparison to pricing services, corroboration of pricing by reference to other independent market data such as secondary broker quotes and relevant benchmark indices and, for securities valued using external pricing services or brokers, review of pricing by Company personnel familiar with market liquidity and other market-related conditions. We believe the determination of fair value for our securities is consistent with the accounting guidance on fair value measurements.

The table below presents the summary of the fair value of financial instruments recorded at fair value on a recurring basis, and the amounts measured using significant Level 3 inputs (before derivative netting adjustments). The fair value of the remaining assets and liabilities were measured using valuation methodologies involving market-based or market-derived information, collectively Level 1 and 2 measurements.

	June 30, 2010		December 31, 2009	
($ in billions)	**Total balance**	**Level 3 (1)**	Total balance	Level 3 (1)
Assets carried at fair value	**$ 260.4**	**47.2**	277.4	52.0
As a percentage of total assets	**21%**	**4**	22	4
Liabilities carried at fair value	**$ 21.8**	**8.2**	22.8	7.9
As a percentage of total liabilities	**2%**	**1**	2	1

(1) Before derivative netting adjustments.

See Note 12 (Fair Values of Assets and Liabilities) to Financial Statements in this Report for a complete discussion on our use of fair valuation of financial instruments, our related measurement techniques and its impact to our financial statements.

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Current Accounting Developments

The following accounting pronouncements have been issued by the Financial Accounting Standards Board, but are not yet effective:

- Accounting Standards Update (ASU or Update) 2010-20*, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*;
- ASU 2010-18*, Effect of a Loan Modification When the Loan is Part of a Pool That is Accounted for as a Single Asset; and*
- ASU 2010-11*, Scope Exception Related to Embedded Credit Derivatives.*

ASU 2010-20 requires enhanced disclosures for the allowance for credit losses and financing receivables, which include certain loans and long-term accounts receivable. Companies will be required to disaggregate credit quality information, including receivables on nonaccrual status, aging of past due receivables, and the roll forward of the allowance for credit losses, by portfolio segment or class of financing receivable. Portfolio segment is the level at which an entity evaluates credit risk and determines its allowance for credit losses, and class of financing receivable is generally a lower level of portfolio segment. Companies must also provide more granular information on the nature and extent of TDRs and their effect on the allowance for credit losses. This guidance is effective for us in fourth quarter 2010 with prospective application. Our adoption of the Update will not affect our consolidated financial statement results since it amends only the disclosure requirements for financing receivables and the allowance for credit losses.

ASU 2010-18 provides guidance for modified PCI loans that are accounted for within a pool. Under the new guidance, modified PCI loans should not be removed from a pool even if those loans would otherwise be deemed troubled debt restructurings. The Update also clarifies that entities should consider the impact of modifications on a pool of PCI loans when evaluating that pool for impairment. These accounting changes are effective for us in third quarter 2010 with early adoption permitted. Our adoption of the Update will not affect our consolidated financial statement results, as the new guidance is consistent with our current accounting practice.

ASU 2010-11 provides guidance clarifying when entities should evaluate embedded credit derivative features in financial instruments issued from structures such as collateralized debt obligations (CDOs) and synthetic CDOs. The Update clarifies that bifurcation and separate accounting is not required for embedded credit derivative features that are only related to the transfer of credit risk that occurs when one financial instrument is subordinate to another. Embedded derivatives related to other types of credit risk must be analyzed to determine the appropriate accounting treatment. The guidance also allows companies to elect fair value option upon adoption for any investment in a beneficial interest in securitized financial assets. By making this election, companies would not be required to evaluate whether embedded credit derivative features exist for those interests. This guidance is effective for us in third quarter 2010. Our adoption of this standard is not expected to have a material impact on our financial statements.

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FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as anticipates, intends, plans, seeks, believe estimates, expects, projects, outlook, forecast, will, may, could, should, can and similar reference Examples of forward-looking statements in this Report include, but are not limited to, statements we make about: (i) future results of the Company; (ii) future credit quality and expectations regarding future loan losses in our loan portfolios and life-of-loan estimates, including our belief that credit quality has turned the corner and quarterly provision expense and quarterly total credit losses have peaked, and that the positive trend in credit quality is expected to continue over the coming year; the level and loss content of nonperforming assets and nonaccrual loans; the adequacy of the allowance for loan losses, including our current expectation of future reductions in the allowance for loan losses; and the reduction or mitigation of risk in our loan portfolios and the effects of loan modification programs; (iii) the merger integration of the Company and Wachovia, including expense savings, merger costs and revenue synergies; (iv) the expected outcome and impact of legal, regulatory and legislative developments; and (v) the Company s plans, objectives and strategies.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you, therefore, against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. While there is no assurance that any list of risks and uncertainties or risk factors is complete, important factors that could cause actual results to differ materially from those in the forward-looking statements include the following, without limitation:

- current and future economic and market conditions, including the effects of further declines in housing prices and high unemployment rates;
- the terms of capital investments or other financial assistance provided by the U.S. government;
- our capital requirements and the ability to raise capital on favorable terms, including regulatory capital standards as determined by applicable regulatory authorities;
- financial services reform and other current, pending or future legislation or regulation that could have a negative effect on our revenue and businesses, including the Dodd-Frank Act and legislation and regulation relating to overdraft fees (and changes to our overdraft practices as a result thereof), credit cards, and other bank services;
- legislative proposals to allow mortgage cram-downs in bankruptcy or require other loan modifications;
- the extent of our success in our loan modification efforts, as well as the effects of regulatory requirements or guidance regarding loan modifications or changes in such requirements or guidance;
- our ability to successfully integrate the Wachovia merger and realize the expected cost savings and other benefits and the effects of any delays or disruptions in systems conversions relating to the Wachovia integration;
- our ability to realize the efficiency initiatives to lower expenses when and in the amount expected;
- recognition of OTTI on securities held in our available-for-sale portfolio;
- the effect of changes in interest rates on our net interest margin and our mortgage originations, mortgage servicing rights and mortgages held for sale;
- hedging gains or losses;
- disruptions in the capital markets and reduced investor demand for mortgage loans;

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- our ability to sell more products to our customers;
- the effect of the economic recession on the demand for our products and services;
- the effect of the fall in stock market prices on our investment banking business and our fee income from our brokerage, asset and wealth management businesses;
- our election to provide support to our mutual funds for structured credit products they may hold;
- changes in the value of our venture capital investments;
- changes in our accounting policies or in accounting standards or in how accounting standards are to be applied or interpreted;
- mergers, acquisitions and divestitures;
- changes in the Company s credit ratings and changes in the credit quality of the Company s customers or counterparties;
- reputational damage from negative publicity, fines, penalties and other negative consequences from regulatory violations and legal actions;
- the loss of checking and saving account deposits to other investments such as the stock market, and the resulting increase in our funding costs and impact on our net interest margin;
- fiscal and monetary policies of the Federal Reserve Board; and
- the other risk factors and uncertainties described under Risk Factors in our 2009 Form 10-K and First Quarter Form 10-Q, and under Risk Factors in this Report.

In addition to the above factors, we also caution that there is no assurance that our allowance for credit losses will be adequate to cover future credit losses, especially if credit markets, housing prices and unemployment do not continue to stabilize or improve. Increases in loan charge-offs or in the allowance for credit losses and related provision expense could materially adversely affect our financial results and condition.

Any forward-looking statement made by us in this Report speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

RISK FACTORS

An investment in the Company involves risk, including the possibility that the value of the investment could fall substantially and that dividends or other distributions on the investment could be reduced or eliminated. We discuss above under Forward-Looking Statements and elsewhere in this Report, as well as in other documents we file with the SEC, risk factors that could adversely affect our financial results and condition and the value of, and return on, an investment in the Company. We refer you to the Financial Review section and Financial Statements (and related Notes) in this Report for more information about credit, interest rate, market and litigation risks, the Risk Factors and Regulation and Supervision sections in our 2009 Form 10-K, the Risk Factors section in our First Quarter Form 10-Q, and the Forward-Looking Statements section of this Report for a discussion of risk factors.

The following risk factor supplements the risk factors set forth in our 2009 Form 10-K and First Quarter Form 10-Q and should be read in conjunction with the other risk factors described in those reports and in this Report.

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Enacted legislation and regulation, including the Dodd-Frank Wall Street Reform and Consumer Protection Act, could require us to change certain of our business practices, reduce our revenue, impose additional costs on us or otherwise adversely affect our business operations and/or competitive position.

Economic, financial, market and political conditions during the past few years have led to new legislation and regulation in the United States and in other jurisdictions outside of the United States where we conduct business. These laws and regulations may affect the manner in which we do business and the products and services that we provide, affect or restrict our ability to compete in our current businesses or our ability to enter into or acquire new businesses, reduce or limit our revenue in businesses or impose additional fees, assessments or taxes on us, intensify the regulatory supervision of us and the financial services industry, and adversely affect our business operations or have other negative consequences.

For example, in 2009 several legislative and regulatory initiatives were adopted that will have an impact on our businesses and financial results, including FRB amendments to Regulation E, which, among other things, affect the way we may charge overdraft fees beginning on July 1, 2010, and the enactment of the Credit Card Accountability Responsibility and Disclosure Act of 2009 (the Card Act), which, among other things, affects our ability to change interest rates and assess certain fees on card accounts. We currently estimate that the Regulation E amendments, including our implementation of certain policy changes to our overdraft practices, will reduce our 2010 fee revenue by approximately $225 million (after-tax) in third quarter 2010 and $275 million (after-tax) in fourth quarter 2010. We currently estimate that implementation of the Card Act regulations will have a net impact of $30 million (after-tax) in third quarter 2010. The actual impact of the Regulation E amendments and the Card Act in 2010 and future periods could vary due to a variety of factors, including changes in customer behavior, economic conditions and other potential offsetting factors.

On July 21, 2010, the Dodd-Frank Act became law. The Dodd-Frank Act, among other things, (i) establishes a new Financial Stability Oversight Council to monitor systemic risk posed by financial firms and imposes additional and enhanced FRB regulations on certain large, interconnected bank holding companies and systemically significant nonbanking firms intended to promote financial stability; (ii) creates a liquidation framework for the resolution of covered financial companies, the costs of which would be paid through assessments on surviving covered financial companies; (iii) makes significant changes to the structure of bank and bank holding company regulation and activities in a variety of areas, including prohibiting proprietary trading and private fund investment activities, subject to certain exceptions; (iv) creates a new framework for the regulation of over-the-counter derivatives and new regulations for the securitization market and strengthens the regulatory oversight of securities and capital markets by the SEC; (v) establishes the Bureau of Consumer Financial Protection within the FRB, which will have sweeping powers to administer and enforce a new federal regulatory framework of consumer financial regulation and, to a certain extent, may limit the existing preemption of state laws with respect to the application of such laws to national banks; (vi) provides for increased regulation of residential mortgage activities; (vii) revises the FDIC s assessment base for deposit insurance by changing from an assessment base defined by deposit liabilities to a risk-based system based on total assets; (viii) authorizes the FRB to issue regulations regarding the amount of any interchange transaction fee that an issuer may charge to ensure that it is reasonable and proportional to the cost incurred; and (ix) includes several corporate governance and executive compensation provisions and requirements, including mandating an advisory stockholder vote on executive compensation.

Although the Dodd-Frank Act became generally effective in July, many of its provisions have extended implementation periods and delayed effective dates and will require extensive rulemaking by regulatory authorities as well as require more than 60 studies to be conducted over the next one to two years. Accordingly, in many respects the ultimate impact of the Dodd-Frank Act and its effects on the U.S.

financial system and the Company will not be known for an extended period of time. Nevertheless, the Dodd-Frank Act, including future rules implementing its provisions and the interpretation of those rules, could result in a loss of revenue, require us to change certain of our business practices, limit our ability to pursue certain business opportunities, increase our capital requirements and impose additional assessments and costs on us, and otherwise adversely affect our business operations and have other negative consequences, including a reduction of our credit ratings.

Any factor described in this Report or in our 2009 Form 10-K or First Quarter Form 10-Q could by itself, or together with other factors, adversely affect our financial results and condition. There are factors not discussed above or elsewhere in this Report that could adversely affect our financial results and condition.

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CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

As required by SEC rules, the Company s management evaluated the effectiveness, as of June 30, 2010, of the Company s disclosure controls and procedures. The Company s chief executive officer and chief financial officer participated in the evaluation. Based on this evaluation, the Company s chief executive officer and chief financial officer concluded that the Company s disclosure controls and procedures were effective as of June 30, 2010.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting is defined in Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company s principal executive and principal financial officers and effected by the Company s Board, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles (GAAP) and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. No change occurred during second quarter in 2010 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

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WELLS FARGO & COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	Quarter ended June 30,		Six months ended June 30,	
(in millions, except per share amounts)	**2010**	2009	**2010**	2009
Interest income				
Trading assets	**$ 266**	206	**533**	472
Securities available for sale	**2,385**	2,887	**4,800**	5,596
Mortgages held for sale	**405**	545	**792**	960
Loans held for sale	**30**	50	**64**	117
Loans	**10,277**	10,532	**20,315**	21,297
Other interest income	**109**	81	**193**	172
Total interest income	**13,472**	14,301	**26,697**	28,614
Interest expense				
Deposits	**714**	957	**1,449**	1,956
Short-term borrowings	**21**	55	**39**	178
Long-term debt	**1,233**	1,485	**2,509**	3,264
Other interest expense	**55**	40	**104**	76
Total interest expense	**2,023**	2,537	**4,101**	5,474
Net interest income	**11,449**	11,764	**22,596**	23,140
Provision for credit losses	**3,989**	5,086	**9,319**	9,644
Net interest income after provision for credit losses	**7,460**	6,678	**13,277**	13,496
Noninterest income				
Service charges on deposit accounts	**1,417**	1,448	**2,749**	2,842
Trust and investment fees	**2,743**	2,413	**5,412**	4,628
Card fees	**911**	923	**1,776**	1,776
Other fees	**982**	963	**1,923**	1,864
Mortgage banking	**2,011**	3,046	**4,481**	5,550
Insurance	**544**	595	**1,165**	1,176
Net gains from trading activities	**109**	749	**646**	1,536
Net gains (losses) on debt securities available for sale (1)	**30**	(78)	**58**	(197)
Net gains (losses) from equity investments (2)	**288**	40	**331**	(117)
Operating leases	**329**	168	**514**	298
Other	**581**	476	**1,191**	1,028
Total noninterest income	**9,945**	10,743	**20,246**	20,384
Noninterest expense				
Salaries	**3,564**	3,438	**6,878**	6,824

Commission and incentive compensation	**2,225**	2,060	**4,217**	3,884
Employee benefits	**1,063**	1,227	**2,385**	2,511
Equipment	**588**	575	**1,266**	1,262
Net occupancy	**742**	783	**1,538**	1,579
Core deposit and other intangibles	**553**	646	**1,102**	1,293
FDIC and other deposit assessments	**295**	981	**596**	1,319
Other	**3,716**	2,987	**6,881**	5,843
Total noninterest expense	**12,746**	12,697	**24,863**	24,515
Income before income tax expense	**4,659**	4,724	**8,660**	9,365
Income tax expense	**1,514**	1,475	**2,915**	3,027
Net income before noncontrolling interests	**3,145**	3,249	**5,745**	6,338
Less: Net income from noncontrolling interests	**83**	77	**136**	121
Wells Fargo net income	**$ 3,062**	3,172	**5,609**	6,217
Wells Fargo net income applicable to common stock	**$ 2,878**	2,575	**5,250**	4,959
Per share information				
Earnings per common share	**$ 0.55**	0.58	**1.01**	1.14
Diluted earnings per common share	**0.55**	0.57	**1.00**	1.13
Dividends declared per common share	**0.05**	0.05	**0.10**	0.39
Average common shares outstanding	**5,219.7**	4,483.1	**5,205.1**	4,365.9
Diluted average common shares outstanding	**5,260.8**	4,501.6	**5,243.0**	4,375.1

(1) Includes other-than-temporary impairment losses of $106 million and $308 million recognized in earnings, consisting of $49 million and $972 million of total other-than-temporary impairment losses, net of $(57) million and $664 million recognized in other comprehensive income, for the quarters ended June 30, 2010 and 2009, respectively, and other-than-temporary impairment losses of $198 million and $577 million

recognized in earnings, consisting of $203 million and $1,575 million of total other-than-temporary impairment losses, net of $5 million and $998 million recognized in other comprehensive income, for the six months ended June 30, 2010 and 2009, respectively.

(2) Includes other-than-temporary impairment losses of $62 million and $155 million for the quarters ended June 30, 2010 and 2009, respectively, and $167 million and $402 million for the six months ended June 30, 2010 and 2009, respectively.

The accompanying notes are an integral part of these statements.

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WELLS FARGO & COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (UNAUDITED)

(in millions, except shares)	**June 30, 2010**	Dec. 31, 2009
Assets		
Cash and due from banks	**$ 17,571**	27,080
Federal funds sold, securities purchased under resale agreements and other short-term investments	**73,898**	40,885
Trading assets	**47,132**	43,039
Securities available for sale	**157,927**	172,710
Mortgages held for sale (includes $34,877 and $36,962 carried at fair value)	**38,581**	39,094
Loans held for sale (includes $238 and $149 carried at fair value)	**3,999**	5,733
Loans (includes $367 carried at fair value at June 30, 2010)	**766,265**	782,770
Allowance for loan losses	**(24,584)**	(24,516)
Net loans	**741,681**	758,254
Mortgage servicing rights:		
Measured at fair value (residential MSRs)	**13,251**	16,004
Amortized	**1,037**	1,119
Premises and equipment, net	**10,508**	10,736
Goodwill	**24,820**	24,812
Other assets	**95,457**	104,180
Total assets (1)	**$ 1,225,862**	1,243,646
Liabilities		
Noninterest-bearing deposits	**$ 175,015**	181,356
Interest-bearing deposits	**640,608**	642,662
Total deposits	**815,623**	824,018
Short-term borrowings	**45,187**	38,966
Accrued expenses and other liabilities	**58,582**	62,442
Long-term debt (includes $361 carried at fair value at June 30, 2010)	**185,072**	203,861
Total liabilities (2)	**1,104,464**	1,129,287
Equity		
Wells Fargo stockholders equity:		
Preferred stock	**8,980**	8,485
Common stock $1-2/3 par value, authorized 9,000,000,000 shares; issued 5,245,971,422 shares and 5,245,971,422 shares	**8,743**	8,743
Additional paid-in capital	**52,687**	52,878
Retained earnings	**46,126**	41,563
Cumulative other comprehensive income	**4,844**	3,009
Treasury stock 14,575,741 shares and 67,346,829 shares	**(631)**	(2,450)

Unearned ESOP shares	**(977)**	(442)
Total Wells Fargo stockholders equity	**119,772**	111,786
Noncontrolling interests	**1,626**	2,573
Total equity	**121,398**	114,359
Total liabilities and equity	**$ 1,225,862**	1,243,646

(1) Our consolidated assets at June 30, 2010, include the following assets of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs: Cash and due from banks, $379 million; Trading assets, $93 million; Securities available for sale, $2.6 billion; Net loans, $20.5 billion; Other assets, $2.4 billion, and Total assets, $26.0 billion.

(2) Our consolidated liabilities at June 30, 2010, include the following VIE liabilities for which the VIE creditors do not have recourse to Wells Fargo: Short-term borrowings,

$346 million;
Accrued
expenses and
other liabilities,
$771 million;
Long-term debt,
$10.3 billion;
and Total
liabilities,
$11.4 billion.

The accompanying notes are an integral part of these statements.

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WELLS FARGO & COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AND COMPREHENSIVE INCOME (UNAUDITED)

	Preferred stock		Common stock	
(in millions, except shares)	*Shares*	Amount	*Shares*	Amount
Balance, December 31, 2008	*10,111,821*	$ 31,332	*4,228,630,889*	$ 7,273
Cumulative effect from change in accounting for other-than-temporary impairment on debt securities				
Effect of change in accounting for noncontrolling interests				
Balance, January 1, 2009	*10,111,821*	31,332	*4,228,630,889*	7,273
Comprehensive income:				
Net income				
Other comprehensive income, net of tax:				
Translation adjustments				
Net unrealized gains on securities available for sale, net of reclassification of $5 million of net losses included in net income				
Net unrealized losses on derivatives and hedging activities, net of reclassification of $175 million of net gains on cash flow hedges included in net income				
Unamortized gains under defined benefit plans, net of amortization				
Total comprehensive income				
Noncontrolling interests				
Common stock issued			*439,968,781*	654
Common stock repurchased			*(2,731,755)*	
Preferred stock released to ESOP				
Preferred stock converted to common shares	*(32,703)*	(33)	*2,280,480*	
Common stock dividends				
Preferred stock dividends and accretion		198		
Tax benefit upon exercise of stock options				
Stock option compensation expense				
Net change in deferred compensation and related plans				
Net change	*(32,703)*	165	*439,517,506*	654

Balance, June 30, 2009	*10,079,118*	$ 31,497	*4,668,148,395*	$ 7,927
Balance, January 1, 2010	***9,980,940***	**$ 8,485**	***5,178,624,593***	**$ 8,743**
Cumulative effect from change in accounting for VIEs				
Comprehensive income:				
Net income				
Other comprehensive income, net of tax:				
Translation adjustments				
Net unrealized gains on securities available for sale, net of reclassification of $134 million of net gains included in net income				
Net unrealized gains on derivatives and hedging activities, net of reclassification of $204 million of net gains on cash flow hedges included in net income				
Unamortized gains under defined benefit plans, net of amortization				
Total comprehensive income				
Noncontrolling interests				
Common stock issued			***37,142,817***	
Common stock repurchased			***(2,206,165)***	
Preferred stock issued to ESOP	***1,000,000***	**1,000**		
Preferred stock released to ESOP				
Preferred stock converted to common shares	***(504,847)***	**(505)**	***17,834,436***	
Common stock warrants repurchased				
Common stock dividends				
Preferred stock dividends				
Tax benefit upon exercise of stock options				
Stock option compensation expense				
Net change in deferred compensation and related plans				
Net change	***495,153***	**495**	***52,771,088***	
Balance, June 30, 2010	***10,476,093***	**$ 8,980**	***5,231,395,681***	**$ 8,743**

The accompanying notes are an integral part of these statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AND COMPREHENSIVE INCOME

		Wells Fargo stockholders equity					
Additional paid-in capital	Retained earnings	Cumulative other comprehensive income	Treasury stock	Unearned ESOP shares	Total Wells Fargo stockholders equity	Noncontrolling interests	Total equity
36,026	36,543	(6,869)	(4,666)	(555)	99,084	3,232	$ 102,316
	53	(53)					
(3,716)					(3,716)	3,716	
32,310	36,596	(6,922)	(4,666)	(555)	95,368	6,948	102,316
	6,217				6,217	121	6,338
		35			35	(4)	31
		6,039			6,039	34	6,073
		(300)			(300)		(300)
		558			558		558
					12,549	151	12,700
(5)					(5)	(340)	(345)
7,845	(733)		1,542		9,308		9,308
			(63)		(63)		(63)
(2)				35	33		33
(40)			73				
	(1,657)				(1,657)		(1,657)
	(1,258)				(1,060)		(1,060)
3					3		3
138					138		138
21			(12)		9		9
7,960	2,569	6,332	1,540	35	19,255	(189)	19,066
40,270	39,165	(590)	(3,126)	(520)	114,623	6,759	$ 121,382
52,878	**41,563**	**3,009**	**(2,450)**	**(442)**	**111,786**	**2,573**	**$ 114,359**
	183				**183**		**183**
	5,609				**5,609**	**136**	**5,745**
		(13)			**(13)**	**(1)**	**(14)**

		1,672			1,672	11	1,683
		144			144		144
		32			32		32
					7,444	146	7,590
17					17	(1,093)	(1,076)
21	(338)		1,182		865		865
			(68)		(68)		(68)
80				(1,080)			
(40)				545	505		505
(62)			567				
(540)					(540)		(540)
2	(522)				(520)		(520)
	(369)				(369)		(369)
76					76		76
67					67		67
188			138		326		326
(191)	4,563	1,835	1,819	(535)	7,986	(947)	7,039
52,687	46,126	4,844	(631)	(977)	119,772	1,626	$ 121,398

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WELLS FARGO & COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Six months ended June 30,	
(in millions)	**2010**	2009
Cash flows from operating activities:		
Net income before noncontrolling interests	$ **5,745**	6,338
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	**9,319**	9,644
Changes in fair value of MSRs (residential), MHFS and LHFS carried at fair value	**1,384**	201
Changes in fair value related to adoption of consolidation accounting guidance	**424**	
Depreciation and amortization	**1,335**	1,540
Other net losses (gains)	**1,927**	(4,028)
Preferred shares released to ESOP	**505**	33
Stock option compensation expense	**67**	138
Excess tax benefits related to stock option payments	**(75)**	(3)
Originations of MHFS	**(153,453)**	(226,452)
Proceeds from sales of and principal collected on mortgages originated for sale	**161,908**	207,006
Originations of LHFS	**(4,206)**	(5,403)
Proceeds from sales of and principal collected on LHFS	**10,555**	10,723
Purchases of LHFS	**(4,673)**	(3,947)
Net change in:		
Trading assets	**(3,938)**	14,592
Deferred income taxes	**2,416**	3,289
Accrued interest receivable	**727**	284
Accrued interest payable	**(56)**	(631)
Other assets, net	**(4,595)**	(326)
Other accrued expenses and liabilities, net	**(8,462)**	4,851
Net cash provided by operating activities	**16,854**	17,849
Cash flows from investing activities:		
Net change in:		
Federal funds sold, securities purchased under resale agreements and other short-term investments	**(33,013)**	33,457
Securities available for sale:		
Sales proceeds	**3,981**	18,871
Prepayments and maturities	**22,741**	18,484
Purchases	**(11,095)**	(80,923)
Loans:		
Decrease in banking subsidiaries loan originations, net of collections	**20,904**	28,470
Proceeds from sales (including participations) of loans originated for investment by banking subsidiaries	**3,556**	3,179
Purchases (including participations) of loans by banking subsidiaries	**(1,201)**	(1,563)
Principal collected on nonbank entities loans	**8,006**	6,471
Loans originated by nonbank entities	**(5,309)**	(4,319)
Net cash paid for acquisitions	**(11)**	(132)

Proceeds from sales of foreclosed assets	**2,346**	1,813
Changes in MSRs from purchases and sales	**(15)**	(9)
Other, net	**830**	683
Net cash provided by investing activities	**11,720**	24,482
Cash flows from financing activities:		
Net change in:		
Deposits	**(8,395)**	32,192
Short-term borrowings	**1,094**	(52,591)
Long-term debt:		
Proceeds from issuance	**2,165**	3,876
Repayment	**(31,925)**	(35,162)
Preferred stock:		
Cash dividends paid	**(369)**	(1,053)
Common stock:		
Proceeds from issuance	**865**	9,308
Repurchased	**(68)**	(63)
Cash dividends paid	**(520)**	(1,657)
Common stock warrants repurchased	**(540)**	
Excess tax benefits related to stock option payments	**75**	3
Net change in noncontrolling interests	**(465)**	(315)
Net cash used by financing activities	**(38,083)**	(45,462)
Net change in cash and due from banks	**(9,509)**	(3,131)
Cash and due from banks at beginning of period	**27,080**	23,763
Cash and due from banks at end of period	**$ 17,571**	20,632
Supplemental cash flow disclosures:		
Cash paid for interest	**$ 4,157**	6,105
Cash paid for income taxes	**625**	1,062

The accompanying notes are an integral part of these statements. See Note 1 for noncash activities.

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NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

See the Glossary of Acronyms at the end of this Report for terms used throughout the Financial Statements and related Notes of this Form 10-Q.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wells Fargo & Company is a nation-wide diversified, community-based financial services company. We provide banking, insurance, investments, mortgage banking, investment banking, retail banking, brokerage, and consumer finance through banking stores, the internet and other distribution channels to consumers, businesses and institutions in all 50 states, the District of Columbia, and in other countries. When we refer to Wells Fargo, the Company, we, ou or us in this Form 10-Q, we mean Wells Fargo & Company and Subsidiaries (consolidated). Wells Fargo & Company (the Parent) is a financial holding company and a bank holding company. We also hold a majority interest in a real estate investment trust, which has publicly traded preferred stock outstanding.

Our accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements and income and expenses during the reporting period and the related disclosures. Although our estimates contemplate current conditions and how we expect them to change in the future, it is reasonably possible that in 2010 actual conditions could be worse than anticipated in those estimates, which could materially affect our results of operations and financial condition. Management has made significant estimates in several areas, including the evaluation of other-than-temporary impairment (OTTI) on investment securities (Note 4), allowance for credit losses and purchased credit-impaired (PCI) loans (Note 5), valuing residential mortgage servicing rights (MSRs) (Notes 7 and 8) and financial instruments (Note 12), pension accounting (Note 14) and income taxes. Actual results could differ from those estimates. Among other effects, such changes could result in future impairments of investment securities, increases to the allowance for loan losses, as well as increased future pension expense.

The information furnished in these unaudited interim statements reflects all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed in this Form 10-Q. The results of operations in the interim statements do not necessarily indicate the results that may be expected for the full year. The interim financial information should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2009 (2009 Form 10-K). Certain amounts in the financial statements for prior years have been revised to conform with current financial statement presentation.

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Accounting Developments

In first quarter 2010, we adopted the following accounting updates to the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC or Codification):

Accounting Standards Update (ASU or Update) 2010-6, *Improving Disclosures about Fair Value Measurements*;
ASU 2009-16, *Accounting for Transfers of Financial Assets* (Statement of Financial Accounting Standards (FAS) 166, *Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140);*
ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (*FAS 167*, Amendments to FASB Interpretation No. 46(R)*); and
ASU 2010-10, *Amendments for Certain Investment Funds.*

Information about these accounting updates is further described in more detail below.

ASU 2010-6 amends the disclosure requirements for fair value measurements. Companies are now required to disclose significant transfers in and out of Levels 1 and 2 of the fair value hierarchy, whereas the previous rules only required the disclosure of transfers in and out of Level 3. Additionally, in the rollforward of Level 3 activity, companies must present information on purchases, sales, issuances, and settlements on a gross basis rather than on a net basis. The Update also clarifies that fair value measurement disclosures should be presented for each class of assets and liabilities. A class is typically a subset of a line item in the statement of financial position. Companies should also provide information about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring instruments classified as either Level 2 or Level 3. We adopted this guidance in first quarter 2010 with prospective application, except for the new requirement related to the Level 3 rollforward. Gross presentation in the Level 3 rollforward is effective for us in first quarter 2011 with prospective application. Our adoption of the Update did not affect our consolidated financial statement results since it amends only the disclosure requirements for fair value measurements.

ASU 2009-16 (FAS 166) modifies certain guidance contained in ASC 860, *Transfers and Servicing*. This pronouncement eliminates the concept of qualifying special purpose entities (QSPEs) and provides additional criteria transferors must use to evaluate transfers of financial assets. The Update also requires that any assets or liabilities retained from a transfer accounted for as a sale must be initially recognized at fair value. We adopted this guidance in first quarter 2010 with prospective application for transfers that occurred on and after January 1, 2010.

ASU 2009-17 (FAS 167) amends several key consolidation provisions related to variable interest entities (VIEs), which are included in ASC 810, *Consolidation*. The scope of the new guidance includes entities that were previously designated as QSPEs. The Update also changes the approach companies must use to identify VIEs for which they are deemed to be the primary beneficiary and are required to consolidate. Under the new guidance, a VIE s primary beneficiary is the entity that has the power to direct the VIE s significant activities, and has an obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. The Update also requires companies to continually reassess whether they are the primary beneficiary of a VIE, whereas the previous rules only required reconsideration upon the occurrence of certain triggering events. We adopted this guidance in first quarter 2010, which resulted in the consolidation of $18.6 billion of incremental assets onto our consolidated balance sheet and a $183 million increase to beginning retained earnings as a cumulative effect adjustment.

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We also elected the fair value option for those newly consolidated VIEs for which our interests, prior to January 1, 2010, were predominantly carried at fair value with changes in fair value recorded to earnings. Accordingly, the fair value option was elected to effectively continue fair value accounting through earnings for those interests. Conversely, we did not elect the fair value option for those newly consolidated VIEs that did not share these characteristics. At January 1, 2010, the fair value of loans and long-term debt for which we elected the fair value option was $1.0 billion and $1.0 billion, respectively. The incremental impact of electing the fair value option (compared to not electing) on the cumulative effect adjustment to retained earnings was an increase of $15 million. See Notes 7 and 12 in this Report for additional information.

ASU 2010-10 amends consolidation accounting guidance to defer indefinitely the application of ASU 2009-17 to certain investment funds. The amendment was effective for us in first quarter 2010. As a result, we did not consolidate any investment funds upon adoption of ASU 2009-17.

Supplemental Cash Flow Information

Noncash activities are presented below, including information on transfers affecting mortgages held for sale (MHFS), loans held for sale (LHFS), and MSRs.

	Six months ended June 30,	
(in millions)	**2010**	2009
Transfers from trading assets to securities available for sale	**$**	845
Transfers from loans to securities available for sale	**3,468**	
Transfers from MHFS to trading assets		663
Transfers from MHFS to MSRs	**2,025**	3,550
Transfers from MHFS to foreclosed assets	**102**	87
Transfers from (to) loans to (from) MHFS	**99**	45
Transfers from (to) loans to (from) LHFS	**(77)**	16
Transfers from loans to foreclosed assets	**5,481**	3,307
Adoption of consolidation accounting guidance:		
Trading assets	**155**	
Securities available for sale	**(7,590)**	
Loans	**25,657**	
Other assets	**193**	
Short-term borrowings	**5,127**	
Long-term debt	**13,134**	
Accrued expenses and other liabilities	**(32)**	
Decrease in noncontrolling interests due to deconsolidation of subsidiaries	**240**	
Transfer from noncontrolling interests to long-term debt	**345**	

Subsequent Events

We have evaluated the effects of subsequent events that have occurred subsequent to period end June 30, 2010. There have been no material events that would require recognition in our second quarter 2010 consolidated financial statements or disclosure in the Notes to the financial statements.

2. BUSINESS COMBINATIONS

We regularly explore opportunities to acquire financial services companies and businesses. Generally, we do not make a public announcement about an acquisition opportunity until a definitive agreement has been signed. For information on additional consideration related to acquisitions, which is considered to be a guarantee, see Note 10 in this Report.

In the first half of 2010, we completed two acquisitions with combined total assets of $431 million consisting of a factoring business and an insurance brokerage business. At June 30, 2010, we had one small insurance brokerage business acquisition pending and expect to complete this transaction during third quarter 2010.

On December 31, 2008, Wells Fargo acquired Wachovia Corporation (Wachovia). The purchase accounting for the Wachovia acquisition was finalized as of December 31, 2009. Costs associated with involuntary employee termination, contract terminations and closing duplicate facilities were recorded throughout 2009 and allocated to the purchase price. The following table summarizes the first half of 2010 usage of the exit reserves associated with the Wachovia acquisition.

(in millions)	Employee termination	Contract termination	Facilities related	Total
Balance, December 31, 2009	$ 355	58	344	757
Cash payments / utilization	**(121)**	**(16)**	**(92)**	**(229)**
Balance, June 30, 2010	**$ 234**	**42**	**252**	**528**

3. FEDERAL FUNDS SOLD, SECURITIES PURCHASED UNDER RESALE AGREEMENTS AND OTHER SHORT-TERM INVESTMENTS

The following table provides the detail of federal funds sold, securities purchased under resale agreements and other short-term investments.

(in millions)	**June 30, 2010**	Dec. 31, 2009
Federal funds sold and securities purchased under resale agreements	**$ 16,302**	8,042
Interest-earning deposits	**55,550**	31,668
Other short-term investments	**2,046**	1,175
Total	**$ 73,898**	40,885

We pledge certain financial instruments that we own to collateralize repurchase agreements and other securities financings. The types of collateral we pledge include securities issued by federal agencies, government-sponsored entities (GSEs), and domestic and foreign companies. We pledged $18.3 billion at June 30, 2010, and $14.8 billion at December 31, 2009, under agreements that permit the secured parties to sell or repledge the collateral. Pledged collateral where the secured party cannot sell or repledge was $782 million at June 30, 2010, and $434 million at December 31, 2009.

We receive collateral from other entities under resale agreements and securities borrowings. We received $136.3 billion at June 30, 2010, and $31.4 billion at December 31, 2009, for which we have the right to sell or

repledge the collateral. These amounts include securities we have sold or repledged to others with a fair value of $134.7 billion at June 30, 2010, and $29.7 billion at December 31, 2009.

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4. SECURITIES AVAILABLE FOR SALE

The following table provides the cost and fair value for the major categories of securities available for sale carried at fair value. The net unrealized gains (losses) are reported on an after-tax basis as a component of cumulative other comprehensive income (OCI). There were no securities classified as held to maturity as of the periods presented.

(in millions)	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
June 30, 2010				
Securities of U.S. Treasury and federal agencies	**$ 1,621**	**64**		**1,685**
Securities of U.S. states and political subdivisions	**16,205**	**764**	**(545)**	**16,424**
Mortgage-backed securities:				
Federal agencies	**66,915**	**4,489**	**(9)**	**71,395**
Residential	**19,425**	**2,501**	**(780)**	**21,146**
Commercial	**12,513**	**1,293**	**(1,276)**	**12,530**
Total mortgage-backed securities	**98,853**	**8,283**	**(2,065)**	**105,071**
Corporate debt securities	**8,848**	**1,159**	**(64)**	**9,943**
Collateralized debt obligations	**4,020**	**340**	**(329)**	**4,031**
Other (1)	**15,219**	**754**	**(363)**	**15,610**
Total debt securities	**144,766**	**11,364**	**(3,366)**	**152,764**
Marketable equity securities:				
Perpetual preferred securities	**3,999**	**237**	**(150)**	**4,086**
Other marketable equity securities	**572**	**509**	**(4)**	**1,077**
Total marketable equity securities	**4,571**	**746**	**(154)**	**5,163**
Total	**$ 149,337**	**12,110**	**(3,520)**	**157,927**
December 31, 2009				
Securities of U.S. Treasury and federal agencies	$ 2,256	38	(14)	2,280
Securities of U.S. states and political subdivisions	13,212	683	(365)	13,530
Mortgage-backed securities:				
Federal agencies	79,542	3,285	(9)	82,818
Residential	28,153	2,480	(2,043)	28,590
Commercial	12,221	602	(1,862)	10,961
Total mortgage-backed securities	119,916	6,367	(3,914)	122,369
Corporate debt securities	8,245	1,167	(77)	9,335
Collateralized debt obligations	3,660	432	(367)	3,725
Other (1)	15,025	1,099	(245)	15,879
Total debt securities	162,314	9,786	(4,982)	167,118

Marketable equity securities:				
Perpetual preferred securities	3,677	263	(65)	3,875
Other marketable equity securities	1,072	654	(9)	1,717
Total marketable equity securities	4,749	917	(74)	5,592
Total	$ 167,063	10,703	(5,056)	172,710

(1) Included in the Other category are asset-backed securities collateralized by auto leases or loans and cash reserves with a cost basis and fair value of $6.7 billion and $6.9 billion, respectively, at June 30, 2010, and $8.2 billion and $8.5 billion, respectively, at December 31, 2009. Also included in the Other category are asset-backed securities collateralized by home equity loans with a cost basis and fair value of $1.0 billion and $1.2 billion, respectively, at June 30, 2010, and $2.3 billion and $2.5 billion, respectively, at December 31, 2009. The remaining balances primarily include

asset-backed securities collateralized by credit cards and student loans.

As part of our liquidity management strategy, we pledge securities to secure borrowings from the Federal Home Loan Bank (FHLB) and the Federal Reserve Bank. We also pledge securities to secure trust and public deposits and for other purposes as required or permitted by law. Securities pledged where the secured party does not have the right to sell or repledge totaled $91.7 billion at June 30, 2010, and $98.9 billion at December 31, 2009. We did not pledge any securities where the secured party has the right to sell or repledge the collateral as of the same periods, respectively.

Gross Unrealized Losses and Fair Value

The following table shows the gross unrealized losses and fair value of securities in the securities available-for-sale portfolio by length of time that individual securities in each category had been in a continuous loss position. Debt securities on which we have taken credit-related OTTI write-downs are categorized as being less than 12 months or 12 months or more in a continuous loss position based on the point in time that the fair value declined to below the cost basis and not the period of time since the credit-related OTTI write-down.

	Less than 12 months		12 months or more		Total	
(in millions)	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
June 30, 2010						
Securities of U.S. states and political subdivisions	**$ (93)**	**2,653**	**(452)**	**2,715**	**(545)**	**5,368**
Mortgage-backed securities:						
Federal agencies	**(9)**	**1,010**			**(9)**	**1,010**
Residential	**(19)**	**788**	**(761)**	**5,316**	**(780)**	**6,104**
Commercial	**(10)**	**366**	**(1,266)**	**5,589**	**(1,276)**	**5,955**
Total mortgage-backed securities	**(38)**	**2,164**	**(2,027)**	**10,905**	**(2,065)**	**13,069**
Corporate debt securities	**(18)**	**731**	**(46)**	**290**	**(64)**	**1,021**
Collateralized debt obligations	**(18)**	**687**	**(311)**	**519**	**(329)**	**1,206**
Other	**(70)**	**1,432**	**(293)**	**812**	**(363)**	**2,244**
Total debt securities	**(237)**	**7,667**	**(3,129)**	**15,241**	**(3,366)**	**22,908**
Marketable equity securities:						
Perpetual preferred securities	**(139)**	**1,349**	**(11)**	**74**	**(150)**	**1,423**
Other marketable equity securities	**(4)**	**65**			**(4)**	**65**
Total marketable equity securities	**(143)**	**1,414**	**(11)**	**74**	**(154)**	**1,488**
Total	**$ (380)**	**9,081**	**(3,140)**	**15,315**	**(3,520)**	**24,396**
December 31, 2009						
Securities of U.S. Treasury and federal agencies	$ (14)	530			(14)	530
Securities of U.S. states and political subdivisions	(55)	1,120	(310)	2,826	(365)	3,946
Mortgage-backed securities:						
Federal agencies	(9)	767			(9)	767
Residential	(243)	2,991	(1,800)	9,697	(2,043)	12,688

Commercial	(37)	816	(1,825)	6,370	(1,862)	7,186
Total mortgage-backed securities	(289)	4,574	(3,625)	16,067	(3,914)	20,641
Corporate debt securities	(7)	281	(70)	442	(77)	723
Collateralized debt obligations	(55)	398	(312)	512	(367)	910
Other	(73)	746	(172)	286	(245)	1,032
Total debt securities	(493)	7,649	(4,489)	20,133	(4,982)	27,782
Marketable equity securities:						
Perpetual preferred securities	(1)	93	(64)	527	(65)	620
Other marketable equity securities	(9)	175			(9)	175
Total marketable equity securities	(10)	268	(64)	527	(74)	795
Total	$ (503)	7,917	(4,553)	20,660	(5,056)	28,577

We do not have the intent to sell any securities included in the table above. For debt securities included in the table above, we have concluded it is more likely than not that we will not be required to sell prior to recovery of the amortized cost basis. We have assessed each security for credit impairment. For debt securities, we evaluate, where necessary, whether credit impairment exists by comparing the present value of the expected cash flows to the securities amortized cost basis. For equity securities, we consider

numerous factors in determining whether impairment exists, including our intent and ability to hold the securities for a period of time sufficient to recover the cost basis of the securities.

For complete descriptions of the factors we consider when analyzing debt securities for impairment, see Note 5 of the 2009 10-K. There have been no material changes to our methodologies for assessing impairment in second quarter 2010.

Securities of U.S. Treasury and federal agencies

The unrealized losses associated with U.S. Treasury and federal agency securities do not have any credit losses due to the guarantees provided by the United States government.

Securities of U.S. states and political subdivisions

The unrealized losses associated with securities of U.S. states and political subdivisions are primarily driven by changes in interest rates and not due to the credit quality of the securities. Substantially all of these investments are investment grade. The securities were generally underwritten in accordance with our own investment standards prior to the decision to purchase, without relying on a bond insurer s guarantee in making the investment decision. These investments will continue to be monitored as part of our ongoing impairment analysis, but are expected to perform, even if the rating agencies reduce the credit rating of the bond insurers. As a result, we expect to recover the entire amortized cost basis of these securities.

Federal Agency Mortgage-Backed Securities (MBS)

The unrealized losses associated with federal agency MBS are primarily driven by changes in interest rates and not due to credit losses. These securities are issued by U.S. government or GSEs and do not have any credit losses given the explicit or implicit government guarantee.

Residential Mortgage-Backed Securities

The unrealized losses associated with private residential MBS are primarily driven by higher projected collateral losses, wider credit spreads and changes in interest rates. We assess for credit impairment using a cash flow model. The key assumptions include default rates, severities and prepayment rates. We estimate losses to a security by forecasting the underlying mortgage loans in each transaction. The forecasted loan performance is used to project cash flows to the various tranches in the structure. Cash flow forecasts also considered, as applicable, independent industry analyst reports and forecasts, sector credit ratings, and other independent market data. Based upon our assessment of the expected credit losses of the security given the performance of the underlying collateral compared with our credit enhancement, we expect to recover the entire amortized cost basis of these securities.

Commercial Mortgage-Backed Securities

The unrealized losses associated with commercial MBS are primarily driven by higher projected collateral losses and wider credit spreads. These investments are predominantly investment grade. We assess for credit impairment using a cash flow model. The key assumptions include default rates and severities. We estimate losses to a security by forecasting the underlying loans in each transaction. The forecasted loan performance is used to project cash flows to the various tranches in the structure. Cash flow forecasts are also considered, as applicable, and independent industry analyst reports and forecasts, sector credit ratings, and other independent market data. Based upon our assessment of the expected credit losses of the security given the performance of the underlying collateral compared with our credit enhancement, we expect to recover the entire amortized cost basis of these securities.

Corporate Debt Securities

The unrealized losses associated with corporate debt securities are primarily related to securities backed by commercial loans and individual issuer companies. For securities with commercial loans as the underlying collateral, we have evaluated the expected credit losses in the security and concluded that we have sufficient credit enhancement when compared with our estimate of credit losses for the individual security. For individual issuers, we evaluate the financial performance of the issuer on a quarterly basis to determine that the issuer can make all contractual principal and interest payments. Based upon this assessment, we expect to recover the entire cost basis of these securities.

Collateralized Debt Obligations (CDOs)

The unrealized losses associated with CDOs relate to securities primarily backed by commercial, residential or other consumer collateral. The losses are primarily driven by higher projected collateral losses and wider credit spreads. We assess for credit impairment using a cash flow model. The key assumptions include default rates, severities and prepayment rates. Based upon our assessment of the expected credit losses of the security given the performance of the underlying collateral compared with our credit enhancement, we expect to recover the entire amortized cost basis of these securities.

Other Debt Securities

The unrealized losses associated with other debt securities primarily relate to other asset-backed securities, which are primarily backed by auto, home equity and student loans. The losses are primarily driven by higher projected collateral losses, wider credit spreads and changes in interest rates. We assess for credit impairment using a cash flow model. The key assumptions include default rates, severities and prepayment rates. Based upon our assessment of the expected credit losses of the security given the performance of the underlying collateral compared with our credit enhancement, we expect to recover the entire amortized cost basis of these securities.

Marketable Equity Securities

Our marketable equity securities include investments in perpetual preferred securities, which provide very attractive tax-equivalent yields. We evaluated these hybrid financial instruments with investment-grade ratings for impairment using an evaluation methodology similar to that used for debt securities. Perpetual preferred securities were not other-than-temporarily impaired at June 30, 2010, if there was no evidence of credit deterioration or investment rating downgrades of any issuers to below investment grade, and we expected to continue to receive full contractual payments. We will continue to evaluate the prospects for these securities for recovery in their market value in accordance with our policy for estimating OTTI. We have recorded impairment write-downs on perpetual preferred securities where there was evidence of credit deterioration.

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The fair values of our investment securities could decline in the future if the underlying performance of the collateral for the residential and commercial MBS or other securities deteriorate and our credit enhancement levels do not provide sufficient protection to our contractual principal and interest. As a result, there is a risk that significant OTTI may occur in the future given the current economic environment.

The following table shows the gross unrealized losses and fair value of debt and perpetual preferred securities available for sale by those rated investment grade and those rated less than investment grade, according to their lowest credit rating by Standard & Poor s Rating Services (S&P) or Moody s Investors Service (Moody s). Credit ratings express opinions about the credit quality of a security. Securities rated investment grade, that is those rated BBB- or higher by S&P or Baa3 or higher by Moody s, are generally considered by the rating agencies and market participants to be low credit risk. Conversely, securities rated below investment grade, labeled as speculative grade by the rating agencies, are considered to be distinctively higher credit risk than investment grade securities. We have also included securities not rated by S&P or Moody s in the table below based on the internal credit grade of the securities (used for credit risk management purposes) equivalent to the credit rating assigned by major credit agencies. The unrealized losses and fair value of unrated securities categorized as investment grade were $55 million and $1.1 billion, respectively, at June 30, 2010. There were no unrated securities in a loss position categorized as investment grade as of December 31, 2009. If an internal credit grade was not assigned, we categorized the security as non-investment grade.

	Investment grade		Non-investment grade	
(in millions)	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
June 30, 2010				
Securities of U.S. states and political subdivisions	**$ (453)**	**4,991**	**(92)**	**377**
Mortgage-backed securities:				
Federal agencies	**(9)**	**1,010**		
Residential	**(19)**	**773**	**(761)**	**5,331**
Commercial	**(736)**	**5,227**	**(540)**	**728**
Total mortgage-backed securities	**(764)**	**7,010**	**(1,301)**	**6,059**
Corporate debt securities	**(31)**	**129**	**(33)**	**892**
Collateralized debt obligations	**(89)**	**731**	**(240)**	**475**
Other	**(210)**	**1,842**	**(153)**	**402**
Total debt securities	**(1,547)**	**14,703**	**(1,819)**	**8,205**
Perpetual preferred securities	**(131)**	**1,314**	**(19)**	**109**
Total	**$ (1,678)**	**16,017**	**(1,838)**	**8,314**
December 31, 2009				
Securities of U.S. Treasury and federal agencies	$ (14)	530		
Securities of U.S. states and political subdivisions	(275)	3,621	(90)	325
Mortgage-backed securities:				
Federal agencies	(9)	767		
Residential	(480)	5,661	(1,563)	7,027
Commercial	(1,247)	6,543	(615)	643

Total mortgage-backed securities	(1,736)	12,971	(2,178)	7,670
Corporate debt securities	(31)	260	(46)	463
Collateralized debt obligations	(104)	471	(263)	439
Other	(85)	644	(160)	388
Total debt securities	(2,245)	18,497	(2,737)	9,285
Perpetual preferred securities	(65)	620		
Total	$ (2,310)	19,117	(2,737)	9,285

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Contractual Maturities

The following table shows the remaining contractual principal maturities and contractual yields of debt securities available for sale. The remaining contractual principal maturities for MBS were determined assuming no prepayments. Remaining expected maturities will differ from contractual maturities because borrowers may have the right to prepay obligations before the underlying mortgages mature.

			Remaining contractual principal maturity							
		Weighted-	Within one year		After one year through five years		After five years through ten years		After ten years	
(in millions)	Total amount	average yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
June 30, 2010										
Securities of U.S. Treasury and federal agencies	**$ 1,685**	**3.17%**	**$ 12**	**3.49%**	**$ 748**	**3.14%**	**$ 919**	**3.19%**	**$ 6**	**4.05%**
Securities of U.S. states and political subdivisions	**16,424**	**6.37**	**402**	**2.81**	**1,371**	**4.59**	**1,509**	**6.19**	**13,142**	**6.68**
Mortgage-backed securities:										
Federal agencies	**71,395**	**5.47**	**2**	**5.89**	**43**	**6.28**	**548**	**5.23**	**70,802**	**5.47**
Residential	**21,146**	**5.27**			**113**	**0.54**	**302**	**5.53**	**20,731**	**5.29**
Commercial	**12,530**	**5.35**			**84**	**5.62**	**603**	**3.59**	**11,843**	**5.43**
Total mortgage-backed securities	**105,071**	**5.41**	**2**	**5.89**	**240**	**3.35**	**1,453**	**4.61**	**103,376**	**5.43**
Corporate debt securities	**9,943**	**5.53**	**612**	**4.94**	**3,846**	**5.89**	**4,507**	**5.36**	**978**	**5.33**
Collateralized debt obligations	**4,031**	**1.29**	**2**	**5.20**	**456**	**1.71**	**1,868**	**1.36**	**1,705**	**1.09**
Other	**15,610**	**3.57**	**3,719**	**4.96**	**6,217**	**4.09**	**1,372**	**1.74**	**4,302**	**2.21**
Total debt securities at fair value (1)	**$ 152,764**	**5.20%**	**$ 4,749**	**4.77%**	**$ 12,878**	**4.53%**	**$ 11,628**	**4.13%**	**$ 123,509**	**5.39%**
December 31, 2009										
Securities of U.S. Treasury and federal agencies	$ 2,280	2.80%	$ 413	0.79%	$ 669	2.14%	$ 1,192	3.87%	$ 6	4.03%
Securities of U.S. states and political subdivisions	13,530	6.75	77	7.48	703	6.88	1,055	6.56	11,695	6.76

Mortgage-backed securities:										
Federal agencies	82,818	5.50	12	4.68	50	5.91	271	5.56	82,485	5.50
Residential	28,590	5.40	51	4.80	115	0.45	283	5.69	28,141	5.41
Commercial	10,961	5.29	85	0.68	71	5.55	169	5.66	10,636	5.32
Total mortgage-backed securities	122,369	5.46	148	2.44	236	3.14	723	5.63	121,262	5.46
Corporate debt securities	9,335	5.53	684	4.00	3,937	5.68	3,959	5.68	755	5.32
Collateralized debt obligations	3,725	1.70	2	5.53	492	4.48	1,837	1.56	1,394	0.90
Other	15,879	4.22	2,128	5.62	7,762	5.96	697	2.46	5,292	1.33
Total debt securities at fair value (1)	$ 167,118	5.33%	$ 3,452	4.63%	$ 13,799	5.64%	$ 9,463	4.51%	$ 140,404	5.37%

(1) The weighted-average yield is computed using the contractual coupon of each security weighted based on the fair value of each security.

Realized Gains and Losses

The following table shows the gross realized gains and losses on sales from the securities available-for-sale portfolio, which includes marketable equity securities, but does not include nonmarketable equity securities (see Note 6 Other Assets). Gross realized losses include OTTI write-downs for debt securities available for sale and marketable equity securities.

	Quarter ended June 30,		Six months ended June 30,	
(in millions)	**2010**	2009	**2010**	2009
Gross realized gains	**$ 260**	416	**444**	710
Gross realized losses	**(109)**	(348)	**(230)**	(718)
Net realized gains (losses)	**$ 151**	68	**214**	(8)

Other-Than-Temporary Impairment

The following table shows the detail of OTTI write-downs included in earnings for debt securities and marketable and nonmarketable equity securities.

	Quarter ended June 30,		Six months ended June 30,	
(in millions)	**2010**	2009	**2010**	2009
OTTI write-downs included in earnings				
Debt securities:				
U.S. states and political subdivisions	**$ 3**	5	**8**	5
Residential mortgage-backed securities	**37**	214	**76**	392
Commercial mortgage-backed securities	**42**	1	**55**	11
Corporate debt securities	**4**	22	**5**	53
Collateralized debt obligations	**5**	46	**11**	96
Other debt securities	**15**	20	**43**	20
Total debt securities	**106**	308	**198**	577
Equity securities:				
Marketable equity securities:				
Perpetual preferred securities		18	**14**	45
Other marketable equity securities		9		25
Total marketable equity securities		27	**14**	70
Nonmarketable equity securities	**62**	128	**153**	332
Total equity securities	**62**	155	**167**	402
Total OTTI write-downs included in earnings	**$ 168**	463	**365**	979

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Other-Than-Temporarily Impaired Debt Securities

We recognize OTTI for debt securities classified as available for sale in accordance with FASB ASC 320, *Investments Debt and Equity Securities*, which requires that we assess whether we intend to sell or it is more likely than not that we will be required to sell a security before recovery of its amortized cost basis less any current-period credit losses. For debt securities that are considered other-than-temporarily impaired and that we do not intend to sell and will not be required to sell prior to recovery of our amortized cost basis, we separate the amount of the impairment into the amount that is credit related (credit loss component) and the amount due to all other factors. The credit loss component is recognized in earnings and is the difference between the security s amortized cost basis and the present value of its expected future cash flows discounted at the security s effective yield. The remaining difference between the security s fair value and the present value of future expected cash flows is due to factors that are not credit related and, therefore, is not required to be recognized as losses in the income statement, but is recognized in OCI. We believe that we will fully collect the carrying value of securities on which we have recorded a non-credit-related impairment in OCI.

The following table shows the detail of OTTI write-downs on debt securities available for sale included in earnings and the related changes in OCI for the same securities.

	Quarter ended June 30,		Six months ended June 30,	
(in millions)	**2010**	2009	**2010**	2009
OTTI on debt securities				
Recorded as part of gross realized losses:				
Credit-related OTTI	**$ 106**	307	**195**	570
Securities we intend to sell		1	**3**	7
Total recorded as part of gross realized losses	**106**	308	**198**	577
Recorded directly to OCI for non-credit-related impairment:				
U.S. states and political subdivisions	**(1)**	4	**(5)**	4
Residential mortgage-backed securities	**(124)**	608	**(98)**	922
Commercial mortgage-backed securities	**84**	14	**82**	21
Corporate debt securities		(2)		(2)
Collateralized debt obligations	**(3)**	17	**56**	30
Other debt securities	**(13)**	23	**(30)**	23
Total recorded directly to OCI for non-credit-related impairment (1)	**(57)**	664	**5**	998
Total OTTI on debt securities	**$ 49**	972	**203**	1,575

(1) Represents amounts recorded to OCI on debt securities in periods OTTI

write-downs have occurred. Changes in fair value in subsequent periods on such securities are not reflected in this total unless the securities also had a credit impairment charge to income recorded for the subsequent period.

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The following table presents a roll-forward of the credit loss component recognized in earnings for debt securities we still own (referred to as credit-impaired debt securities). The credit loss component of the amortized cost represents the difference between the present value of expected future cash flows and the amortized cost basis of the security prior to considering credit losses. OTTI recognized in earnings for credit-impaired debt securities is presented as additions in two components based upon whether the current period is the first time the debt security was credit-impaired (initial credit impairment) or is not the first time the debt security was credit impaired (subsequent credit impairments). The credit loss component is reduced if we sell, intend to sell or believe we will be required to sell previously credit-impaired debt securities. Additionally, the credit loss component is reduced if we receive or expect to receive cash flows in excess of what we previously expected to receive over the remaining life of the credit-impaired debt security, the security matures or is fully written down.
Changes in the credit loss component of credit-impaired debt securities were:

	Quarter ended June 30,		Six months ended June 30,	
(in millions)	**2010**	2009	**2010**	2009
Credit loss component, beginning of period	**$ 1,002**	727	**1,187**	471
Additions (1):				
Initial credit impairments	**39**	216	**59**	413
Subsequent credit impairments	**67**	91	**136**	157
Reductions:				
For securities sold	**(51)**	(16)	**(76)**	(23)
For securities derecognized resulting from adoption of consolidation accounting guidance			**(242)**	
Due to change in intent to sell or requirement to sell	**(2)**	(1)	**(2)**	(1)
For increases in expected cash flows	**(6)**	(5)	**(13)**	(5)
Credit loss component, end of period	**$ 1,049**	1,012	**1,049**	1,012

(1) Excludes OTTI on debt securities we intend to sell of $1 million for the quarter ended June 30, 2009, and $3 million and $7 million for the six months ended June 30, 2010 and 2009, respectively.

For asset-backed securities (e.g., residential MBS), we estimated expected future cash flows of the security by estimating the expected future cash flows of the underlying collateral and applying those collateral cash flows, together with any credit enhancements such as subordinated interests owned by third parties, to the security. The expected future cash flows of the underlying collateral are determined using the remaining contractual cash flows adjusted for future expected credit losses (which consider current delinquencies and nonperforming assets, future expected default rates and collateral value by vintage and geographic region) and prepayments. The expected cash flows of the security are then discounted at the interest rate used to recognize interest income on the security to arrive at a present value amount. Total credit impairment losses on residential MBS were $37 million and $76 million, respectively, for the second quarter and first half of 2010, all of which were recorded on non-investment grade securities, and $214 million and $388 million, respectively, for the same periods of 2009, of which $206 million and $373 million, respectively, were recorded on non-investment grade securities. This does not include OTTI recorded on those securities that we intend to sell. The table below presents a summary of the significant inputs considered in determining the measurement of the credit loss component recognized in earnings for residential MBS.

	Non-agency residential MBS non-investment grade			
	Quarter ended June 30,		Six months ended June 30,	
	2010	2009	**2010**	2009
Expected remaining life of loan losses (1):				
Range (2)	**1 - 40%**	0 - 58	**1 - 40**	0 - 58
Credit impairment distribution (3):				
0 - 10% range	**54**	40	**53**	55
10 - 20% range	**8**	42	**14**	35
20 - 30% range	**34**	17	**29**	9
Greater than 30%	**4**	1	**4**	1
Weighted average (4)	**8**	10	**9**	10
Current subordination levels (5):				
Range (2)	**0 - 25**	0 - 19	**0 - 25**	0 - 20
Weighted average (4)	**7**	8	**7**	7
Prepayment speed (annual CPR (6)):				
Range (2)	**3 - 17**	5 - 18	**3 - 17**	5 - 25
Weighted average (4)	**9**	10	**9**	11

(1) Represents future expected credit losses on underlying pool of loans expressed as a percentage of total current outstanding loan balance.

(2) Represents the range of inputs/assumptions

based upon the individual securities within each category.

(3) Represents distribution of credit impairment losses recognized in earnings categorized based on range of expected remaining life of loan losses. For example 54% of credit impairment losses recognized in earnings for the quarter ended June 30, 2010, had expected remaining life of loan loss assumptions of 0 to 10%.

(4) Calculated by weighting the relevant input/assumption for each individual security by current outstanding amortized cost basis of the security.

(5) Represents current level of credit protection (subordination) for the securities, expressed as a percentage of total current underlying loan balance.

(6) Constant prepayment rate.

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5. LOANS AND ALLOWANCE FOR CREDIT LOSSES

The following table presents the major categories of loans outstanding including those subject to accounting guidance for PCI loans. Certain loans acquired in the Wachovia acquisition are accounted for as PCI loans and are included below, net of any remaining purchase accounting adjustments. Outstanding balances of all other loans are presented net of unearned income, net deferred loan fees, and unamortized discount and premium totaling $12.7 billion at June 30, 2010, and $14.6 billion, at December 31, 2009.

	June 30, 2010			Dec. 31, 2009		
(in millions)	**PCI loans**	**All other loans**	**Total**	PCI loans	All other loans	Total
Commercial and commercial real estate:						
Commercial	**$ 1,113**	**144,971**	**146,084**	1,911	156,441	158,352
Real estate mortgage	**3,487**	**96,139**	**99,626**	4,137	93,390	97,527
Real estate construction	**4,194**	**26,685**	**30,879**	5,207	31,771	36,978
Lease financing		**13,492**	**13,492**		14,210	14,210
Total commercial and commercial real estate	**8,794**	**281,287**	**290,081**	11,255	295,812	307,067
Consumer:						
Real estate 1-4 family first mortgage	**35,972**	**197,840**	**233,812**	38,386	191,150	229,536
Real estate 1-4 family junior lien mortgage	**290**	**101,037**	**101,327**	331	103,377	103,708
Credit card		**22,086**	**22,086**		24,003	24,003
Other revolving credit and installment		**88,485**	**88,485**		89,058	89,058
Total consumer	**36,262**	**409,448**	**445,710**	38,717	407,588	446,305
Foreign	**1,457**	**29,017**	**30,474**	1,733	27,665	29,398
Total loans	**$ 46,513**	**719,752**	**766,265**	51,705	731,065	782,770

We pledge loans to secure borrowings from the FHLB and the Federal Reserve Bank as part of our liquidity management strategy. Loans pledged where the secured party does not have the right to sell or repledge totaled $318.3 billion at June 30, 2010, and $312.6 billion at December 31, 2009. We did not have any pledged loans where the secured party has the right to sell or repledge for the same respective periods.

The total allowance reflects management s estimate of credit losses inherent in the loan portfolio at the balance sheet date. We consider the allowance for credit losses of $25.1 billion adequate to cover credit losses inherent in the loan portfolio, including unfunded credit commitments, at June 30, 2010.

The allowance for credit losses consists of the allowance for loan losses and the reserve for unfunded credit commitments. Changes in the allowance for credit losses were:

(in millions)	Quarter ended June 30, 2010	2009	Six months ended June 30, 2010	2009
Balance, beginning of period	**$ 25,656**	22,846	**25,031**	21,711
Provision for credit losses	**3,989**	5,086	**9,319**	9,644
Adjustment for passage of time on certain impaired loans (1)	**(62)**		**(136)**	
Loan charge-offs:				
Commercial and commercial real estate:				
Commercial	**(810)**	(755)	**(1,577)**	(1,351)
Real estate mortgage	**(364)**	(125)	**(645)**	(154)
Real estate construction	**(289)**	(263)	**(694)**	(370)
Lease financing	**(31)**	(65)	**(65)**	(85)
Total commercial and commercial real estate	**(1,494)**	(1,208)	**(2,981)**	(1,960)
Consumer:				
Real estate 1-4 family first mortgage	**(1,140)**	(790)	**(2,537)**	(1,214)
Real estate 1-4 family junior lien mortgage	**(1,239)**	(1,215)	**(2,735)**	(2,088)
Credit card	**(639)**	(712)	**(1,335)**	(1,334)
Other revolving credit and installment	**(542)**	(802)	**(1,292)**	(1,702)
Total consumer	**(3,560)**	(3,519)	**(7,899)**	(6,338)
Foreign	**(52)**	(56)	**(99)**	(110)
Total loan charge-offs	**(5,106)**	(4,783)	**(10,979)**	(8,408)
Loan recoveries:				
Commercial and commercial real estate:				
Commercial	**121**	51	**238**	91
Real estate mortgage	**4**	6	**14**	16
Real estate construction	**51**	4	**62**	6
Lease financing	**4**	4	**9**	7
Total commercial and commercial real estate	**180**	65	**323**	120
Consumer:				
Real estate 1-4 family first mortgage	**131**	32	**217**	65
Real estate 1-4 family junior lien mortgage	**55**	44	**102**	70
Credit card	**60**	48	**113**	88
Other revolving credit and installment	**181**	198	**384**	402
Total consumer	**427**	322	**816**	625

Foreign	**10**	10	**21**	19
Total loan recoveries	**617**	397	**1,160**	764
Net loan charge-offs (2)	**(4,489)**	(4,386)	**(9,819)**	(7,644)
Allowances related to business combinations/other (3)	**(9)**	(16)	**690**	(181)
Balance, end of period	**$ 25,085**	23,530	**25,085**	23,530
Components:				
Allowance for loan losses	**$ 24,584**	23,035	**24,584**	23,035
Reserve for unfunded credit commitments	**501**	495	**501**	495
Allowance for credit losses	**$ 25,085**	23,530	**25,085**	23,530
Net loan charge-offs (annualized) as a percentage of average total loans (2)	**2.33%**	2.11	**2.52**	1.82
Allowance for loan losses as a percentage of total loans (4)	**3.21**	2.80	**3.21**	2.80
Allowance for credit losses as a percentage of total loans (4)	**3.27**	2.86	**3.27**	2.86

(1) Certain impaired loans have a valuation allowance determined by discounting expected cash flows at the respective loan s effective interest rate. Accordingly, the valuation allowance for these impaired loans reduces with the passage of time and that reduction is recognized as interest income.

(2) For PCI loans, charge-offs are only recorded to the extent that losses exceed the purchase

accounting estimates.

(3) Includes $693 million related to the adoption of consolidation accounting guidance on January 1, 2010.

(4) The allowance for credit losses includes $225 million and $49 million at June 30, 2010 and 2009, respectively, related to PCI loans acquired from Wachovia. Loans acquired from Wachovia are included in total loans net of related purchase accounting net write-downs.

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Nonaccrual loans were $27.8 billion at June 30, 2010, and $24.4 billion at December 31, 2009. PCI loans have been classified as accruing. Loans past due 90 days or more as to interest or principal and still accruing interest were $19.4 billion at June 30, 2010, and $22.2 billion at December 31, 2009. The June 30, 2010, and December 31, 2009, balances included $14.4 billion and $15.3 billion, respectively, in advances pursuant to our servicing agreements to the Government National Mortgage Association (GNMA) mortgage pools and similar loans whose repayments are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.

Impaired Loans and Troubled Debt Restructurings

We consider a loan to be impaired when, based on current information and events, it is probable that we will not be able to collect all principal and/or interest amounts as scheduled in accordance with the contractual terms of the loan. Accordingly, impaired loans generally include all nonaccrual commercial, consumer and foreign loans and all troubled debt restructurings (TDRs), whether or not in interest-accruing status. We evaluate large groups of smaller-balance homogeneous loans collectively to measure impairment allowance and perform a loan-specific impairment assessment for larger-balance loans and all TDRs. The table below summarizes recorded investment and related allowance information for the larger-balance impaired loans and TDRs, which, in accordance with FASB ASC 310-10-35 (formerly FAS No. 114) impaired loan accounting guidance, are evaluated and measured on a loan-specific basis. In accordance with that accounting guidance, we determine the allowance for loans that are individually deemed to be impaired, based on cash flows estimated for their life, discounted at the loan s effective interest rate or on the value of the underlying collateral if we determine that collateral will be the sole source of repayment. The following table does not include PCI loans as those loans are subject to different accounting and reporting requirements.

	Recorded investment					
	Impaired loans		Impaired loans with related allowance for credit losses (1)		Related allowance for credit losses	
(in millions)	**June 30, 2010**	Dec. 31, 2009(2)	**June 30, 2010**	Dec. 31, 2009(2)	**June 30, 2010**	Dec. 31, 2009(2)
Commercial and commercial real estate	**$ 11,011**	10,562	**10,029**	9,666	**1,367**	1,502
Consumer (TDRs)	**11,496**	8,268	**11,496**	8,268	**2,806**	1,765
Total	**$ 22,507**	18,830	**21,525**	17,934	**4,173**	3,267

(1) Loans will not have a related allowance if the collateral value or the present value of expected cash flows (discounted at the pre-modification rate) exceed the recorded investment.

(2) Balances have been revised to conform with current period presentation.

Included in total impaired loans above are $243 million at June 30, 2010, and $561 million at December 31, 2009, for which the impairment measurement is based on the underlying collateral value. The average recorded investment in impaired loans was $20.7 billion and $19.3 billion in the second quarter and first half of 2010, respectively.

Total interest income recognized on impaired loans was $184 million and $350 million in the second quarter and first half of 2010, with $54 million and $101 million under the cash basis method, respectively, and $58 million and $102 million in the second quarter and first half of 2009, with $30 million and $51 million under the cash basis method, respectively.

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Purchased Credit-Impaired Loans

PCI loans had an unpaid principal balance of $74.1 billion at June 30, 2010, and $83.6 billion at December 31, 2009, and a carrying value, before the deduction of any related allowance for loan losses, of $46.5 billion and $51.7 billion, respectively.

The excess of cash flows expected to be collected over the initial fair value of PCI loans is referred to as the accretable yield and is accreted into interest income over the estimated life of the PCI loans using the effective yield method. The accretable yield is affected by:

- Changes in interest rate indices for variable rate PCI loans Expected future cash flows are based on the variable rates in effect at the time of the quarterly assessment of expected cash flows;
- Changes in prepayment assumptions Prepayments affect the estimated life of PCI loans which may change the amount of interest income, and possibly principal, expected to be collected; and
- Changes in the expected principal and interest payments over the estimated life These changes in expected cash flows are driven by updates to the credit outlook and actions taken with our borrowers. Expected benefits from loan modifications are included in the quarterly assessment of expected future cash flows.

The change in the accretable yield related to PCI loans is presented in the following table.

(in millions)	
Total, December 31, 2008 (refined)	$ 10,447
Accretion	(2,606)
Reclassification from nonaccretable difference for loans with improving cash flows	441
Changes in expected cash flows that do not affect nonaccretable difference (1)	6,277
Total, December 31, 2009	**14,559**
Accretion	**(1,329)**
Reclassification from nonaccretable difference for loans with improving cash flows	**2,595**
Changes in expected cash flows that do not affect nonaccretable difference (1)	**(740)**
Total, June 30, 2010	**$ 15,085**
Total, March 31, 2010	**$ 15,803**
Accretion	**(643)**
Reclassification from nonaccretable difference for loans with improving cash flows	**1,927**
Changes in expected cash flows that do not affect nonaccretable difference (1)	**(2,002)**
Total, June 30, 2010	**$ 15,085**

(1) Represents changes in interest cash flows due to the impact of modifications incorporated into the

quarterly
assessment of
expected future
cash flows
and/or changes
in interest rates
on variable rate
PCI loans.

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When it is estimated that the expected cash flows have decreased subsequent to acquisition for a PCI loan or pool of loans, an allowance is established and a provision for additional loss is recorded as a charge to income. The following table summarizes the changes in allowance for PCI loan losses.

(in millions)		Commercial, CRE and foreign	Pick-a-Pay	Other consumer	Total
Balance, December 31, 2008	$				
Provision for losses due to credit deterioration		850		3	853
Charge-offs		(520)			(520)
Balance, December 31, 2009		**330**		**3**	**333**
Provision for losses due to credit deterioration		**376**		**26**	**402**
Charge-offs		**(500)**		**(10)**	**(510)**
Balance, June 30, 2010	**$**	**206**		**19**	**225**
Balance at March 31, 2010	**$**	**231**		**16**	**247**
Provision for losses due to credit deterioration		**224**		**13**	**237**
Charge-offs		**(249)**		**(10)**	**(259)**
Balance at June 30, 2010	**$**	**206**		**19**	**225**

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6. OTHER ASSETS

The components of other assets were:

(in millions)	June 30, 2010	Dec. 31, 2009
Nonmarketable equity investments:		
Cost method:		
Private equity investments	**$ 3,769**	3,808
Federal bank stock	**6,024**	5,985
Total cost method	**9,793**	9,793
Equity method	**6,144**	5,138
Principal investments (1)	**360**	1,423
Total nonmarketable equity investments	**16,297**	16,354
Corporate/bank-owned life insurance	**19,653**	19,515
Accounts receivable	**18,190**	20,565
Interest receivable	**5,219**	5,946
Core deposit intangibles	**9,839**	10,774
Customer relationship and other amortized intangibles	**2,014**	2,154
Net deferred tax assets	**306**	3,212
Foreclosed assets:		
GNMA loans (2)	**1,344**	960
Other	**3,650**	2,199
Operating lease assets	**1,870**	2,395
Due from customers on acceptances	**481**	810
Other	**16,594**	19,296
Total other assets	**$ 95,457**	104,180

(1) Principal investments are recorded at fair value with realized and unrealized gains (losses) included in net gains (losses) from equity investments in the income statement.

(2) Consistent with regulatory reporting

requirements, foreclosed assets include foreclosed real estate securing GNMA loans. Both principal and interest for GNMA loans secured by the foreclosed real estate are collectible because the GNMA loans are insured by the FHA or guaranteed by the VA.

Income related to nonmarketable equity investments was:

	Quarter ended June 30,		Six months ended June 30,	
(in millions)	**2010**	2009	**2010**	2009
Net gains (losses) from:				
Private equity investments	**$ 155**	(71)	**154**	(291)
Principal investments	**12**	(7)	**21**	(15)
All other nonmarketable equity investments	**(21)**	(94)	**(38)**	(143)
Net gains (losses) from nonmarketable equity investments	**$ 146**	(172)	**137**	(449)

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7. SECURITIZATIONS AND VARIABLE INTEREST ENTITIES

Involvement with SPEs

In the normal course of business, we enter into various types of on- and off-balance sheet transactions with special purpose entities (SPEs), which are corporations, trusts or partnerships that are established for a limited purpose. Historically, the majority of SPEs were formed in connection with securitization transactions. In a securitization transaction, assets from our balance sheet are transferred to an SPE, which then issues to investors various forms of interests in those assets and may also enter into derivative transactions. In a securitization transaction, we typically receive cash and/or other interests in an SPE as proceeds for the assets we transfer. Also, in certain transactions, we may retain the right to service the transferred receivables and to repurchase those receivables from the SPE if the outstanding balance of the receivables falls to a level where the cost exceeds the benefits of servicing such receivables. In addition, we may purchase the right to service loans in an SPE that were transferred to the SPE by a third party.

In connection with our securitization activities, we have various forms of ongoing involvement with SPEs, which may include:

- underwriting securities issued by SPEs and subsequently making markets in those securities;
- providing liquidity facilities to support short-term obligations of SPEs issued to third party investors;
- providing credit enhancement on securities issued by SPEs or market value guarantees of assets held by SPEs through the use of letters of credit, financial guarantees, credit default swaps and total return swaps;
- entering into other derivative contracts with SPEs;
- holding senior or subordinated interests in SPEs;
- acting as servicer or investment manager for SPEs; and
- providing administrative or trustee services to SPEs.

SPEs are generally considered variable interest entities (VIEs). A VIE is an entity that has either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support or whose equity investors lack the characteristics of a controlling financial interest. Under existing accounting guidance, a VIE is consolidated by its primary beneficiary, the party that has both the power to direct the activities that most significantly impact the VIE and a variable interest that could potentially be significant to the VIE. A variable interest is a contractual, ownership or other interest that changes with changes in the fair value of the VIE s net assets. To determine whether or not a variable interest we hold could potentially be significant to the VIE, we consider both qualitative and quantitative factors regarding the nature, size and form of our involvement with the VIE. In accordance with existing accounting guidance, we assess whether or not we are the primary beneficiary of a VIE on an on-going basis.

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The classifications of assets and liabilities in our balance sheet associated with our transactions with VIEs follow:

(in millions)	VIEs that we do not consolidate	VIEs that we consolidate	Transfers that we account for as secured borrowings	Total
June 30, 2010				
Cash	$	**379**	**444**	**823**
Trading assets	**5,351**	**93**	**33**	**5,477**
Securities available for sale (1)	**25,728**	**2,596**	**7,191**	**35,515**
Loans	**12,274**	**20,560**	**1,703**	**34,537**
Mortgage servicing rights	**12,009**			**12,009**
Other assets	**3,418**	**2,368**	**91**	**5,877**
Total assets	**58,780**	**25,996**	**9,462**	**94,238**
Short-term borrowings(2)		**4,743**	**6,755**	**11,498**
Accrued expenses and other liabilities(2)	**3,037**	**752**	**19**	**3,808**
Long-term debt(2)		**10,432**	**1,800**	**12,232**
Total liabilities	**3,037**	**15,927**	**8,574**	**27,538**
Noncontrolling interests		**56**		**56**
Net assets	**$ 55,743**	**10,013**	**888**	**66,644**
December 31, 2009				
Cash	$	273	328	601
Trading assets	6,097	77	35	6,209
Securities available for sale (1)	35,186	1,794	7,126	44,106
Loans	15,698	561	2,007	18,266
Mortgage servicing rights	16,233			16,233
Other assets	5,604	2,595	68	8,267
Total assets	78,818	5,300	9,564	93,682
Short-term borrowings		351	1,996	2,347
Accrued expenses and other liabilities	3,352	708	4,864	8,924
Long-term debt		1,448	1,938	3,386
Total liabilities	3,352	2,507	8,798	14,657
Noncontrolling interests		68		68

Net assets	$ 75,466	2,725	766	78,957

(1) Excludes certain debt securities related to loans serviced for the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) and GNMA.

(2) Includes the following VIE liabilities at June 30, 2010, with recourse to the general credit of Wells Fargo: Short-term borrowings, $4.4 billion; Accrued expenses and other liabilities, $92 million; and Long-term debt, $163 million.

Transactions with Unconsolidated VIEs

Our transactions with VIEs include securitizations of consumer loans, commercial real estate loans, student loans, auto loans and municipal bonds; investment and financing activities involving CDOs backed by asset-backed and commercial real estate (CRE) securities, collateralized loan obligations (CLOs) backed by corporate loans or bonds, and other types of structured financing. We have various forms of involvement with VIEs, including holding senior or subordinated interests, entering into liquidity arrangements, credit default swaps and other derivative contracts. These involvements with unconsolidated VIEs are recorded on our balance sheet primarily in trading assets, securities available for sale, loans, MSRs, other assets and other liabilities, as appropriate.

The following tables provide a summary of unconsolidated VIEs with which we have significant continuing involvement. The balances presented for June 30, 2010, represent our unconsolidated VIEs for which we consider our involvement to be significant. The balances presented for December 31, 2009, include unconsolidated VIEs with which we have continuing involvement that we no longer consider

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significant. Accordingly, we have excluded these transactions from the balances presented for June 30, 2010. We have refined our definition of significant continuing involvement in accordance with consolidation accounting guidance to exclude unconsolidated VIEs when our continuing involvement relates to third-party sponsored VIEs for which we were not the transferor, and unconsolidated VIEs for which we were the sponsor but do not have any other significant continuing involvement.

Significant continuing involvement includes transactions where we were the sponsor or transferor and have other significant forms of involvement. Sponsorship includes transactions with unconsolidated VIEs where we solely or materially participated in the initial design or structuring of the entity or marketing of the transaction to investors. When we transfer assets to a VIE and account for the transfer as a sale, we are considered the transferor. We consider investments in securities held outside of trading, loans, guarantees, liquidity agreements, written options and servicing of collateral to be other forms of involvement that may be significant. We have excluded certain transactions with unconsolidated VIEs from the June 30, 2010, balances presented in the table below where we have determined that our continuing involvement is not significant due to the temporary nature and size of our variable interests, because we were not the transferor or because we were not involved in the design or operations of the unconsolidated VIEs.

(in millions)	Total VIE assets (1)	Debt and equity interests (2)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
June 30, 2010						
						Carrying value - asset (liability)
Residential mortgage loan securitizations (3):						
Conforming	**$ 1,080,550**	**5,317**	**10,823**		**(999)**	**15,141**
Other/nonconforming	**90,599**	**3,753**	**511**	**10**	**(11)**	**4,263**
Commercial mortgage securitizations	**204,793**	**5,182**	**629**	**320**		**6,131**
Collateralized debt obligations:						
Debt securities	**20,088**	**1,508**		**941**		**2,449**
Loans (4)	**9,882**	**9,639**				**9,639**
Asset-based finance structures	**13,146**	**7,488**		**(99)**		**7,389**
Tax credit structures	**20,026**	**3,198**			**(587)**	**2,611**
Collateralized loan obligations	**13,996**	**2,751**		**48**		**2,799**
Investment funds	**14,027**	**1,335**				**1,335**
Other (5)	**18,905**	**3,356**	**46**	**588**	**(4)**	**3,986**
Total	**$ 1,486,012**	**43,527**	**12,009**	**1,808**	**(1,601)**	**55,743**
						Maximum exposure to loss
Residential mortgage loan securitizations (3):						
Conforming		**$ 5,317**	**10,823**		**4,233**	**20,373**

Other/nonconforming	**3,753**	**511**	**10**	**27**	**4,301**
Commercial mortgage securitizations	**5,182**	**629**	**575**		**6,386**
Collateralized debt obligation:					
Debt securities	**1,508**		**3,060**	**12**	**4,580**
Loans (4)	**9,639**				**9,639**
Asset-based finance structures	**7,488**		**99**	**1,476**	**9,063**
Tax credit structures	**3,198**			**1**	**3,199**
Collateralized loan obligations	**2,751**		**48**	**492**	**3,291**
Investment funds	**1,335**			**176**	**1,511**
Other (5)	**3,356**	**46**	**1,384**	**852**	**5,638**
Total	**$ 43,527**	**12,009**	**5,176**	**7,269**	**67,981**

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(continued from previous page)

(in millions)	Total VIE assets (1)	Debt and equity interests (2)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
December 31, 2009						
						Carrying value - asset (liability)
Residential mortgage loan securitizations (3):						
Conforming	$ 1,150,515	5,846	13,949		(869)	18,926
Other/nonconforming	251,850	11,683	1,538	16	(15)	13,222
Commercial mortgage securitizations	345,561	3,760	696	489		4,945
Collateralized debt obligations:						
Debt securities	45,684	3,024		1,746		4,770
Loans (4)	10,215	9,964				9,964
Multi-seller commercial paper conduit	5,160					
Asset-based finance structures	17,467	10,187		(72)	(248)	9,867
Tax credit structures	27,537	4,659			(653)	4,006
Collateralized loan obligations	23,830	3,602		64		3,666
Investment funds	84,642	1,831			(129)	1,702
Other (5)	23,538	3,626	50	1,015	(293)	4,398
Total	$ 1,985,999	58,182	16,233	3,258	(2,207)	75,466
						Maximum exposure to loss
Residential mortgage loan securitizations (3):						
Conforming		$ 5,846	13,949		4,567	24,362
Other/nonconforming		11,683	1,538	30	218	13,469
Commercial mortgage securitizations		3,760	696	766		5,222
Collateralized debt obligations:						
Debt securities		3,024		3,586	33	6,643
Loans (4)		9,964				9,964
Multi-seller commercial paper conduit				5,263		5,263
Asset-based finance structures		10,187		72	968	11,227

Tax credit structures	4,659			4	4,663
Collateralized loan obligations	3,702		64	473	4,239
Investment funds	2,331		500	89	2,920
Other (5)	3,626	50	1,818	1,774	7,268
Total	$ 58,782	16,233	12,099	8,126	95,240

(1) Represents the remaining principal balance of assets held by unconsolidated VIEs using the most current information available. For VIEs that obtain exposure to assets synthetically through derivative instruments, the remaining notional amount of the derivative is included in the asset balance. The multi-seller commercial paper conduit was consolidated in first quarter 2010.

(2) Excludes certain debt securities held related to loans serviced for FNMA, FHLMC and GNMA.

(3) Conforming residential mortgage loan securitizations are those that are

guaranteed by GSEs. Other commitments and guarantees include amounts related to loans sold that we may be required to repurchase, or otherwise indemnify or reimburse the investor or insurer for losses incurred, due to material breach of contractual representations and warranties. The maximum exposure to loss for material breach of contractual representations and warranties represents a stressed case estimate we utilize for determining stressed case regulatory capital needs. Total VIE assets at December 31, 2009, includes $20.9 billion of nonconforming residential mortgage securitizations that were consolidated in first quarter 2010.

(4) Represents senior loans to trusts that are collateralized by asset-backed

securities. The trusts invest in senior tranches from a diversified pool of primarily U.S. asset securitizations, of which all are current, and over 95% were rated as investment grade by the primary rating agencies at June 30, 2010. These senior loans were acquired in the Wachovia business combination and are accounted for at amortized cost as initially determined under purchase accounting and are subject to the Company s allowance and credit charge-off policies.

(5) Includes student loan securitizations, auto loan securitizations and credit-linked note structures. Also contains investments in auction rate securities (ARS) issued by VIEs that we do not sponsor and, accordingly, are unable to obtain the total assets of the entity.

In the tables above and on the previous page, "Total VIE assets" represents the total assets of unconsolidated VIEs. "Carrying value" is the amount in our consolidated balance sheet related to our involvement with the unconsolidated VIEs. "Maximum exposure to loss" from our involvement with off-balance sheet entities, which is a required disclosure under GAAP, is determined as the carrying value of our involvement with off-balance sheet (unconsolidated) VIEs plus the remaining undrawn liquidity and lending commitments, the notional amount of net written derivative contracts, and generally the notional amount of, or stressed loss estimate for, other commitments and guarantees. It represents estimated loss that would be incurred under severe, hypothetical circumstances, for which we believe the possibility is extremely remote, such as where the value of our interests and any associated collateral declines to zero, without any consideration of recovery or offset from any economic hedges. Accordingly, this required disclosure is not an indication of expected loss.

Residential mortgage loans

Residential mortgage loan securitizations are financed through the issuance of fixed- or floating-rate-asset-backed-securities, which are collateralized by the loans transferred to a VIE. We typically transfer loans we originated to these VIEs, account for the transfers as sales, retain the right to service the loans and may hold other beneficial interests issued by the VIEs. We also may be exposed to limited liability related to recourse agreements and repurchase agreements we make to our issuers and purchasers, which are included in other commitments and guarantees. In certain instances, we may service residential mortgage loan securitizations structured by third parties whose loans we did not originate or transfer. Our residential mortgage loan securitizations consist of conforming and nonconforming securitizations. Conforming residential mortgage loan securitizations are those that are guaranteed by GSEs, including GNMA. We do not consolidate our conforming residential mortgage loan securitizations because we do not have power over the VIEs. The loans sold to the VIEs in nonconforming residential mortgage loan securitizations are those that do not qualify for a GSE guarantee. We do not consolidate the nonconforming residential mortgage loan securitizations included in the table because we do not have a variable interest that could potentially be significant or we do not have power to direct the activities that most significantly impact the performance of the VIE.

Commercial mortgage loan securitizations

Commercial mortgage loan securitizations are financed through the issuance of fixed- or floating-rate-asset-backed-securities, which are collateralized by the loans transferred to the VIE. In a typical securitization, we may transfer loans we originate to these VIEs, account for the transfers as sales, retain the right to service the loans and may hold other beneficial interests issued by the VIEs. In certain instances, we may service commercial mortgage loan securitizations structured by third parties whose loans we did not originate or transfer. We typically serve as primary or master servicer of these VIEs. The primary or master servicer in a commercial mortgage loan securitization typically cannot make the most significant decisions impacting the performance of the VIE and therefore does not have power over the VIE. We do not consolidate the commercial mortgage loan securitizations included in the disclosure because we either do not have power or do not have a significant variable interest.

We have not transferred loans to or sponsored a commercial mortgage loan securitization since the credit market disruption began in late 2007. However, we have involvement with transactions established prior to 2008 in the form of servicing or holding other beneficial interests issued by the VIEs.

Collateralized debt obligations (CDOs)

A CDO is a securitization where an SPE purchases a pool of assets consisting of asset-backed securities and issues multiple tranches of equity or notes to investors. In some transactions, a portion of the assets are obtained synthetically through the use of derivatives such as credit default swaps or total return swaps.

Prior to 2008, we engaged in the structuring of CDOs on behalf of third party asset managers who would select and manage the assets for the CDO. Typically, the asset manager has some discretion to manage the sale of assets of, or derivatives used by the CDO, which generally gives the asset manager the power over the CDO. We have not structured these types of transactions since the credit market disruption began in late 2007.

In addition to our role as arranger we may have other forms of involvement with these transactions, including transactions established prior to 2008. Such involvement may include acting as liquidity provider, derivative counterparty, secondary market maker or investor. For certain transactions, we may also act as the collateral manager or servicer. We receive fees in connection with our role as collateral manager or servicer.

We assess whether we are the primary beneficiary of CDOs based on our role in the transaction in combination with the variable interests we hold. Subsequently, we monitor our ongoing involvement in these transactions to determine if the nature of our involvement has changed. We are not the primary beneficiary of these transactions in most cases because we do not act as the collateral manager or servicer, which generally denotes power. In cases where we are the collateral manager or servicer, we are not the primary beneficiary because we do not hold interests that could potentially be significant to the VIE.

Collateralized loan obligations (CLOs)

A CLO is a securitization where an SPE purchases a pool of assets consisting of loans and issues multiple tranches of equity or notes to investors. Generally, CLOs are structured on behalf of a third party asset manager that typically selects and manages the assets for the term of the CLO. Typically, the asset manager has the power over the significant decisions of the VIE through its discretion to manage the assets of the CLO. We assess whether we are the primary beneficiary of CLOs based on our role in the transaction and the variable interests we hold. In most cases, we are not the primary beneficiary of these transactions because we do not have the power to manage the collateral in the VIE.

In addition to our role as arranger, we may have other forms of involvement with these transactions. Such involvement may include acting as underwriter, derivative counterparty, secondary market maker or investor. For certain transactions, we may also act as the servicer, for which we receive fees in connection with that role. We also earn fees for arranging these transactions and distributing the securities.

Asset-based finance structures

We engage in various forms of structured finance arrangements with VIEs that are collateralized by various asset classes including energy contracts, auto and other transportation leases, intellectual property, equipment and general corporate credit. We typically provide senior financing, and may act as an interest rate swap or commodity derivative counterparty when necessary. In most cases, we are not the primary beneficiary of these structures because we do not have power over the significant activities of the VIEs involved in these transactions.

For example, we had investments in asset-backed securities that were collateralized by auto leases or loans and cash reserves. These fixed-rate and variable-rate securities are underwritten by us and have been structured as single-tranche, fully amortizing, unrated bonds that are equivalent to investment-grade securities due to their significant overcollateralization. The securities are issued by SPEs that have been formed by third party auto financing institutions primarily because they require a source of liquidity to fund ongoing vehicle sales operations. The third party auto financing institutions manage the collateral in the VIEs, which is indicative of power in these transactions and we therefore do not consolidate these VIEs.

Tax credit structures

We co-sponsor and make investments in affordable housing and sustainable energy projects that are designed to generate a return primarily through the realization of federal tax credits. In some instances, our investments in these structures may require that we fund future capital commitments at the discretion of the project sponsors. While the size of our investment in a single entity may at times exceed 50% of the outstanding equity interests, we do not consolidate these structures due to the project sponsor s ability to manage the projects, which is indicative of power in these transactions.

Investment funds
At June 30, 2010, we had investments of $1.3 billion and lending arrangements of $18 million with certain funds managed by one of our majority owned subsidiaries compared with investments of $1.3 billion and lending arrangements of $20 million at December 31, 2009. In addition, we also provide a default protection agreement to a third party lender to one of these funds. Our involvement in these funds is either senior or of equal priority to third party investors. We do not consolidate the investment funds because we do not absorb the majority of the expected future variability associated with the funds assets, including variability associated with credit, interest rate and liquidity risks.
Other transactions with VIEs
In August 2008, Wachovia reached an agreement to purchase at par auction rate securities (ARS) that were sold to third-party investors by certain of its subsidiaries. ARS are debt instruments with long-term maturities, but which re-price more frequently. All remaining ARS issued by VIEs subject to the agreement were redeemed. At June 30, 2010, we held in our securities available-for-sale portfolio $1.9 billion of ARS issued by VIEs redeemed pursuant to this agreement, compared with $3.2 billion at December 31, 2009.
On November 18, 2009, we reached agreements to purchase additional ARS from eligible investors who bought ARS through one of our broker-dealer subsidiaries. As of June 30, 2010, we had redeemed substantially all of these securities. As of June 30, 2010, we held in our securities available-for-sale portfolio $967 million of ARS issued by VIEs redeemed pursuant to this agreement. No securities had been redeemed related to this agreement at December 31, 2009.
We do not consolidate the VIEs that issued the ARS because we do not have power over the activities of the VIEs.
Trust preferred securities
In addition to the involvements disclosed in the following table, we had $19.0 billion of debt financing through the issuance of trust preferred securities at June 30, 2010. In these transactions, VIEs that we wholly own issue preferred equity or debt securities to third party investors. All of the proceeds of the issuance are invested in debt securities that we issue to the VIEs. In certain instances, we may provide liquidity to third party investors that purchase long-term securities that re-price frequently issued by VIEs. The VIEs operations and cash flows relate only to the issuance, administration and repayment of the securities held by third parties. We do not consolidate these VIEs because the sole assets of the VIEs are receivables from us. This is the case even though we own all of the voting equity shares of the VIEs, have fully guaranteed the obligations of the VIEs and may have the right to redeem the third party securities under certain circumstances. We report the debt securities that we issue to the VIEs as long-term debt in our consolidated balance sheet.
Securitization activity
We use VIEs to securitize consumer and CRE loans and other types of financial assets, including student loans, auto loans and municipal bonds. We typically retain the servicing rights from these sales and may continue to hold other beneficial interests in the VIEs. We may also provide liquidity to investors in the beneficial interests and credit enhancements in the form of standby letters of credit. Through these securitizations we may be exposed to liability under limited amounts of recourse as well as standard representations and warranties we make to purchasers and issuers.

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We recognized net gains of $6 million and $8 million from transfers accounted for as sales of financial assets in securitizations in the second quarter and first half of 2010, respectively, and net losses of $1 million and $5 million, respectively, in the same periods of 2009. Additionally, we had the following cash flows with our securitization trusts that were involved in transfers accounted for as sales.

(in millions)	**2010 Mortgage loans**	**2010 Other financial assets**	2009 Mortgage loans	2009 Other financial assets
Quarter ended June 30,				
Sales proceeds from securitizations (1)	**$ 81,435**		120,167	
Servicing fees	**1,057**	**9**	1,084	5
Other interests held	**445**	**132**	646	20
Purchases of delinquent assets	**10**		11	
Net servicing advances	**10**		67	
Six months ended June 30,				
Sales proceeds from securitizations (1)	**$ 163,757**		201,345	
Servicing fees	**2,097**	**18**	2,084	23
Other interests held	**852**	**244**	1,163	35
Purchases of delinquent assets	**10**		24	
Net servicing advances	**29**		129	

(1) Represents cash flow data for all loans securitized in the periods presented.

Second quarter and first half 2010 sales with continuing involvement predominantly relate to conforming residential mortgage securitizations. During the second quarter and first half of 2010 we transferred $82.3 billion and $165.7 billion, respectively, in conforming residential mortgages to unconsolidated VIEs and recorded the transfers as sales. These transfers did not result in a gain or loss because the loans are already carried at fair value. In connection with these transfers, we recorded a $2.0 billion servicing asset and an $80 million liability for repurchase reserves, which are both measured at fair value using a Level 3 measurement technique.

We used the following key assumptions to measure mortgage servicing assets at the date of securitization:

	Quarter ended June 30,		Six months ended June 30,	
	2010	2009	**2010**	2009
Prepayment speed assumption (annual CPR(1))	**13.6%**	10.4	**13.0**	11.3
Expected weighted-average life (in years)	**5.4**	6.8	**5.6**	6.5
Discount rate assumption	**8.0%**	8.8	**8.2**	8.9

(1) Constant prepayment

rate.

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Key economic assumptions and the sensitivity of the current fair value to immediate adverse changes in those assumptions at June 30, 2010, for residential and commercial mortgage servicing rights, and other interests held related primarily to residential mortgage loan securitizations are presented in the following table. The information presented excludes trading positions held in inventory.

			Other interests held (1)	
(in millions)	Mortgage servicing rights	Interest-only strips	Subordinated bonds (2)	Senior bonds (3)
Fair value of interests held at June 30, 2010	$ 14,556	208	49	480
Expected weighted-average life (in years)	4.8	4.4	8.9	6.8
Prepayment speed assumption (annual CPR)	15.2%	15.0	4.1	9.4
Decrease in fair value from:				
10% adverse change	$ 781	10	7	2
25% adverse change	1,830	20	7	6
Discount rate assumption	8.6%	16.1	7.2	7.5
Decrease in fair value from:				
100 basis point increase	$ 633	8	10	21
200 basis point increase	1,214	13	12	41
Credit loss assumption			0.5%	3.2
Decrease in fair value from:				
10% higher losses			$ 7	1
25% higher losses			7	2

(1) Excludes securities retained in securitizations issued through GSEs such as FNMA, FHLMC and GNMA because we do not believe the value of these securities would be materially affected by the adverse changes in assumptions noted in the table. These GSE securities and other interests held

presented in this table are included in debt and equity interests in our disclosure of our involvements with VIEs shown in the first two tables in this Note.

(2) Subordinated interests include only those bonds whose credit rating was below AAA by a major rating agency at issuance.

(3) Senior interests include only those bonds whose credit rating was AAA by a major rating agency at issuance.

In addition to the interests included in the table above, we have also recorded a reserve for mortgage loan repurchase losses, which is included in other commitments and guarantees related to unconsolidated VIEs. The key economic assumptions and the sensitivity of the reserve to immediate adverse changes in these assumptions at June 30, 2010, for the reserve for mortgage loan repurchase losses are presented in the following table:

(in millions)	Mortgage repurchase reserve
Reserve for mortgage loan repurchase losses held at June 30, 2010	$ 1,375
Credit loss assumption	42.0%
Decrease in reserve from:	
10% higher losses	$ 139
25% higher losses	347
Repurchase rate assumption	0.5%
Decrease in reserve from:	
10% higher losses	$ 120
25% higher losses	299

The sensitivities in the tables above are hypothetical and caution should be exercised when relying on this data. Changes in value based on variations in assumptions generally cannot be extrapolated because the relationship of the

change in the assumption to the change in value may not be linear. Also, the effect of a variation in a particular assumption on the value of the other interests held is calculated independently without changing any other assumptions. In reality, changes in one factor may result in changes in others (for example, changes in prepayment speed estimates could result in changes in the credit losses), which might magnify or counteract the sensitivities.

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The table below presents information about the principal balances of off-balance sheet securitized loans.

	Total loans (1)		Delinquent loans (2) (3)		Net charge-offs (recoveries) (3) Six months ended	
(in millions)	**June 30, 2010**	Dec. 31, 2009	**June 30, 2010**	Dec. 31, 2009	**June 30, 2010**	June 30, 2009
Commercial and commercial real estate:						
Commercial	**$ 4**	78		65		
Real estate mortgage	**218,494**	221,516	**15,314**	7,208	**143**	108
Total commercial and commercial real estate	**218,498**	221,594	**15,314**	7,273	**143**	108
Consumer:						
Real estate 1-4 family first mortgage	**1,111,507**	1,062,938	**6,034**	7,501	**696**	1,287
Real estate 1-4 family junior lien mortgage	**2**	3,292		76		54
Other revolving credit and installment	**82**	5,104	**6**	100		107
Total consumer	**1,111,591**	1,071,334	**6,040**	7,677	**696**	1,448
Total off-balance sheet securitized loans	**$ 1,330,089**	1,292,928	**$ 21,354**	14,950	**839**	1,556

(1) Represents off-balance sheet loans that have been securitized and includes residential mortgages sold to FNMA, FHLMC and GNMA and securitizations where servicing is our only form of continuing involvement.

(2)

Delinquent loans are 90 days or more past due and still accruing interest as well as nonaccrual loans.

(3) Delinquent loans and net charge-offs exclude loans sold to FNMA, FHLMC and GNMA. We continue to service the loans and would only experience a loss if required to repurchase a delinquent loan due to a breach in original representations and warranties associated with our underwriting standards.

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Transactions with Consolidated VIEs

A summary of our transactions with VIEs accounted for as secured borrowings and involvements with consolidated VIEs follows:

			Carrying value (1)		
(in millions)	Total VIE assets	Consolidated assets (2)	Third party liabilities	Noncontrolling interests	Net assets
June 30, 2010					
Secured borrowings:					
Municipal tender option bond securitizations	**$ 9,540**	**7,243**	**(6,763)**		**480**
Auto loan securitizations	**211**	**210**	**(56)**		**154**
Commercial real estate loans	**1,316**	**1,316**	**(1,275)**		**41**
Residential mortgage securitizations	**791**	**693**	**(480)**		**213**
Total secured borrowings	**11,858**	**9,462**	**(8,574)**		**888**
Consolidated VIEs:					
Nonconforming residential mortgage loan securitizations	**17,211**	**16,400**	**(8,229)**		**8,171**
Multi-seller commercial paper conduit	**4,383**	**4,233**	**(4,328)**		**(95)**
Auto loan securitizations	**1,575**	**1,574**	**(1,558)**		**16**
Structured asset finance	**153**	**153**	**(31)**	**(11)**	**111**
Investment funds	**2,239**	**2,056**	**(609)**	**(30)**	**1,417**
Other	**1,583**	**1,580**	**(1,172)**	**(15)**	**393**
Total consolidated VIEs	**27,144**	**25,996**	**(15,927)**	**(56)**	**10,013**
Total secured borrowings and consolidated VIEs	**$ 39,002**	**35,458**	**(24,501)**	**(56)**	**10,901**
December 31, 2009					
Secured borrowings:					
Municipal tender option bond securitizations (3)	$ 9,649	7,189	(6,856)		333
Auto loan securitizations	274	274	(121)		153
Commercial real estate loans	1,309	1,309	(1,269)		40
Residential mortgage securitizations	901	792	(552)		240
Total secured borrowings	12,133	9,564	(8,798)		766
Consolidated VIEs:					
Structured asset finance	2,791	1,074	(1,088)	(10)	(24)
Investment funds	2,257	2,245	(271)	(33)	1,941

Other	2,697	1,981	(1,148)	(25)	808
Total consolidated VIEs	7,745	5,300	(2,507)	(68)	2,725
Total secured borrowings and consolidated VIEs	$ 19,878	14,864	(11,305)	(68)	3,491

(1) Total assets may differ from consolidated assets due to the different measurement methods used depending on the assets classifications.

(2) Amounts disclosed in the consolidated balance sheet presentation are limited to VIE assets that can only be used to settle the liabilities of those VIEs.

(3) Balances have been revised to conform with current period presentation.

In addition to the transactions included in the table above, we have issued approximately $6.0 billion of private placement debt financing through a consolidated VIE. The issuance is classified as long-term debt in our consolidated financial statements. We have pledged approximately $6.0 billion in loans, $562 million in securities available for sale and $38 million in cash and cash equivalents to collateralize the VIE s borrowings. Such assets were not transferred to the VIE and accordingly we have excluded the VIE from the previous table.

We have raised financing through the securitization of certain financial assets in transactions with VIEs accounted for as secured borrowings. We also consolidate VIEs where we are the primary beneficiary. In certain transactions other than the multi-seller commercial paper conduit, we provide contractual support in the form of limited recourse and liquidity to facilitate the remarketing of short-term securities issued to third party investors. Other than this limited contractual support, the assets of the VIEs are the sole source of repayment of the securities held by third parties. The liquidity support we provide to the multi-seller commercial paper conduit ensures timely repayment of commercial paper issued by the conduit and is described further on the following page.

Nonconforming residential mortgage loan securitizations

We have consolidated certain of our nonconforming residential mortgage loan securitizations in accordance with consolidation accounting guidance. We have determined we are the primary beneficiary of these securitizations because we have the power to direct the most significant activities of the entity through our role as primary servicer and also hold variable interests that we have determined to be significant. The nature of our variable interests in these entities may include beneficial interests issued by the VIE, mortgage servicing rights and recourse or repurchase reserve liabilities.

Multi-seller commercial paper conduit

We administer a multi-seller asset-based commercial paper (ABCP) conduit that finances certain client transactions. This conduit is a bankruptcy remote entity that makes loans to, or purchases certificated interests, generally from SPEs, established by our clients (sellers) and which are secured by pools of financial assets. The conduit funds itself through the issuance of highly rated commercial paper to third party investors. The primary source of repayment of the commercial paper is the cash flows from the conduit s assets or the re-issuance of commercial paper upon maturity. The conduit s assets are structured with deal-specific credit enhancements generally in the form of overcollateralization provided by the seller, but may also include subordinated interests, cash reserve accounts, third party credit support facilities and excess spread capture. The timely repayment of the commercial paper is further supported by asset-specific liquidity facilities in the form of liquidity asset purchase agreements that we provide. Each facility is equal to 102% of the conduit s funding commitment to a client. The aggregate amount of liquidity must be equal to or greater than all the commercial paper issued by the conduit. At the discretion of the administrator, we may be required to purchase assets from the conduit at par value plus accrued interest or discount on the related commercial paper, including situations where the conduit is unable to issue commercial paper. Par value may be different from fair value. We receive fees in connection with our role as administrator and liquidity provider. We may also receive fees related to the structuring of the conduit s transactions. In first quarter 2010, the conduit terminated its subordinated note to a third party investor and repaid all amounts due under the terms of the note agreement. We incurred a loss on the termination of the subordinated note of $16 million. We are the primary beneficiary of the conduit because we have power over the significant activities of the conduit and have a significant variable interest due to our liquidity arrangement.

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8. MORTGAGE BANKING ACTIVITIES

Mortgage banking activities, included in the Community Banking and Wholesale Banking operating segments, consist of residential and commercial mortgage originations and servicing.

The changes in residential MSRs measured using the fair value method were:

(in millions)	Quarter ended June 30, **2010**	2009	Six months ended June 30, **2010**	2009
Fair value, beginning of period	**$ 15,544**	12,391	**16,004**	14,714
Adjustments from adoption of consolidation accounting guidance			**(118)**	
Acquired from Wachovia (1)				34
Servicing from securitizations or asset transfers	**943**	2,081	**1,997**	3,528
Net additions	**943**	2,081	**1,879**	3,562
Changes in fair value:				
Due to changes in valuation model inputs or assumptions (2)	**(2,661)**	2,316	**(3,438)**	(508)
Other changes in fair value (3)	**(575)**	(1,098)	**(1,194)**	(2,078)
Total changes in fair value	**(3,236)**	1,218	**(4,632)**	(2,586)
Fair value, end of period	**$ 13,251**	15,690	**13,251**	15,690

(1) Reflects refinements to initial purchase accounting adjustments.

(2) Principally reflects changes in discount rates and prepayment speed assumptions, mostly due to changes in interest rates.

(3) Represents changes due to collection/realization of expected cash flows over time.

The changes in amortized commercial MSRs were:

	Quarter ended June 30,		Six months ended June 30,	

(in millions)	**2010**	2009	**2010**	2009
Balance, beginning of period	**$ 1,069**	1,257	**1,119**	1,446
Adjustments from adoption of consolidation accounting guidance			**(5)**	
Purchases (1)	**7**	6	**8**	10
Acquired from Wachovia (2)		(8)		(135)
Servicing from securitizations or asset transfers (1)	**17**	18	**28**	22
Amortization	**(56)**	(68)	**(113)**	(138)
Balance, end of period (3)	**$ 1,037**	1,205	**1,037**	1,205
Fair value of amortized MSRs:				
Beginning of period	**$ 1,283**	1,392	**1,261**	1,555
End of period	**1,307**	1,311	**1,307**	1,311

(1) Based on June 30, 2010, assumptions, the weighted-average amortization period for MSRs added during the second quarter and six months ended June 30, 2010, was approximately 16.5 and 17.4 years, respectively.

(2) Reflects refinements to initial purchase accounting adjustments.

(3) There was no valuation allowance recorded for the periods presented. Commercial MSRs are evaluated for impairment purposes by the following asset classes: agency and non-agency commercial mortgage-backed

securities (MBS),
and loans.

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We present the components of our managed servicing portfolio in the table below at unpaid principal balance for loans serviced and subserviced for others and at book value for owned loans serviced.

(in billions)	June 30, 2010	Dec. 31, 2009
Residential mortgage servicing:		
Serviced for others	**$ 1,437**	1,422
Owned loans serviced	**365**	364
Subservicing	**10**	10
Total residential servicing	**1,812**	1,796
Commercial mortgage servicing:		
Serviced for others	**441**	454
Owned loans serviced	**100**	105
Subservicing	**10**	10
Total commercial servicing	**551**	569
Total managed servicing portfolio	**$ 2,363**	2,365
Total serviced for others	**$ 1,878**	1,876
Ratio of MSRs to related loans serviced for others	**0.76%**	0.91

The components of mortgage banking noninterest income were:

(in millions)	Quarter ended June 30, 2010	Quarter ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Servicing income, net:				
Servicing fees	**$ 1,223**	951	**2,276**	2,032
Changes in fair value of residential MSRs:				
Due to changes in valuation model inputs or assumptions (1)	**(2,661)**	2,316	**(3,438)**	(508)
Other changes in fair value (2)	**(575)**	(1,098)	**(1,194)**	(2,078)
Total changes in fair value of residential MSRs	**(3,236)**	1,218	**(4,632)**	(2,586)
Amortization	**(56)**	(68)	**(113)**	(138)
Net derivative gains (losses) from economic hedges (3)	**3,287**	(1,285)	**5,053**	2,414
Total servicing income, net	**1,218**	816	**2,584**	1,722
Net gains on mortgage loan origination/sales activities	**793**	2,230	**1,897**	3,828
Total mortgage banking noninterest income	**$ 2,011**	3,046	**4,481**	5,550

Market-related valuation changes to MSRs, net of hedge results (1)+(3)	**$ 626**	1,031	**1,615**	1,906

(1) Principally reflects changes in discount rates and prepayment speed assumptions, mostly due to changes in interest rates.
(2) Represents changes due to collection/realization of expected cash flows over time.
(3) Represents results from free-standing derivatives (economic hedges) used to hedge the risk of changes in fair value of MSRs. See Note 11 Free-Standing Derivatives in this Report for additional discussion and detail.

Servicing fees include certain unreimbursed direct servicing obligations primarily associated with workout activities. In addition, servicing fees in the table above included:

	Quarter ended June 30,		Six months ended June 30,	
(in millions)	**2010**	2009	**2010**	2009
Contractually specified servicing fees	**$ 1,154**	1,109	**2,261**	2,192
Late charges	**88**	79	**178**	166
Ancillary fees	**111**	75	**217**	148

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9. INTANGIBLE ASSETS

The gross carrying value of intangible assets and accumulated amortization was:

		June 30, 2010			December 31, 2009	
(in millions)	**Gross carrying value**	**Accumulated amortization**	**Net carrying value**	Gross carrying value	Accumulated amortization	Net carrying value
Amortized intangible assets:						
MSRs (1)	**$ 1,633**	**596**	**1,037**	1,606	487	1,119
Core deposit intangibles	**15,135**	**5,296**	**9,839**	15,140	4,366	10,774
Customer relationship and other intangibles	**3,077**	**1,063**	**2,014**	3,050	896	2,154
Total amortized intangible assets	**$ 19,845**	**6,955**	**12,890**	19,796	5,749	14,047
MSRs (carried at fair value) (1)	**$ 13,251**		**13,251**	16,004		16,004
Goodwill	**24,820**		**24,820**	24,812		24,812
Trademark	**14**		**14**	14		14

(1) See Note 8 in this Report for additional information on MSRs.

The following table provides the current year and estimated future amortization expense for amortized intangible assets as of June 30, 2010.

(in millions)	Amortized commercial MSRs	Core deposit intangibles	Customer relationship and other intangibles (1)	Total
Six months ended June 30, 2010 (actual)	**$ 113**	**937**	**163**	**1,213**
Estimate for year ending December 31,				
2010	$ 223	1,869	330	2,422
2011	205	1,593	287	2,085
2012	167	1,396	270	1,833
2013	130	1,241	254	1,625
2014	113	1,113	234	1,460

2015	105	1,022	212	1,339

(1) Includes amortization of lease intangibles reported in occupancy expense of $5 million for the first six months of 2010, and estimated amortization of $9 million, $9 million, $8 million, $8 million, $5 million, and $4 million for 2010, 2011, 2012, 2013, 2014 and 2015, respectively.

We based our projections of amortization expense shown above on existing asset balances at June 30, 2010. Future amortization expense may vary from these projections.

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For our goodwill impairment analysis, we allocate all of the goodwill to the individual operating segments. We identify reporting units that are one level below an operating segment (referred to as a component), and distinguish these reporting units based on how the segments and components are managed, taking into consideration the economic characteristics, nature of the products and customers of the components. We allocate goodwill to reporting units based on relative fair value, using certain performance metrics. In first quarter 2010, we revised prior period information to reflect this realignment. See Note 16 in this Report for further information on management reporting.
The following table shows the allocation of goodwill to our operating segments for purposes of goodwill impairment testing. The additions in the first half of 2009 predominantly relate to goodwill recorded in connection with refinements to our initial acquisition date purchase accounting.

(in millions)	Community Banking	Wholesale Banking	Wealth, Brokerage and Retirement	Consolidated Company
Balance, December 31, 2008	$ 16,810	5,449	368	22,627
Goodwill from business combinations	1,240	750		1,990
Foreign currency translation adjustments	2			2
Balance, June 30, 2009	$ 18,052	6,199	368	24,619
Balance, December 31, 2009	**$ 18,160**	**6,279**	**373**	**24,812**
Goodwill from business combinations		**8**		**8**
Balance, June 30, 2010	**$ 18,160**	**6,287**	**373**	**24,820**

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10. GUARANTEES AND LEGAL ACTIONS

Guarantees

Guarantees are contracts that contingently require us to make payments to a guaranteed party based on an event or a change in an underlying asset, liability, rate or index. Guarantees are generally in the form of standby letters of credit, securities lending and other indemnifications, liquidity agreements, written put options, recourse obligations, residual value guarantees, and contingent consideration. The following table shows carrying value, maximum exposure to loss on our guarantees and the amount with a higher risk of performance.

			June 30, 2010			Dec. 31, 2009
(in millions)	**Carrying value**	**Maximum exposure to loss**	**Non-investment grade**	Carrying value	Maximum exposure to loss	Non-investment grade
Standby letters of credit	**$ 148**	**46,701**	**20,251**	148	49,997	21,112
Securities lending and other indemnifications	**49**	**11,398**	**798**	51	20,002	2,512
Liquidity agreements (1)		**62**		66	7,744	
Written put options (1)(2)	**1,205**	**8,353**	**4,095**	803	8,392	3,674
Loans sold with recourse	**116**	**5,202**	**3,357**	96	5,049	2,400
Residual value guarantees	**8**	**197**		8	197	
Contingent consideration	**15**	**101**	**98**	11	145	102
Other guarantees		**99**	**2**		55	2
Total guarantees	**$ 1,541**	**72,113**	**28,601**	1,183	91,581	29,802

(1) Certain of these agreements are related to off-balance sheet entities and, accordingly, are also disclosed in Note 7 in this Report.

(2) Written put options, which are in the form of derivatives, are also included in the derivative disclosures in Note 11 in this Report.

"Maximum exposure to loss" and "Non-investment grade" are required disclosures under GAAP. Non-investment grade represents those guarantees on which we have a higher risk of being required to perform under the terms of the guarantee. If the underlying assets under the guarantee are non-investment grade (that is, an external rating that is below investment grade or an internal credit default grade that is equivalent to a below investment grade external rating), we consider the risk of performance to be high. Internal credit default grades are determined based upon the same credit policies that we use to evaluate the risk of payment or performance when making loans and other extensions of credit. These credit policies are more fully described in Note 5 in this Report.

Maximum exposure to loss represents the estimated loss that would be incurred under an assumed hypothetical circumstance, despite what we believe is its extremely remote possibility, where the value of our interests and any associated collateral declines to zero, without any consideration of recovery or offset from any economic hedges. Accordingly, this required disclosure is not an indication of expected loss. We believe the carrying value, which is either fair value or cost adjusted for incurred credit losses, is more representative of our exposure to loss than maximum exposure to loss.

We issue standby letters of credit, which include performance and financial guarantees, for customers in connection with contracts between our customers and third parties. Standby letters of credit are agreements where we are obligated to make payment to a third party on behalf of a customer in the event the customer fails to meet their contractual obligations. We consider the credit risk in standby letters of credit and commercial and similar letters of credit in determining the allowance for credit losses.

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As a securities lending agent, we loan client securities, on a fully collateralized basis, to third party borrowers. We indemnify our clients against borrower default of a return of those securities and, in certain cases, against collateral losses. We support these guarantees with collateral, generally in the form of cash or highly liquid securities that is marked to market daily. There was $11.7 billion at June 30, 2010, and $20.7 billion at December 31, 2009, in collateral supporting loaned securities with values of $11.4 billion and $20.0 billion, respectively.

We enter into other types of indemnification agreements in the ordinary course of business under which we agree to indemnify third parties against any damages, losses and expenses incurred in connection with legal and other proceedings arising from relationships or transactions with us. These relationships or transactions include those arising from service as a director or officer of the Company, underwriting agreements relating to our securities, acquisition agreements and various other business transactions or arrangements. Because the extent of our obligations under these agreements depends entirely upon the occurrence of future events, our potential future liability under these agreements is not determinable.

We provide liquidity facilities on all commercial paper issued by the conduit we administer. We also provide liquidity to certain off-balance sheet entities that hold securitized fixed-rate municipal bonds and consumer or commercial assets that are partially funded with the issuance of money market and other short-term notes. The decrease in maximum exposure to loss from December 31, 2009, is due to the amounts related to the liquidity facility on the commercial paper conduit being removed from the disclosed amounts due to the consolidation of the commercial paper conduit upon adoption of consolidation accounting guidance. See Note 7 in this Report for additional information on these arrangements.

Written put options are contracts that give the counterparty the right to sell to us an underlying instrument held by the counterparty at a specified price, and include options, floors, caps and credit default swaps. These written put option contracts generally permit net settlement. While these derivative transactions expose us to risk in the event the option is exercised, we manage this risk by entering into offsetting trades or by taking short positions in the underlying instrument. We offset substantially all put options written to customers with purchased options. Additionally, for certain of these contracts, we require the counterparty to pledge the underlying instrument as collateral for the transaction. Our ultimate obligation under written put options is based on future market conditions and is only quantifiable at settlement. See Note 7 in this Report for additional information regarding transactions with VIEs and Note 11 in this Report for additional information regarding written derivative contracts.

In certain loan sales or securitizations, we provide recourse to the buyer whereby we are required to repurchase loans at par value plus accrued interest on the occurrence of certain credit-related events within a certain period of time. The maximum exposure to loss represents the outstanding principal balance of the loans sold or securitized that are subject to recourse provisions, but the likelihood of the repurchase of the entire balance is remote and amounts paid can be recovered in whole or in part from the sale of collateral. In second quarter 2010, we did not repurchase a significant amount of loans associated with these agreements.

We have provided residual value guarantees as part of certain leasing transactions of corporate assets. At June 30, 2010, the only remaining residual value guarantee is related to a leasing transaction on certain corporate buildings. The lessors in these leases are generally large financial institutions or their leasing subsidiaries. These guarantees protect the lessor from loss on sale of the related asset at the end of the lease term. To the extent that a sale of the leased assets results in proceeds less than a stated percent (generally 80% to 89%) of the asset s cost, we would be required to reimburse the lessor under our guarantee.

In connection with certain brokerage, asset management, insurance agency and other acquisitions we have made, the terms of the acquisition agreements provide for deferred payments or additional consideration, based on certain performance targets.

We have entered into various contingent performance guarantees through credit risk participation arrangements. Under these agreements, if a customer defaults on its obligation to perform under certain credit agreements with third parties, we will be required to make payments to the third parties.

Legal Actions

The following supplements and amends our discussion of certain matters previously reported in Item 3 (Legal Proceedings) of our 2009 Form 10-K and our First Quarter Form 10-Q for events occurring in second quarter 2010.

Data Treasury Litigation On June 15, 2010, Wells Fargo entered into a confidential settlement agreement which settled all claims of Data Treasury against Wells Fargo and Wachovia. The estimated liability for this matter had been accrued for in previous quarters and the settlement did not have a material adverse effect on Wells Fargo s consolidated financial statements for the period ended June 30, 2010.

Golden West and Related Litigation Amended complaints were filed in all the actions in May 2010 and renewed motions to dismiss have been filed in each case.

In Re Wells Fargo Mortgage-Backed Certificates Litigation On May 28, 2010, plaintiffs filed an amended consolidated complaint. On June 25, 2010, Wells Fargo moved to dismiss the amended complaint. On June 29, 2010 and on July 15, 2010, two complaints, the first captioned *The Charles Schwab Corporation vs. Merrill Lynch, Pierce, Fenner & Smith, Inc., et al.,* and the second captioned *The Charles Schwab Corporation v. BNP Paribas Securities Corp., et al.,* were filed in the Superior Court for the State of California, San Francisco County against a number of defendants, including Wells Fargo Bank, N.A. and Wells Fargo Asset Securities Corporation. As against the Wells Fargo entities, the new cases assert opt out claims relating to the claims alleged in the Mortgage-Backed Certificates Litigation.

LeNature s Inc. On July 7, 2010, the demurrer to the California noteholder action was overruled. On May 10, 2010, the New York State Court granted the motion to dismiss two counts of the complaint and denied the motion to dismiss two other counts.

Municipal Derivatives Bid Practice Investigation In May 2010, four additional complaints were filed in California state courts by four additional California municipalities containing allegations virtually identical to the allegations of the eleven complaints previously filed by various California municipalities.

Outlook In accordance with ASC 450 (formerly FAS 5), Wells Fargo has established estimated liabilities for litigation matters with loss contingencies that are both probable and estimable. For these matters and others where an unfavorable outcome is reasonably possible but not probable, there may be a range of possible losses in excess of the estimated liability that cannot be estimated. Based on information currently available, advice of counsel, available insurance coverage and established reserves, Wells Fargo believes that the eventual outcome of the actions against Wells Fargo and/or its subsidiaries, including the matters described above, will not, individually or in the aggregate, have a material adverse effect on Wells Fargo s consolidated financial statements. However, in the event of unexpected future developments, it is possible that the ultimate resolution of those matters, if unfavorable, may be material to Wells Fargo s consolidated financial statements for any particular period.

11. DERIVATIVES

We use derivatives to manage exposure to market risk, interest rate risk, credit risk and foreign currency risk, to generate profits from proprietary trading and to assist customers with their risk management objectives. Derivative transactions are measured in terms of the notional amount, but this amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments. The notional amount is generally not exchanged, but is used only as the basis on which interest and other payments are determined. Our approach to managing interest rate risk includes the use of derivatives. This helps minimize significant, unplanned fluctuations in earnings, fair values of assets and liabilities, and cash flows caused by interest rate volatility. This approach involves modifying the repricing characteristics of certain assets and liabilities so that changes in interest rates do not have a significant adverse effect on the net interest margin and cash flows. As a result of interest rate fluctuations, hedged assets and liabilities will gain or lose market value. In a fair value hedging strategy, the effect of this unrealized gain or loss will generally be offset by the gain or loss on the derivatives linked to the hedged assets and liabilities. In a cash flow hedging strategy, we manage the variability of cash payments due to interest rate fluctuations by the effective use of derivatives linked to hedged assets and liabilities.

We use derivatives that are designed as qualifying hedge contracts as defined by the Derivatives and Hedging topic in the Codification as part of our interest rate and foreign currency risk management, including interest rate swaps, caps and floors, futures and forward contracts, and options. We also offer various derivatives, including interest rate, commodity, equity, credit and foreign exchange contracts, to our customers but usually offset our exposure from such contracts by purchasing other financial contracts. The customer accommodations and any offsetting financial contracts are treated as free-standing derivatives. Free-standing derivatives also include derivatives we enter into for risk management that do not otherwise qualify for hedge accounting, including economic hedge derivatives. To a lesser extent, we take positions based on market expectations or to benefit from price differentials between financial instruments and markets. Additionally, free-standing derivatives include embedded derivatives that are required to be separately accounted for from their host contracts.

Our derivative activities are monitored by the Corporate Asset/Liability Management Committee (Corporate ALCO). Our Treasury function, which includes asset/liability management, is responsible for various hedging strategies developed through analysis of data from financial models and other internal and industry sources. We incorporate the resulting hedging strategies into our overall interest rate risk management and trading strategies.

The total notional or contractual amounts and fair values for derivatives were:

			June 30, 2010			Dec. 31, 2009
(in millions)	**Notional or contractual amount**	**Asset derivatives**	**Fair value Liability derivatives**	Notional or contractual amount	Asset derivatives	Fair value Liability derivatives
Qualifying hedge contracts (1)						
Interest rate contracts (2)	**$ 111,021**	**8,401**	**1,967**	119,966	6,425	1,302
Foreign exchange contracts	**28,173**	**813**	**1,290**	30,212	1,553	811
Total derivatives designated as qualifying hedging instruments		**9,214**	**3,257**		7,978	2,113
Derivatives not designated as hedging instruments						
Free-standing derivatives (economic hedges) (1):						
Interest rate contracts (3)	**497,218**	**6,153**	**5,400**	633,734	4,441	4,873
Equity contracts				300		2
Foreign exchange contracts	**3,788**	**23**	**23**	7,019	233	29
Credit contracts protection purchased	**490**	**133**		577	261	
Other derivatives	**4,516**		**104**	4,583		40
Subtotal		**6,309**	**5,527**		4,935	4,944
Customer accommodation, trading and other free-standing derivatives (4):						
Interest rate contracts	**2,649,776**	**66,789**	**66,951**	2,741,119	54,873	54,033
Commodity contracts	**84,307**	**3,669**	**3,563**	92,182	5,400	5,182
Equity contracts	**70,340**	**2,906**	**2,891**	71,572	2,459	3,067
Foreign exchange contracts	**140,803**	**3,802**	**3,363**	142,012	3,084	2,737
Credit contracts protection sold	**59,743**	**524**	**7,838**	76,693	979	9,577
Credit contracts protection purchased	**61,700**	**6,764**	**530**	81,357	9,349	1,089
Other derivatives	**279**	**9**	**22**	2,314	427	171

Subtotal	**84,463**	**85,158**	76,571	75,856
Total derivatives not designated as hedging instruments	**90,772**	**90,685**	81,506	80,800
Total derivatives before netting	**99,986**	**93,942**	89,484	82,913
Netting (5)	**(74,396)**	**(82,310)**	(65,926)	(73,303)
Total	**$ 25,590**	**11,632**	23,558	9,610

(1) Represents asset/liability management hedges, which are included in other assets or other liabilities.

(2) Notional amounts presented exclude $21.0 billion at June 30, 2010, and $20.9 billion at December 31, 2009, of basis swaps that are combined with receive fixed-rate / pay floating-rate swaps and designated as one hedging instrument.

(3) Includes free-standing derivatives (economic hedges) used to hedge the risk of changes in the fair value of residential MSRs, MHFS, interest rate lock

commitments and other interests held.

(4) Customer accommodation, trading and other free-standing derivatives are included in trading assets or other liabilities.

(5) Represents netting of derivative asset and liability balances, and related cash collateral, with the same counterparty subject to master netting arrangements under the accounting guidance covering the offsetting of amounts related to certain contracts. The amount of cash collateral netted against derivative assets and liabilities was $5.6 billion and $13.6 billion, respectively, at June 30, 2010, and $5.3 billion and $14.1 billion, respectively, at December 31, 2009.

Fair Value Hedges

We use interest rate swaps to convert certain of our fixed-rate long-term debt and certificates of deposit (CDs) to floating rates to hedge our exposure to interest rate risk. We also enter into cross-currency swaps, cross-currency interest rate swaps and forward contracts to hedge our exposure to foreign currency risk and interest rate risk

associated with the issuance of non-U.S. dollar denominated long-term debt and repurchase agreements. Consistent with our asset/liability management strategy of converting fixed-rate debt to floating-rates, we believe interest expense should reflect only the current contractual interest cash flows on the liabilities and the related swaps. In addition, we use interest rate swaps and forward contracts to hedge against changes in fair value of certain debt securities that are classified as securities available for sale, due to changes in interest rates, foreign currency rates, or both. For fair value hedges of long-term debt, CDs, repurchase agreements and debt securities, all parts of each derivative s gain or loss due to the hedged risk are included in the assessment of hedge effectiveness, except for

foreign-currency denominated securities available for sale, short-term borrowings and long-term debt hedged with forward derivatives for which the component of the derivative gain or loss related to the changes in the difference between the spot and forward price is excluded from the assessment of hedge effectiveness.

For fair value hedging relationships, we use statistical regression analysis to assess hedge effectiveness, both at inception of the hedging relationship and on an ongoing basis. The regression analysis involves regressing the periodic change in fair value of the hedging instrument against the periodic changes in fair value of the asset or liability being hedged due to changes in the hedged risk(s). The assessment includes an evaluation of the quantitative measures of the regression results used to validate the conclusion of high effectiveness.

The following table shows the net gains (losses) recognized in the income statement related to derivatives in fair value hedging relationships as defined by the Derivatives and Hedging topic in the Codification.

	Interest rate contracts hedging:		Foreign exchange contracts hedging:			Total net gains (losses) on fair value
(in millions)	Securities available for sale	Long-term debt	Securities available for sale	Short-term borrowings	Long-term debt	hedges
Quarter ended June 30, 2010						
Gains (losses) recorded in net interest income	**$ (94)**	**527**	**(1)**		**87**	**519**
Gains (losses) recorded in noninterest income						
Recognized on derivatives	**$ (642)**	**1,744**	**70**		**(1,769)**	**(597)**
Recognized on hedged item	**650**	**(1,626)**	**(70)**		**1,778**	**732**
Recognized on fair value hedges (ineffective portion) (1)	**$ 8**	**118**			**9**	**135**
Quarter ended June 30, 2009						
Gains (losses) recorded in net interest income	$ (71)	383	(18)	12	78	384
Gains (losses) recorded in noninterest income						
Recognized on derivatives	$ 712	(2,680)	(2)	1	1,204	(765)
Recognized on hedged item	(703)	2,585	2	(1)	(1,281)	602
	$ 9	(95)			(77)	(163)

Recognized on fair value hedges (ineffective portion) (1)						
Six months ended June 30, 2010						
Gains (losses) recorded in net interest income	**$ (188)**	**1,058**	**(2)**		**184**	**1,052**
Gains (losses) recorded in noninterest income						
Recognized on derivatives	**$ (768)**	**2,276**	**189**		**(2,905)**	**(1,208)**
Recognized on hedged item	**785**	**(2,143)**	**(189)**		**2,932**	**1,385**
Recognized on fair value hedges (ineffective portion) (1)	**$ 17**	**133**			**27**	**177**
Six months ended June 30, 2009						
Gains (losses) recorded in net interest income	$ (112)	647	(46)	28	154	671
Gains (losses) recorded in noninterest income						
Recognized on derivatives	$ 794	(3,469)			942	(1,733)
Recognized on hedged item	(796)	3,383			(951)	1,636
Recognized on fair value hedges (ineffective portion) (1)	$ (2)	(86)			(9)	(97)

(1) Second quarter and six months ended June 30, 2010, included nil and $1 million, respectively, and second quarter and six months ended June 30, 2009, included $(7) million for both periods, of gains (losses) on forward

derivatives
hedging foreign
currency
securities
available for sale,
short-term
borrowings and
long-term debt,
representing the
portion of
derivatives gains
(losses) excluded
from the
assessment of
hedge
effectiveness
(time value).

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Cash Flow Hedges

We hedge floating-rate debt against future interest rate increases by using interest rate swaps, caps, floors and futures to limit variability of cash flows due to changes in the benchmark interest rate. We also use interest rate swaps and floors to hedge the variability in interest payments received on certain floating-rate commercial loans, due to changes in the benchmark interest rate. Gains and losses on derivatives that are reclassified from cumulative OCI to current period earnings are included in the line item in which the hedged item s effect on earnings is recorded. All parts of gain or loss on these derivatives are included in the assessment of hedge effectiveness. For all cash flow hedges, we assess hedge effectiveness using regression analysis, both at inception of the hedging relationship and on an ongoing basis. The regression analysis involves regressing the periodic changes in cash flows of the hedging instrument against the periodic changes in cash flows of the forecasted transaction being hedged due to changes in the hedged risk(s). The assessment includes an evaluation of the quantitative measures of the regression results used to validate the conclusion of high effectiveness.

We expect that $305 million of deferred net gains on derivatives in OCI at June 30, 2010, will be reclassified as earnings during the next twelve months, compared with $284 million at December 31, 2009. We are hedging our exposure to the variability of future cash flows for all forecasted transactions for a maximum of 8 years for both hedges of floating-rate debt and floating-rate commercial loans.

The following table shows the net gains recognized related to derivatives in cash flow hedging relationships as defined by the Derivatives and Hedging topic in the Codification.

	Quarter ended June 30,		Six months ended June 30,	
(in millions)	**2010**	2009	**2010**	2009
Gains (losses) (after tax) recognized in OCI on derivatives (effective portion)	**$ 190**	(196)	**349**	(128)
Gains (pre tax) reclassified from cumulative OCI into net interest income (effective portion)	**186**	144	**328**	279
Gains (losses) (pre tax) recognized in noninterest income on derivatives (ineffective portion) (1)	**(1)**	5	**6**	11

(1) None of the change in value of the derivatives was excluded from the assessment of hedge effectiveness.

Free-Standing Derivatives

We use free-standing derivatives (economic hedges), in addition to debt securities available for sale, to hedge the risk of changes in the fair value of residential MSRs, new prime residential MHFS, derivative loan commitments and other interests held, with the resulting gain or loss reflected in other income.

The derivatives used to hedge residential MSRs, which include swaps, swaptions, forwards, Eurodollar and Treasury futures and options contracts, resulted in net derivative gains of $3.3 billion and net derivative gains of $5.1 billion, respectively, in the second quarter and first half of 2010 and net derivative losses of $1.3 billion and net derivative gains of $2.4 billion, respectively, in the same periods of 2009 from economic hedges related to our mortgage

servicing activities and are included in mortgage banking noninterest income. The aggregate fair value of these derivatives used as economic hedges was a net asset of $2.0 billion at June 30, 2010, and a net liability of $961 million at December 31, 2009. Changes in fair value of debt securities available for sale (unrealized gains and losses) are not included in servicing income, but are reported in cumulative OCI (net of tax) or, upon sale, are reported in net gains (losses) on debt securities available for sale.

Interest rate lock commitments for residential mortgage loans that we intend to sell are considered free-standing derivatives. Our interest rate exposure on these derivative loan commitments, as well as most new prime residential MHFS for which we have elected the fair value option, is hedged with free-standing derivatives (economic hedges) such as forwards and options, Eurodollar futures and options, and Treasury futures, forwards and options contracts. The commitments, free-standing derivatives and residential MHFS are carried at fair value with changes in fair value included in mortgage banking noninterest income. For interest rate lock commitments we include, at inception and during the life of the loan commitment, the expected net future cash flows related to the associated servicing of the loan as part of the fair value measurement of derivative loan commitments. Changes subsequent to inception are based on changes in fair value of the underlying loan resulting from the exercise of the commitment and changes in the probability that the loan will not fund within the terms of the commitment (referred to as a fall-out factor). The value of the underlying loan is affected primarily by changes in interest rates and the passage of time. However, changes in investor demand, such as concerns about credit risk, can also cause changes in the spread relationships between underlying loan value and the derivative financial instruments that cannot be hedged. The aggregate fair value of derivative loan commitments in the balance sheet was a net asset of $403 million at June 30, 2010, and a net liability of $312 million at December 31, 2009, and is included in the caption Interest rate contracts under Customer accommodation, trading and other free-standing derivatives in the first table in this Note.

We also enter into various derivatives primarily to provide derivative products to customers. To a lesser extent, we take positions based on market expectations or to benefit from price differentials between financial instruments and markets. These derivatives are not linked to specific assets and liabilities in the balance sheet or to forecasted transactions in an accounting hedge relationship and, therefore, do not qualify for hedge accounting. We also enter into free-standing derivatives for risk management that do not otherwise qualify for hedge accounting. They are carried at fair value with changes in fair value recorded as part of other noninterest income.

Additionally, free-standing derivatives include embedded derivatives that are required to be accounted for separate from their host contract. We periodically issue hybrid long-term notes and CDs where the performance of the hybrid instrument notes is linked to an equity, commodity or currency index, or basket of such indices. These notes contain explicit terms that affect some or all of the cash flows or the value of the note in a manner similar to a derivative instrument and therefore are considered to contain an embedded derivative instrument. The indices on which the performance of the hybrid instrument is calculated are not clearly and closely related to the host debt instrument. In accordance with accounting guidance for derivatives, the embedded derivative is separated from the host contract and accounted for as a free-standing derivative.

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The following table shows the net gains (losses) recognized in the income statement related to derivatives not designated as hedging instruments under the Derivatives and Hedging topic of the Codification.

(in millions)	Quarter ended June 30, **2010**	2009	Six months ended June 30, **2010**	2009
Gains (losses) recognized on free-standing derivatives (economic hedges):				
Interest rate contracts (1)				
Recognized in noninterest income:				
Mortgage banking	**$ 757**	692	**1,425**	3,056
Other	**(30)**	4	**(36)**	(1)
Foreign exchange contracts	**69**	(98)	**145**	(18)
Equity contracts				2
Credit contracts	**(36)**	(56)	**(125)**	(114)
Subtotal	**760**	542	**1,409**	2,925
Gains (losses) recognized on customer accommodation, trading and other free-standing derivatives:				
Interest rate contracts (2)				
Recognized in noninterest income:				
Mortgage banking	**1,644**	(616)	**2,547**	397
Other	**(154)**	499	**165**	812
Commodity contracts	**13**	(27)	**33**	(39)
Equity contracts	**495**	(58)	**449**	(181)
Foreign exchange contracts	**148**	145	**266**	258
Credit contracts	**(58)**	(352)	**(488)**	(98)
Other	**(12)**	(13)	**(19)**	(176)
Subtotal	**2,076**	(422)	**2,953**	973
Net gains recognized related to derivatives not designated as hedging instruments	**$ 2,836**	120	**4,362**	3,898

(1) Predominantly mortgage banking noninterest income including gains (losses) on the derivatives used as economic hedges of

MSRs, interest rate lock commitments, loans held for sale and mortgages held for sale.

(2) Predominantly mortgage banking noninterest income including gains (losses) on interest rate lock commitments.

Credit Derivatives

We use credit derivatives to manage exposure to credit risk related to lending and investing activity and to assist customers with their risk management objectives. This may include protection sold to offset purchased protection in structured product transactions, as well as liquidity agreements written to special purpose vehicles. The maximum exposure of sold credit derivatives is managed through posted collateral, purchased credit derivatives and similar products in order to achieve our desired credit risk profile. This credit risk management provides an ability to recover a significant portion of any amounts that would be paid under the sold credit derivatives. We would be required to perform under the noted credit derivatives in the event of default by the referenced obligors. Events of default include events such as bankruptcy, capital restructuring or lack of principal and/or interest payment. In certain cases, other triggers may exist, such as the credit downgrade of the referenced obligors or the inability of the special purpose vehicle for which we have provided liquidity to obtain funding.

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The following table provides details of sold and purchased credit derivatives.

					Notional amount		
(in millions)	Fair value liability	Protection sold (A)	Protection sold non-investment grade	Protection purchased with identical underlyings (B)	Net protection sold (A) - (B)	Other protection purchased	Range of maturities
June 30, 2010							
Credit default swaps on:							
Corporate bonds	**$ 1,759**	**40,279**	**20,552**	**32,465**	**7,814**	**8,414**	**2010-2020**
Structured products	**4,556**	**6,238**	**5,478**	**4,932**	**1,306**	**3,012**	**2016-2056**
Credit protection on:							
Default swap index	**39**	**2,655**	**1,234**	**2,655**		**486**	**2010-2017**
Commercial mortgage- backed securities index	**1,190**	**2,789**	**749**	**2,348**	**441**	**128**	**2049-2052**
Asset-backed securities index	**275**	**361**	**296**	**315**	**46**	**95**	**2037-2046**
Loan deliverable credit default swaps	**7**	**489**	**479**	**396**	**93**	**253**	**2010-2014**
Other	**12**	**6,932**	**6,389**	**39**	**6,893**	**4,967**	**2010-2056**
Total credit derivatives	**$ 7,838**	**59,743**	**35,177**	**43,150**	**16,593**	**17,355**	
December 31, 2009							
Credit default swaps on:							
Corporate bonds	$ 2,419	55,511	23,815	44,159	11,352	12,634	2010-2018
Structured products	4,498	6,627	5,084	4,999	1,628	3,018	2014-2056
Credit protection on:							
Default swap index	23	6,611	2,765	4,202	2,409	2,510	2010-2017
Commercial mortgage- backed securities index	1,987	5,188	453	4,749	439	189	2049-2052
Asset-backed securities index	637	830	660	696	134	189	2037-2046
Loan deliverable credit default swaps	12	510	494	423	87	287	2010-2014

Other	1	1,416	809	32	1,384	100	2010-2020
Total credit derivatives	$ 9,577	76,693	34,080	59,260	17,433	18,927	

Protection sold represents the estimated maximum exposure to loss that would be incurred under an assumed hypothetical circumstance, despite what we believe is its extremely remote possibility, where the value of our interests and any associated collateral declines to zero, without any consideration of recovery or offset from any economic hedges. Accordingly, this required disclosure is not an indication of expected loss. The amounts under non-investment grade represent the notional amounts of those credit derivatives on which we have a higher performance risk, or higher risk of being required to perform under the terms of the credit derivative and is a function of the underlying assets. We consider the risk of performance to be high if the underlying assets under the credit derivative have an external rating that is below investment grade or an internal credit default grade that is equivalent thereto. We believe the net protection sold, which is representative of the net notional amount of protection sold and purchased with identical underlyings, in combination with other protection purchased, is more representative of our exposure to loss than either non-investment grade or protection sold. Other protection purchased represents additional protection, which may offset the exposure to loss for protection sold, that was not purchased with an identical underlying of the protection sold.

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Credit-Risk Contingent Features

Certain of our derivative contracts contain provisions whereby if the credit rating of our debt, based on certain major credit rating agencies indicated in the relevant contracts, were to fall below investment grade, the counterparty could demand additional collateral or require termination or replacement of derivative instruments in a net liability position. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features that are in a net liability position was $10.5 billion at June 30, 2010, and $7.5 billion at December 31, 2009, for which we had posted $9.9 billion and $7.1 billion, respectively, in collateral in the normal course of business. If the credit-risk-related contingent features underlying these agreements had been triggered on June 30, 2010, or December 31, 2009, we would have been required to post additional collateral of $618 million or $1.0 billion, respectively, or potentially settle the contract in an amount equal to its fair value.

Counterparty Credit Risk

By using derivatives, we are exposed to counterparty credit risk if counterparties to the derivative contracts do not perform as expected. If a counterparty fails to perform, our counterparty credit risk is equal to the amount reported as a derivative asset on our balance sheet. The amounts reported as a derivative asset are derivative contracts in a gain position, and to the extent subject to master netting arrangements, net of derivatives in a loss position with the same counterparty and cash collateral received. We minimize counterparty credit risk through credit approvals, limits, monitoring procedures, executing master netting arrangements and obtaining collateral, where appropriate. To the extent the master netting arrangements and other criteria meet the requirements outlined in the Derivatives and Hedging topic of the Codification, derivatives balances and related cash collateral amounts are shown net in the balance sheet. Counterparty credit risk related to derivatives is considered in determining fair value and our assessment of hedge effectiveness.

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12. FAIR VALUES OF ASSETS AND LIABILITIES

We use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Trading assets, securities available for sale, derivatives, certain loans, prime residential MHFS, certain commercial LHFS, residential MSRs, principal investments and securities sold but not yet purchased (short sale liabilities) are recorded at fair value on a recurring basis. Certain loans and long-term debt are carried at fair value on a recurring basis beginning on January 1, 2010. Additionally, from time to time, we may be required to record at fair value other assets on a nonrecurring basis, such as nonprime residential and commercial MHFS, certain LHFS, loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of lower-of-cost-or-market accounting or write-downs of individual assets.

Under fair value option accounting guidance, we elected to measure MHFS at fair value prospectively for new prime residential MHFS originations, for which an active secondary market and readily available market prices existed to reliably support fair value pricing models used for these loans. We also elected to remeasure at fair value certain of our other interests held related to residential loan sales and securitizations. We believe the election for MHFS and other interests held (which are now hedged with free-standing derivatives (economic hedges) along with our MSRs) reduces certain timing differences and better matches changes in the value of these assets with changes in the value of derivatives used as economic hedges for these assets.

Upon the acquisition of Wachovia, we elected to measure at fair value certain portfolios of LHFS that we intend to hold for trading purposes and that may be economically hedged with derivative instruments. In addition, we elected to measure at fair value certain letters of credit that are hedged with derivative instruments to better reflect the economics of the transactions. These letters of credit are included in trading account assets or liabilities.

Upon adoption of new consolidation accounting guidance on January 1, 2010, we elected to measure certain loans and long-term debt of consolidated VIEs under the fair value option. We elected the fair value option to effectively continue fair value accounting through earnings for our interests in these VIEs. See Notes 1 and 7 in this Report for additional information.

Fair Value Hierarchy

In accordance with the Fair Value Measurements and Disclosures topic of the Codification, we group our assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

In the determination of the classification of financial instruments in Level 2 or Level 3 of the fair value hierarchy, we consider all available information, including observable market data, indications of market liquidity and orderliness, and our understanding of the valuation techniques and significant inputs used. For securities in inactive markets, we use a predetermined percentage to evaluate the impact of fair value

adjustments derived from weighting both external and internal indications of value to determine if the instrument is classified as Level 2 or Level 3. Based upon the specific facts and circumstances of each instrument or instrument category, judgments are made regarding the significance of the Level 3 inputs to the instruments fair value measurement in its entirety. If Level 3 inputs are considered significant, the instrument is classified as Level 3.

Determination of Fair Value

In accordance with the Fair Value Measurements and Disclosures topic of the Codification, we base our fair values on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is our policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, as prescribed in the fair value hierarchy.

In instances where there is limited or no observable market data, fair value measurements for assets and liabilities are based primarily upon our own estimates or combination of our own estimates and independent vendor or broker pricing, and the measurements are often calculated based on current pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of current or future values.

We incorporate lack of liquidity into our fair value measurement based on the type of asset measured and the valuation methodology used. For example, for residential MHFS and certain securities where the significant inputs have become unobservable due to the illiquid markets and vendor or broker pricing is not used, we use a discounted cash flow technique to measure fair value. This technique incorporates forecasting of expected cash flows (adjusted for credit loss assumptions and estimated prepayment speeds) discounted at an appropriate market discount rate to reflect the lack of liquidity in the market that a market participant would consider. For other securities where vendor or broker pricing is used, we use either unadjusted broker quotes or vendor prices or vendor or broker prices adjusted by weighting them with internal discounted cash flow techniques to measure fair value. These unadjusted vendor or broker prices inherently reflect any lack of liquidity in the market as the fair value measurement represents an exit price from a market participant viewpoint.

Fair Value Measurements from Independent Brokers or Independent Third Party Pricing Services

For certain assets and liabilities, we obtain fair value measurements from independent brokers or independent third party pricing services and record the unadjusted fair value in our financial statements. The detail by level is shown in the table below. Fair value measurements obtained from independent brokers or independent third party pricing services that we have adjusted to determine the fair value recorded in our financial statements are not included in the following table.

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	Independent brokers			Third party pricing services		
(in millions)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
June 30, 2010						
Trading assets (excluding derivatives)	**$**	**1,909**		**17**	**1,985**	
Securities available for sale:						
Securities of U.S. treasury and federal agencies				**808**	**875**	
Securities of U.S. states and political subdivisions		**14**			**13,658**	
Mortgage-backed securities		**3**	**37**		**84,916**	**57**
Other debt securities		**194**	**3,249**		**11,910**	**142**
Total debt securities		**211**	**3,286**	**808**	**111,359**	**199**
Total marketable equity securities	**173**	**21**		**1,045**	**728**	
Total securities available for sale	**173**	**232**	**3,286**	**1,853**	**112,087**	**199**
Derivatives (trading and other assets)		**18**	**44**		**1,423**	**10**
Loans held for sale					**1**	
Derivatives (liabilities)		**13**	**54**		**1,552**	**1**
Other liabilities		**10**			**348**	
December 31, 2009						
Trading assets (excluding derivatives)	$	4,208		30	1,712	81
Securities available for sale	85	1,870	548	1,467	120,688	1,864
Loans held for sale					2	
Derivatives (trading and other assets)		8	42		2,926	9
Derivatives (liabilities)			70		2,949	4
Other liabilities				10	3,916	26

For complete descriptions of the valuation methodologies used for assets and liabilities recorded at fair value and for estimating fair value for financial instruments not recorded at fair value, see Note 16 of the 2009 10-K. There have been no material changes to our valuation methodologies in second quarter 2010.

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Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis at June 30, 2010.

(in millions)	Level 1	Level 2	Level 3	Netting (1)	Total
June 30, 2010					
Trading assets (excluding derivatives)					
Securities of U.S. Treasury and federal agencies	$ 2,221	3,551			5,772
Securities of U.S. states and political subdivisions		1,338	12		1,350
Collateralized debt obligations		32	1,767		1,799
Corporate debt securities		8,896	165		9,061
Equity securities	1,430	677	52		2,159
Other trading securities		5,228	330		5,558
Total trading securities	3,651	19,722	2,326		25,699
Other trading assets	728	108	149		985
Total trading assets (excluding derivatives)	4,379	19,830	2,475		26,684
Securities of U.S. Treasury and federal agencies	808	877			1,685
Securities of U.S. states and political subdivisions		13,688	2,736		16,424
Mortgage-backed securities:					
Federal agencies		71,395			71,395
Residential		20,793	353		21,146
Commercial		11,633	897		12,530
Total mortgage-backed securities		103,821	1,250		105,071
Corporate debt securities		9,563	380		9,943
Collateralized debt obligations			4,031		4,031
Asset-backed securities:					
Auto loans and leases		293	7,104		7,397
Home equity loans		941	194		1,135
Other asset-backed securities		3,050	3,341		6,391
Total asset-backed securities		4,284	10,639		14,923
Other debt securities		599	88		687
Total debt securities	808	132,832	19,124		152,764

Marketable equity securities:					
Perpetual preferred securities (2)	**666**	**791**	**2,629**		**4,086**
Other marketable equity securities	**957**	**104**	**16**		**1,077**
Total marketable equity securities	**1,623**	**895**	**2,645**		**5,163**
Total securities available for sale	**2,431**	**133,727**	**21,769**		**157,927**
Mortgages held for sale		**31,617**	**3,260**		**34,877**
Loans held for sale		**238**			**238**
Loans			**367**		**367**
Mortgage servicing rights (residential)			**13,251**		**13,251**
Derivative assets:					
Interest rate contracts	**1,490**	**78,745**	**1,108**		**81,343**
Commodity contracts		**3,669**			**3,669**
Equity contracts	**252**	**1,996**	**658**		**2,906**
Foreign exchange contracts	**110**	**4,523**	**5**		**4,638**
Credit contracts		**3,498**	**3,923**		**7,421**
Other derivative contracts		**8**	**1**		**9**
Netting				**(74,396)**	**(74,396)**
Total derivative assets (3)	**1,852**	**92,439**	**5,695**	**(74,396)**	**25,590**
Other assets	**432**	**690**	**360**		**1,482**
Total assets recorded at fair value	**$ 9,094**	**278,541**	**47,177**	**(74,396)**	**260,416**
Derivative liabilities:					
Interest rate contracts	**$ (1,717)**	**(72,136)**	**(465)**		**(74,318)**
Commodity contracts		**(3,563)**			**(3,563)**
Equity contracts	**(174)**	**(1,827)**	**(890)**		**(2,891)**
Foreign exchange contracts	**(109)**	**(4,560)**	**(7)**		**(4,676)**
Credit contracts		**(3,452)**	**(4,916)**		**(8,368)**
Other derivative contracts		**(22)**	**(104)**		**(126)**
Netting				**82,310**	**82,310**
Total derivative liabilities (4)	**(2,000)**	**(85,560)**	**(6,382)**	**82,310**	**(11,632)**
Short sale liabilities					
Securities of U.S. Treasury and federal agencies	**(1,957)**	**(784)**			**(2,741)**
Corporate debt securities		**(3,477)**	**(1)**		**(3,478)**
Equity securities	**(1,888)**	**(116)**			**(2,004)**
Other securities		**(82)**	**(3)**		**(85)**
Total short sale liabilities	**(3,845)**	**(4,459)**	**(4)**		**(8,308)**
Other liabilities		**(39)**	**(1,806)**		**(1,845)**

Total liabilities recorded at fair value	**$ (5,845)**	**(90,058)**	**(8,192)**	**82,310**	**(21,785)**

(1) Derivatives are reported net of cash collateral received and paid and, to the extent that the criteria of the accounting guidance covering the offsetting of amounts related to certain contracts are met, positions with the same counterparty are netted as part of a legally enforceable master netting agreement.
(2) Perpetual preferred securities are primarily ARS. See Note 7 for additional information.
(3) Derivative assets include contracts qualifying for hedge accounting, economic hedges, and derivatives included in trading assets.
(4) Derivative liabilities include contracts qualifying for hedge accounting, economic hedges, and derivatives

included in
trading
liabilities.

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The table below presents the balances of assets and liabilities measured at fair value on a recurring basis at December 31, 2009.

(in millions)	Level 1	Level 2	Level 3	Netting (1)	Total
December 31, 2009					
Trading assets (excluding derivatives) (2)	$ 2,386	20,497	2,311		25,194
Derivatives (trading assets)	340	70,938	5,682	(59,115)	17,845
Securities of U.S. Treasury and federal agencies	1,094	1,186			2,280
Securities of U.S. states and political subdivisions	4	12,708	818		13,530
Mortgage-backed securities:					
Federal agencies		82,818			82,818
Residential		27,506	1,084		28,590
Commercial		9,162	1,799		10,961
Total mortgage-backed securities		119,486	2,883		122,369
Corporate debt securities		8,968	367		9,335
Collateralized debt obligations			3,725		3,725
Other		3,292	12,587		15,879
Total debt securities	1,098	145,640	20,380		167,118
Marketable equity securities:					
Perpetual preferred securities	736	834	2,305		3,875
Other marketable equity securities	1,279	350	88		1,717
Total marketable equity securities	2,015	1,184	2,393		5,592
Total securities available for sale	3,113	146,824	22,773		172,710
Mortgages held for sale		33,439	3,523		36,962
Loans held for sale		149			149
Mortgage servicing rights (residential)			16,004		16,004
Other assets (3)	1,932	11,720	1,690	(6,812)	8,530
Total assets recorded at fair value	$ 7,771	283,567	51,983	(65,927)	277,394
Other liabilities (4)	$ (6,527)	(81,613)	(7,942)	73,299	(22,783)

(1) Derivatives are reported net of cash collateral received and paid and, to the

extent that the criteria of the accounting guidance covering the offsetting of amounts related to certain contracts are met, positions with the same counterparty are netted as part of a legally enforceable master netting agreement.

(2) Includes trading securities of $24.0 billion.

(3) Derivative assets other than trading and principal investments are included in this category.

(4) Derivative liabilities are included in this category.

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The changes in second quarter 2010 for Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows:

		Total net gains (losses) included in		Purchases, sales, issuances and settlements,				Net unrealized gains (losses) included in net income related to assets and liabilities held at
(in millions)	Balance, beginning of period	Net income	Other compre-hensive income	net	Transfers into Level 3 (1)	Transfers out of Level 3 (1)	Balance, end of period	period end (2)
Quarter ended June 30, 2010								
Trading assets (excluding derivatives):								
Securities of U.S. states and political subdivisions	$ 12	5		(5)			12	6
Collateralized debt obligations	1,889	31		(153)			1,767	2
Corporate bonds	276	6		22		(139)	165	22
Equity securities	67	1		(16)			52	
Other trading securities	390	20		(80)			330	4
Total trading securities	2,634	63		(232)		(139)	2,326	34
Other trading assets	174	(21)		(4)			149	6
Total trading assets (excluding derivatives)	2,808	42		(236)		(139)	2,475	40(3)
Securities available for sale:								
Securities of U.S. states and political subdivisions	2,871	3	32	(170)			2,736	4
Mortgage-backed securities:								
Residential	406		(22)	26	82	(139)	353	
Commercial	503	(17)	368	(8)	128	(77)	897	
Total mortgage-backed securities	909	(17)	346	18	210	(216)	1,250	
Corporate debt securities	503	3	(2)	(44)	28	(108)	380	

Collateralized debt obligations	**3,851**	**40**	**(114)**	**254**			**4,031**	**(5)**
Asset-backed securities:								
Auto loans and leases	**7,587**		**(56)**	**(428)**	**1**		**7,104**	
Home equity loans	**107**	**1**	**5**	**(1)**	**98**	**(16)**	**194**	**(2)**
Other asset-backed securities	**2,190**	**(6)**	**(39)**	**1,540**		**(344)**	**3,341**	**(1)**
Total asset-backed securities	**9,884**	**(5)**	**(90)**	**1,111**	**99**	**(360)**	**10,639**	**(3)**
Other debt securities	**79**		**2**	**7**			**88**	
Total debt securities	**18,097**	**24**	**174**	**1,176**	**337**	**(684)**	**19,124**	**(4)**
Marketable equity securities:								
Perpetual preferred securities	**2,967**	**58**	**(14)**	**(381)**		**(1)**	**2,629**	
Other marketable equity securities	**12**			**15**		**(11)**	**16**	
Total marketable equity securities	**2,979**	**58**	**(14)**	**(366)**		**(12)**	**2,645**	
Total securities available for sale	**21,076**	**82**	**160**	**810**	**337**	**(696)**	**21,769**	**(4)**
Mortgages held for sale	**3,338**	**(17)**		**(89)**	**104**	**(76)**	**3,260**	**(16)**(4)
Loans	**371**	**8**		**(12)**			**367**	**7**(4)
Mortgage servicing rights (residential)	**15,544**	**(3,237)**		**944**			**13,251**	**(2,661)**(4)
Net derivative assets and liabilities:								
Interest rate contracts	**257**	**1,685**		**(1,299)**			**643**	**407**
Equity contracts	**(281)**	**(87)**		**122**	**30**	**(16)**	**(232)**	
Foreign exchange contracts	**4**	**(8)**		**2**			**(2)**	
Credit contracts	**(758)**	**(202)**		**(33)**			**(993)**	**(178)**
Other derivative contracts	**(30)**	**(78)**		**5**			**(103)**	
Total derivative contracts	**(808)**	**1,310**		**(1,203)**	**30**	**(16)**	**(687)**	**229**(5)
Other assets	**377**	**2**		**(19)**			**360**	**(6)**(4)
Short sale liabilities (corporate debt securities)	**(65)**	**1**		**(5)**		**65**	**(4)**	
Other liabilities (excluding derivatives)	**(1,672)**	**(368)**		**234**			**(1,806)**	**(368)**

(1) The amounts presented as transfers into and out of Level 3 represent fair value as of the beginning of the quarter in which

each transfer occurred.

(2) Represents only net gains (losses) that are due to changes in economic conditions and management s estimates of fair value and excludes changes due to the collection/realization of cash flows over time.

(3) Included in other noninterest income in the income statement.

(4) Included in mortgage banking in the income statement.

(5) Included in mortgage banking, trading activities and other noninterest income in the income statement.

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The changes in second quarter 2009 for Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows:

(in millions)	Balance, beginning of period	Total net gains (losses) included in Net income	Total net gains (losses) included in Other comprehensive income	Purchases, sales, issuances and settlements, net	Net transfers into and/or out of Level 3 (1)	Balance, end of period	Net unrealized gains (losses) included in net income related to assets and liabilities held at period end (2)
Quarter ended June 30, 2009							
Trading assets (excluding derivatives)	$ 3,258	80		(875)	12	2,475	99(3)
Securities available for sale:							
Securities of U.S. states and political subdivisions	821	20	11	53		905	5
Mortgage-backed securities:							
Federal agencies							
Residential	7,657	(1)	173	(418)	(1,498)	5,913	(56)
Commercial	2,497	(110)	246	(2)	(16)	2,615	(1)
Total mortgage-backed securities	10,154	(111)	419	(420)	(1,514)	8,528	(57)
Corporate debt securities	261	4	46	(6)	(19)	286	
Collateralized debt obligations	2,329	(15)	17	102	315	2,748	(46)
Other	15,267	49	427	186	(211)	15,718	(21)
Total debt securities	28,832	(53)	920	(85)	(1,429)	28,185	(119)
Marketable equity securities:							

Perpetual preferred securities	2,557	16	89	77	(23)	2,716	(1)
Other marketable equity securities	44		17	2	64	127	
Total marketable equity securities	2,601	16	106	79	41	2,843	(1)
Total securities available for sale	31,433	(37)	1,026	(6)	(1,388)	31,028	(120)
Mortgages held for sale	4,516	(4)		(361)	(52)	4,099	(8)(4)
Mortgage servicing rights (residential)	12,391	1,217		2,082		15,690	2,316(4)
Net derivative assets and liabilities	1,036	(854)		(413)	25	(206)	(483)(5)
Other assets (excluding derivatives)	1,221	(24)		29		1,226	(14)(4)
Other liabilities (excluding derivatives)	(729)	(102)		(19)	(2)	(852)	(102)

(1) The amounts presented as transfers into and out of Level 3 represent fair value as of the beginning of the quarter in which each transfer occurred.

(2) Represents only net gains (losses) that are due to changes in economic conditions and management s estimates of fair value and excludes changes due to the collection/realization of cash flows over time.

(3) Included in other noninterest income in the income statement.

(4) Included in mortgage banking in the income statement.

(5) Included in mortgage banking, trading

activities and other
noninterest income in
the income statement.

The changes in the first half of 2010 for Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows:

(in millions)	Balance, beginning of period	Total net gains (losses) included in Net income	Total net gains (losses) included in Other compre-hensive income	Purchases, sales, issuances and settlements, net	Transfers into Level 3 (1)	Transfers out of Level 3 (1)	Balance, end of period	Net unrealized gains (losses) included in net income related to assets and liabilities held at period end (2)
Six months ended June 30, 2010								
Trading assets (excluding derivatives):								
Securities of U.S. states and political subdivisions	$ 5	7		(9)	9		12	7
Collateralized debt obligations	1,133	382		252			1,767	16
Corporate bonds	223	13		62	9	(142)	165	23
Equity securities	36	2		12	2		52	
Other trading securities	643	34		(154)	1	(194)	330	12
Total trading securities	2,040	438		163	21	(336)	2,326	58
Other trading assets	271	(36)		(4)		(82)	149	(11)
Total trading assets (excluding derivatives)	2,311	402		159	21	(418)	2,475	47(3)
Securities available for sale:								
Securities of U.S. states and political	818	4	94	1,798	28	(6)	2,736	4

subdivisions								
Mortgage-backed securities:								
Residential	**1,084**	**(7)**	**(15)**	**(14)**	**266**	**(961)**	**353**	**(4)**
Commercial	**1,799**	**(17)**	**373**	**(7)**	**187**	**(1,438)**	**897**	**(4)**
Total mortgage-backed securities	**2,883**	**(24)**	**358**	**(21)**	**453**	**(2,399)**	**1,250**	**(8)**
Corporate debt securities	**367**	**4**	**42**	**(50)**	**166**	**(149)**	**380**	
Collateralized debt obligations	**3,725**	**79**	**(38)**	**477**		**(212)**	**4,031**	**(10)**
Asset-backed securities:								
Auto loans and leases	**8,525**		**(123)**	**(1,477)**	**179**		**7,104**	
Home equity loans	**1,677**		**12**	**(2)**	**113**	**(1,606)**	**194**	**(5)**
Other asset-backed securities	**2,308**	**48**	**(82)**	**1,403**	**679**	**(1,015)**	**3,341**	**(2)**
Total asset-backed securities	**12,510**	**48**	**(193)**	**(76)**	**971**	**(2,621)**	**10,639**	**(7)**
Other debt securities	**77**		**(1)**	**12**			**88**	
Total debt securities	**20,380**	**111**	**262**	**2,140**	**1,618**	**(5,387)**	**19,124**	**(21)**
Marketable equity securities:								
Perpetual preferred securities	**2,305**	**66**	**(26)**	**297**		**(13)**	**2,629**	
Other marketable equity securities	**88**			**(38)**		**(34)**	**16**	
Total marketable equity securities	**2,393**	**66**	**(26)**	**259**		**(47)**	**2,645**	
Total securities available for sale	**22,773**	**177**	**236**	**2,399**	**1,618**	**(5,434)**	**21,769**	**(21)**
Mortgages held for sale	**3,523**	**(15)**		**(251)**	**203**	**(200)**	**3,260**	**(17)**[4]
Loans		**52**		**(51)**	**366**		**367**	**52**[4]
Mortgage servicing rights (residential)	**16,004**	**(4,633)**		**1,998**		**(118)**	**13,251**	**(3,438)**[4]

Net derivative assets and liabilities:								
Interest rate contracts	**(114)**	**2,673**		**(1,916)**			**643**	**426**
Equity contracts	**(344)**	**(7)**		**142**	**2**	**(25)**	**(232)**	**29**
Foreign exchange contracts	**(1)**	**(3)**		**2**			**(2)**	
Credit contracts	**(330)**	**(692)**		**23**	**6**		**(993)**	**(671)**
Other derivative contracts	**(43)**	**(65)**		**5**			**(103)**	
Total derivative contracts	**(832)**	**1,906**		**(1,744)**	**8**	**(25)**	**(687)**	**(216)**(5)
Other assets	**1,373**	**25**		**(49)**		**(989)**	**360**	**(12)**(4)
Short sale liabilities (corporate debt securities)	**(26)**	**(1)**		**(42)**		**65**	**(4)**	
Other liabilities (excluding derivatives)	**(1,085)**	**(778)**		**416**	**(359)**		**(1,806)**	**(779)**

(1) The amounts presented as transfers into and out of Level 3 represent fair value as of the beginning of the period in which each transfer occurred.

(2) Represents only net gains (losses) that are due to changes in economic conditions and management s estimates of fair value and excludes changes due to the collection/realization of cash flows over time.

(3) Included in other noninterest income in the income statement.

(4) Included in mortgage banking in the income statement.

(5) Included in mortgage banking, trading

activities and other
noninterest income in
the income statement.

The changes in the first half of 2009 for Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows:

		Total net gains (losses) included in					
(in millions)	Balance, beginning of period	Net income	Other compre-hensive income	Purchases, sales, issuances and settlements, net	Net transfers into and/ or out of Level 3 (1)	Balance, end of period	Net unrealized gains (losses) included in net income related to assets and liabilities held at period end (2)
Six months ended June 30, 2009							
Trading assets (excluding derivatives)	$ 3,495	42		(1,398)	336	2,475	82(3)
Securities available for sale:							
Securities of U.S. states and political subdivisions	903	18	13	46	(75)	905	(6)
Mortgage-backed securities:							
Federal agencies	4				(4)		
Residential	3,510	(30)	884	(588)	2,137	5,913	(151)
Commercial	286	(118)	747	49	1,651	2,615	(11)
Total mortgage-backed securities	3,800	(148)	1,631	(539)	3,784	8,528	(162)
Corporate debt securities	282	2	56	(23)	(31)	286	
Collateralized debt obligations	2,083	55	189	104	317	2,748	(56)
Other	12,799	29	1,064	1,657	169	15,718	(53)
Total debt securities	19,867	(44)	2,953	1,245	4,164	28,185	(277)

Marketable equity securities:							
Perpetual preferred securities	2,775	86	115	(234)	(26)	2,716	(1)
Other marketable equity securities	50		(1)	62	16	127	
Total marketable equity securities	2,825	86	114	(172)	(10)	2,843	(1)
Total securities available for sale	$ 22,692	42	3,067	1,073	4,154	31,028	(278)
Mortgages held for sale	$ 4,718	(2)		(471)	(146)	4,099	(9)(4)
Mortgage servicing rights (residential)	14,714	(2,587)		3,563		15,690	(508)(4)
Net derivative assets and liabilities	37	(6)		(502)	265	(206)	(422)(5)
Other assets (excluding derivatives)	1,231	(33)		28		1,226	(3)(4)
Other liabilities (excluding derivatives)	(638)	(178)		(34)	(2)	(852)	(179)

(1) The amounts presented as transfers into and out of Level 3 represent fair value as of the beginning of the period in which each transfer occurred.

(2) Represents only net gains (losses) that are due to changes in economic conditions and management s estimates of fair value and excludes changes due to the collection/realization of cash flows over time.

(3) Included in other noninterest income in the income statement.

(4) Included in mortgage banking in the income statement.

(5) Included in mortgage banking, trading activities and other noninterest income in the income statement.

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Changes in Fair Value Levels

We monitor the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, we report the transfer at the beginning of the reporting period.

We evaluate the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets, total liabilities or total earnings. For the quarter ended June 30, 2010, there were no significant transfers in or out of Levels 1, 2 or 3.

Significant changes to Level 3 assets for the first half of 2010, are described as follows:

- Our adoption of new consolidation accounting guidance on January 1, 2010, impacted Level 3 balances for certain financial instruments. Reductions in Level 3 balances, which represent derecognition of existing investments in newly consolidated VIEs, are reflected as transfers out for the following categories: trading assets, $276 million; securities available for sale, $1.9 billion; and mortgage servicing rights, $118 million. Increases in Level 3 balances, which represent newly consolidated VIE assets, are reflected as transfers in for the following categories: securities available for sale, $829 million; loans, $366 million; and long-term debt, $359 million.
- We transferred $3.5 billion of debt securities available for sale from Level 3 to Level 2 due to an increase in the volume of trading activity for certain securities, which resulted in increased occurrences of observable market prices.

For the first half of 2009, $4.2 billion of debt securities available for sale were transferred on a net basis from Level 2 to Level 3 because significant inputs to the valuation became unobservable, largely due to reduced levels of market liquidity.

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Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

We may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from application of lower-of-cost-or-market accounting or write-downs of individual assets. For assets measured at fair value on a nonrecurring basis in the six months ended June 30, 2010, and year ended December 31, 2009, that were still held in the balance sheet at each respective period end, the following table provides the fair value hierarchy and the carrying value of the related individual assets or portfolios at period end.

		Carrying value at period end		
(in millions)	Level 1	Level 2	Level 3	Total
June 30, 2010				
Mortgages held for sale (1)	$	**2,470**	**724**	**3,194**
Loans held for sale		**407**		**407**
Loans (2):				
Commercial and commercial real estate:				
Commercial		**432**	**90**	**522**
Real estate mortgage		**603**	**2**	**605**
Real estate construction		**642**		**642**
Total commercial and commercial real estate		**1,677**	**92**	**1,769**
Consumer:				
Real estate 1 - 4 family first mortgage		**5,196**		**5,196**
Real estate 1 - 4 family junior liens		**410**		**410**
Other		**83**	**17**	**100**
Total consumer		**5,689**	**17**	**5,706**
Foreign		**10**		**10**
Total loans		**7,376**	**109**	**7,485**
Other assets:				
Private equity investments			**26**	**26**
Foreclosed assets (3)		**356**	**23**	**379**
Operating lease assets		**22**		**22**
December 31, 2009				
Mortgages held for sale (1)	$	1,105	711	1,816
Loans held for sale		444		444
Loans (2)		6,177	134	6,311
Private equity investments			52	52
Foreclosed assets (3)		199	38	237
Operating lease assets		90	29	119

(1) Predominantly real estate 1-4 family first mortgage loans.
(2) Represents carrying value of loans for which adjustments are based on the appraised value of the collateral. The carrying value of loans fully charged-off, which includes unsecured lines and loans, is zero.
(3) Represents the fair value of foreclosed real estate and other collateral owned that were measured at fair value subsequent to their initial classification as foreclosed assets.

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The following table presents the increase (decrease) in value of certain assets that are measured at fair value on a nonrecurring basis for which a fair value adjustment has been included in the income statement.

(in millions)	
Six months ended June 30, 2010	
Mortgages held for sale	**$ 23**
Loans held for sale	**9**
Loans (1):	
Commercial and commercial real estate:	
Commercial	**(1,110)**
Real estate mortgage	**(250)**
Real estate construction	**(255)**
Total commercial and commercial real estate	**(1,615)**
Consumer:	
Real estate 1 - 4 family first mortgage	**(1,807)**
Real estate 1 - 4 family junior liens	**(2,236)**
Other	**(1,843)**
Total consumer	**(5,886)**
Foreign	
Total loans	**(7,501)**
Other assets:	
Private equity investments	**(28)**
Foreclosed assets (2)	**(115)**
Operating lease assets	**(1)**
Total	**$ (7,613)**
Six months ended June 30, 2009	
Mortgages held for sale	$ 1
Loans held for sale	119
Loans (1)	(6,100)
Private equity investments	(61)
Foreclosed assets (2)	(225)
Operating lease assets	(16)
Total	$ (6,282)

(1) Represents write-downs of loans based on

the appraised value of the collateral and write-downs of loans fully charged-off to zero.

(2) Represents the losses on foreclosed real estate and other collateral owned that were measured at fair value subsequent to their initial classification as foreclosed assets.

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Alternative Investments

The following table summarizes our investments in various types of funds, which are included in trading assets, securities available for sale and other assets. We use the funds net asset values (NAVs) per share as a practical expedient to measure fair value on recurring and nonrecurring bases. The fair values presented in the table are based upon the funds NAVs or an equivalent measure.

(in millions)	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
June 30, 2010				
Offshore funds (1)	**$ 1,492**		**Daily - Annually**	**1 - 120 days**
Funds of funds	**67**		**Monthly - Annually**	**10 - 120 days**
Hedge funds	**18**		**Monthly - Annually**	**30 - 120 days**
Private equity funds (2)	**1,774**	**760**	**N/A**	**N/A**
Venture capital funds (3)	**92**	**43**	**N/A**	**N/A**
Total	**$ 3,443**	**803**		
December 31, 2009				
Offshore funds (1)	$ 1,270		Daily - Quarterly	1 - 90 days
Funds of funds	69		Monthly - Annually	10 - 120 days
Hedge funds	35		Monthly - Annually	30 - 180 days
Private equity funds (2)	901	340	N/A	N/A
Venture capital funds (3)	93	47	N/A	N/A
Total	$ 2,368	387		

N/A Not applicable

(1) Includes investments in funds that invest primarily in investment grade European fixed income securities. Redemption restrictions are in place for investments with a fair value of $67 million at

June 30, 2010, and $76 million at December 31, 2009, due to lock-up provisions that will remain in effect until November 2012.

(2) Includes private equity funds that invest in equity and debt securities issued by private and publicly-held companies in connection with leveraged buy-outs, recapitalizations, and expansion opportunities. Substantially all of these investments do not allow redemptions. Alternatively, we receive distributions as the underlying assets of the funds liquidate, which we expect to occur over the next 10 years.

(3) Represents investments in funds that invest in domestic and foreign companies in a variety of industries, including information technology, financial services, and healthcare. These

investments can never be redeemed with the funds. Instead, we receive distributions as the underlying assets of the fund liquidate, which we expect to occur over the next seven years.

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Fair Value Option
The following table reflects the differences between fair value carrying amount of certain assets and liabilities for which we have elected the fair value option and the contractual aggregate unpaid principal amount at maturity.

			June 30, 2010			Dec. 31, 2009
(in millions)	**Fair value carrying amount**	**Aggregate unpaid principal**	**Fair value carrying amount less aggregate unpaid principal**	Fair value carrying amount	Aggregate unpaid principal	Fair value carrying amount less aggregate unpaid principal
Mortgages held for sale:						
Total loans	**$ 34,877**	**34,084**	**793**(1)	36,962	37,072	(110)(1)
Nonaccrual loans	**317**	**640**	**(323)**	268	560	(292)
Loans 90 days or more past due and still accruing	**47**	**56**	**(9)**	49	63	(14)
Loans held for sale:						
Total loans	**238**	**264**	**(26)**	149	159	(10)
Nonaccrual loans	**8**	**12**	**(4)**	5	2	3
Loans:						
Total loans	**367**	**410**	**(43)**			
Nonaccrual loans	**13**	**15**	**(2)**			
Loans 90 days or more past due and still accruing	**2**	**2**				
Long-term debt	**(361)**	**(413)**	**52**			

(1) The difference between fair value carrying amount and aggregate unpaid principal includes changes in fair value recorded at and subsequent to funding, gains and losses on the related loan commitment prior to funding, and premiums on acquired

loans.

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The assets accounted for under the fair value option are initially measured at fair value. Gains and losses from initial measurement and subsequent changes in fair value are recognized in earnings. The changes in fair values related to initial measurement and subsequent changes in fair value included in earnings for these assets measured at fair value are shown, by income statement line item, below.

	2010		2009	
(in millions)	**Mortgage banking noninterest income Net gains on mortgage loan origination/sales activities (1)**	**Other noninterest income**	Mortgage banking noninterest income Net gains on mortgage loan origination/sales activities (1)	Other noninterest income
Quarter ended June 30,				
Mortgages held for sale	**$ 1,769**		630	
Loans held for sale		**3**		48
Loans	**8**			
Long-term debt	**(8)**			
Other interests held		**(6)**		96
Six months ended June 30,				
Mortgages held for sale	**$ 3,231**		2,293	
Loans held for sale		**17**		92
Loans	**52**			
Long-term debt	**(45)**			
Other interests held		**(46)**		79

(1) Includes changes in fair value of servicing associated with MHFS.

Interest income on MHFS measured at fair value is calculated based on the note rate of the loan and is recorded in interest income in the income statement.

Earnings attributable to instrument-specific credit risk related to assets accounted for under the fair value option included estimated losses of $47 million and $117 million for second quarter 2010 and 2009, respectively, and $69 million and $172 million for MHFS for the first half of 2010 and 2009, respectively, and estimated gains of $3 million, $21 million, $17 million and $42 million for LHFS for the same periods, respectively. For performing loans, instrument-specific credit risk gains or losses were derived principally by determining the change in fair value

of the loans due to changes in the observable or implied credit spread. Credit spread is the market yield on the loans less the relevant risk-free benchmark interest rate. Since the second half of 2007, spreads have been significantly impacted by the lack of liquidity in the secondary market for mortgage loans. For nonperforming loans, we attribute all changes in fair value to instrument-specific credit risk.

Disclosures about Fair Value of Financial Instruments

The table below is a summary of fair value estimates for financial instruments, excluding short-term financial assets and liabilities because carrying amounts approximate fair value, and excluding financial instruments recorded at fair value on a recurring basis. The carrying amounts in the following table are recorded in the balance sheet under the indicated captions.

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

		June 30, 2010		Dec. 31, 2009
(in millions)	**Carrying amount**	**Estimated fair value**	Carrying amount	Estimated fair value
Financial assets				
Mortgages held for sale (1)	**$ 3,704**	**3,739**	2,132	2,132
Loans held for sale (2)	**3,761**	**3,842**	5,584	5,719
Loans, net (3)	**728,016**	**708,667**	744,225	717,798
Nonmarketable equity investments (cost method)	**9,793**	**10,041**	9,793	9,889
Financial liabilities				
Deposits	**815,623**	**816,655**	824,018	824,678
Long-term debt (3)(4)	**184,659**	**189,525**	203,784	205,752

(1) Balance excludes mortgages held for sale for which the fair value option was elected, and therefore includes nonprime and other residential and commercial mortgages held for sale.

(2) Balance excludes loans held for sale for which the fair value option was elected.

(3) At June 30, 2010, loans and long-term debt exclude balances for which the

fair value option was elected. Loans exclude lease financing with a carrying amount of $13.5 billion at June 30, 2010, and $14.2 billion at December 31, 2009.

(4) The carrying amount and fair value exclude obligations under capital leases of $52 million at June 30, 2010, and $77 million at December 31, 2009.

Loan commitments, standby letters of credit and commercial and similar letters of credit are not included in the table above. These instruments generate ongoing fees at our current pricing levels, which are recognized over the term of the commitment period. In situations where the credit quality of the counterparty to a commitment has declined, we record a reserve. A reasonable estimate of the fair value of these instruments is the carrying value of deferred fees plus the related reserve. This amounted to $725 million at both June 30, 2010, and December 31, 2009. Certain letters of credit that are hedged with derivative instruments are carried at fair value in trading assets or liabilities. For those letters of credit fair value is calculated based on readily quotable credit default spreads, using a market risk credit default swap model.

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13. PREFERRED STOCK

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

The following table provides detail of preferred stock at June 30, 2010, which is unchanged from December 31, 2009.

(in millions, except shares)	Shares issued and outstanding	Par value	Carrying value	Discount
DEP Shares				
Dividend Equalization Preferred Shares, $10 liquidation preference per share, 97,000 shares authorized	96,546	$		
Series J (1)				
8.00% Non-Cumulative Perpetual Class A Preferred Stock, Series J, $1,000 liquidation preference per share, 2,300,000 shares authorized	2,150,375	2,150	1,995	155
Series K (1)				
7.98% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock, Series K, $1,000 liquidation preference per share, 3,500,000 shares authorized	3,352,000	3,352	2,876	476
Series L (1)				
7.50% Non-Cumulative Perpetual Convertible Class A Preferred Stock, Series L, $1,000 liquidation preference per share, 4,025,000 shares authorized	3,968,000	3,968	3,200	768
Total	9,566,921	$ 9,470	8,071	1,399

(1) Preferred shares qualify as Tier 1 capital.

In addition to the preferred stock issued and outstanding described in the table above, we have the following preferred stock authorized with no shares issued and outstanding:

Series A Non-Cumulative Perpetual Preferred Stock, Series A, $100,000 liquidation preference per share, 25,001 shares authorized

Series B Non-Cumulative Perpetual Preferred Stock, Series B, $100,000 liquidation preference per share, 17,501 shares authorized

Series G 7.25% Class A Preferred Stock, Series G, $15,000 liquidation preference per share, 50,000 shares authorized

Series H Floating Class A Preferred Stock, Series H, $20,000 liquidation preference per share, 50,000 shares authorized

Series I 5.80% Fixed to Floating Class A Preferred Stock, Series I, $100,000 liquidation preference per share, 25,010 shares authorized

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ESOP Cumulative Convertible Preferred Stock All shares of our ESOP (Employee Stock Ownership Plan) Cumulative Convertible Preferred Stock (ESOP Preferred Stock) were issued to a trustee acting on behalf of the Wells Fargo & Company 401(k) Plan (the 401(k) Plan). Dividends on the ESOP Preferred Stock are cumulative from the date of initial issuance and are payable quarterly at annual rates ranging from 8.50% to 11.75%, depending upon the year of issuance. Each share of ESOP Preferred Stock released from the unallocated reserve of the 401(k) Plan is converted into shares of our common stock based on the stated value of the ESOP Preferred Stock and the then current market price of our common stock. The ESOP Preferred Stock is also convertible at the option of the holder at any time, unless previously redeemed. We have the option to redeem the ESOP Preferred Stock at any time, in whole or in part, at a redemption price per share equal to the higher of (a) $1,000 per share plus accrued and unpaid dividends or (b) the fair market value, as defined in the Certificates of Designation for the ESOP Preferred Stock.

	Shares issued and outstanding		Carrying value		Adjustable dividend rate	
(in millions, except shares)	**June 30, 2010**	Dec. 31, 2009	**June 30, 2010**	Dec. 31, 2009	Minimum	Maximum
ESOP Preferred Stock (1)						
2010	**509,814**		**$ 510**		9.50%	10.50
2008	**112,029**	120,289	**112**	120	10.50	11.50
2007	**95,524**	97,624	**95**	98	10.75	11.75
2006	**69,782**	71,322	**70**	71	10.75	11.75
2005	**50,552**	51,687	**50**	52	9.75	10.75
2004	**35,615**	36,425	**36**	37	8.50	9.50
2003	**20,974**	21,450	**21**	21	8.50	9.50
2002	**11,677**	11,949	**12**	12	10.50	11.50
2001	**3,205**	3,273	**3**	3	10.50	11.50
Total ESOP Preferred Stock	**909,172**	414,019	**$ 909**	414		
Unearned ESOP shares (2)			**$ (977)**	(442)		

(1) Liquidation preference $1,000. At June 30, 2010, and December 31, 2009, additional paid-in capital included $68 million and $28 million, respectively, related to preferred stock.

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

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14. EMPLOYEE BENEFITS

We sponsor a noncontributory qualified defined benefit retirement plan, the Wells Fargo & Company Cash Balance Plan (Cash Balance Plan), which covers eligible employees of Wells Fargo; the benefits earned under the Cash Balance Plan were frozen effective July 1, 2009.

On April 28, 2009, the Board of Directors approved amendments to freeze the benefits earned under the Wells Fargo qualified and supplemental Cash Balance Plans and the Wachovia Corporation Pension Plan, a cash balance plan that covered eligible employees of the legacy Wachovia Corporation, and to merge the Wachovia Pension Plan into the qualified Cash Balance Plan. These actions became effective on July 1, 2009.

The net periodic benefit cost was:

			2010			2009
	Pension benefits			Pension benefits		
(in millions)	**Qualified**	**Non-qualified**	**Other benefits**	Qualified	Non-qualified	Other benefits
Quarter ended June 30,						
Service cost	**$ 2**		**3**	100	4	3
Interest cost	**138**	**9**	**19**	149	11	21
Expected return on plan assets	**(179)**		**(7)**	(160)		(7)
Amortization of net actuarial loss	**26**	**1**		48	1	1
Amortization of prior service cost			**(1)**		(1)	(1)
Curtailment gain				(32)	(35)	
Net periodic benefit cost	**$ (13)**	**10**	**14**	105	(20)	17
Six months ended June 30,						
Service cost	**$ 3**		**6**	207	8	6
Interest cost	**277**	**18**	**39**	294	21	42
Expected return on plan assets	**(358)**		**(14)**	(323)		(14)
Amortization of net actuarial loss	**52**	**2**		154	3	2
Amortization of prior service cost			**(2)**		(2)	(2)
Curtailment gain				(32)	(35)	
Net periodic benefit cost	**$ (26)**	**20**	**29**	300	(5)	34

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15. EARNINGS PER COMMON SHARE

The table below shows earnings per common share and diluted earnings per common share and reconciles the numerator and denominator of both earnings per common share calculations.

For the quarters ended June 30, 2010 and 2009, options to purchase 156.0 million and 272.1 million weighted-average shares, respectively, and warrants to purchase 78.6 and 110.3 weighted-average shares, respectively, and for the six months ended June 30, 2010 and 2009, options to purchase 187.0 million and 290.1 million weighted-average shares, respectively, and warrants to purchase 94.4 million and 110.3 million weighted-average shares, respectively, were outstanding but not included in the calculation of diluted earnings per common share because the exercise price was higher than the weighted-average market price, and therefore were antidilutive.

	Quarter ended June 30,		Six months ended June 30,	
(in millions, except per share amounts)	**2010**	2009	**2010**	2009
Wells Fargo net income	**$ 3,062**	3,172	**5,609**	6,217
Less: Preferred stock dividends, accretion and other (1)	**184**	597	**359**	1,258
Wells Fargo net income applicable to common stock (numerator)	**$ 2,878**	2,575	**5,250**	4,959
Earnings per common share				
Average common shares outstanding (denominator)	**5,219.7**	4,483.1	**5,205.1**	4,365.9
Per share	**$ 0.55**	0.58	**1.01**	1.14
Diluted earnings per common share				
Average common shares outstanding	**5,219.7**	4,483.1	**5,205.1**	4,365.9
Add: Stock options	**32.9**	18.2	**32.1**	9.0
Restricted share rights	**8.2**	0.3	**5.8**	0.2
Diluted average common shares outstanding (denominator)	**5,260.8**	4,501.6	**5,243.0**	4,375.1
Per share	**$ 0.55**	0.57	**1.00**	1.13

(1) For the quarter and six months ended June 30, 2010, includes $185 million and $369 million, respectively, of preferred stock dividends.

16. OPERATING SEGMENTS

We have three lines of business for management reporting: Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement. The results for these lines of business are based on our management accounting process, which assigns balance sheet and income statement items to each responsible operating segment. This process is dynamic and, unlike financial accounting, there is no comprehensive, authoritative guidance for management accounting equivalent to GAAP. The management accounting process measures the performance of the operating segments based on our management structure and is not necessarily comparable with similar information for other financial services companies. We define our operating segments by product type and customer segment. If the management structure and/or the allocation process changes, allocations, transfers and assignments may change. In first quarter 2010, we conformed certain funding and allocation methodologies of legacy Wachovia to those of Wells Fargo; in addition integration expense related to mergers other than the Wachovia merger are now included in segment results. Prior periods have been revised to reflect both changes.

Community Banking offers a complete line of diversified financial products and services to consumers and small businesses with annual sales generally up to $20 million in which the owner generally is the financial decision maker. Community Banking also offers investment management and other services to retail customers and securities brokerage through affiliates. These products and services include the *Wells Fargo Advantage Funds*SM, a family of mutual funds. Loan products include lines of credit, equity lines and loans, equipment and transportation loans, education loans, origination and purchase of residential mortgage loans and servicing of mortgage loans and credit cards. Other credit products and financial services available to small businesses and their owners include receivables and inventory financing, equipment leases, real estate and other commercial financing, Small Business Administration financing, venture capital financing, cash management, payroll services, retirement plans, Health Savings Accounts, credit cards, and merchant payment processing. Community Banking also purchases sales finance contracts from retail merchants throughout the United States and directly from auto dealers in Puerto Rico. Consumer and business deposit products include checking accounts, savings deposits, market rate accounts, Individual Retirement Accounts, time deposits and debit cards.

Community Banking serves customers through a complete range of channels, including traditional banking stores, in-store banking centers, business centers, ATMs, Online and Mobile Banking, and *Wells Fargo Customer Connection*, a 24-hours a day, seven days a week telephone service.

Wholesale Banking provides financial solutions to businesses across the United States with annual sales generally in excess of $10 million and to financial institutions globally. Wholesale Banking provides a complete line of commercial, corporate, capital markets, cash management and real estate banking products and services. These include traditional commercial loans and lines of credit, letters of credit, asset-based lending, equipment leasing, mezzanine financing, high-yield debt, international trade facilities, trade financing, collection services, foreign exchange services, treasury management, investment management, institutional fixed-income sales, interest rate, commodity and equity risk management, online/electronic products such as the *Commercial Electronic Office®* (*CEO®*) portal, insurance, corporate trust fiduciary and agency services, and investment banking services. Wholesale Banking manages customer investments through institutional separate accounts and mutual funds, including the Wells Fargo Advantage Funds and Wells Capital Management. Wholesale Banking also supports the CRE market with products and services such as construction loans for commercial and residential development, land acquisition and development loans, secured and unsecured lines of credit, interim financing arrangements for completed structures, rehabilitation loans, affordable housing loans and letters of credit, permanent loans for securitization, CRE loan servicing and real estate and mortgage brokerage services.

Wealth, Brokerage and Retirement provides a full range of financial advisory, lending, fiduciary, and investment management services to clients using a planning approach to meet each client s needs. Wealth Management uses an integrated model to provide affluent and high-net-worth customers with a complete range of wealth management solutions and services. Family Wealth meets the unique needs of ultra-high-net-worth customers managing multi-generational assets those with at least $50 million in assets. Retail Brokerage s financial advisors serve customers advisory, brokerage and financial needs, including investment management, portfolio monitoring and estate planning as part of one of the largest full-service brokerage firms in the United States. They also offer access to banking products, insurance, and investment banking services. First Clearing LLC, our correspondent clearing firm, provides technology, product and other business support to broker-dealers across the United States. Retirement is a national leader in providing institutional retirement and trust services (including 401(k) and pension plan record keeping) for businesses, retail retirement solutions for individuals, and reinsurance services for the life insurance industry.

Other includes corporate items (such as integration expenses related to the Wachovia merger) not specific to a business segment and elimination of certain items that are included in more than one business segment.

The following table presents certain financial information and related metrics by operating segment and in total for the consolidated company.

(income/expense in millions, average balances in billions)	Community Banking 2010	Community Banking 2009	Wholesale Banking 2010	Wholesale Banking 2009	Wealth, Brokerage and Retirement 2010	Wealth, Brokerage and Retirement 2009	Other (3) 2010	Other (3) 2009	Consolidated Company 2010	Consolidated Company 2009
Quarter ended June 30,										
Net interest income (1)	$ 8,113	8,953	2,978	2,460	684	637	(326)	(286)	11,449	11,764
Provision for credit losses	3,357	4,303	626	738	81	111	(75)	(66)	3,989	5,086
Noninterest income	5,614	6,285	2,675	2,775	2,183	2,187	(527)	(504)	9,945	10,743
Noninterest expense	7,711	7,922	2,840	2,802	2,350	2,300	(155)	(327)	12,746	12,697
Income (loss) before income tax expense (benefit)	2,659	3,013	2,187	1,695	436	413	(623)	(397)	4,659	4,724
Income tax expense (benefit)	811	849	775	619	165	158	(237)	(151)	1,514	1,475
Net income (loss) before noncontrolling interests	1,848	2,164	1,412	1,076	271	255	(386)	(246)	3,145	3,249
Less: Net income from noncontrolling interests	82	73		7	1	(3)			83	77
Net income (loss) (2)	$ 1,766	2,091	1,412	1,069	270	258	(386)	(246)	3,062	3,172
Average loans	$ 539.1	565.8	223.4	258.4	42.6	46.0	(32.6)	(36.3)	772.5	833.9
Average assets	778.4	824.0	362.4	377.7	141.0	127.0	(57.6)	(53.8)	1,224.2	1,274.9
Average core deposits	533.4	565.6	161.5	137.4	121.5	113.5	(54.6)	(50.8)	761.8	765.7
Six months ended June 30,										
Net interest income (1)	$ 16,420	17,620	5,478	4,803	1,348	1,278	(650)	(561)	22,596	23,140
Provision for credit losses	7,887	8,323	1,425	1,281	144	134	(137)	(94)	9,319	9,644
Noninterest income	11,369	12,012	5,500	5,325	4,429	4,065	(1,052)	(1,018)	20,246	20,384
Noninterest expense	14,941	15,332	5,500	5,335	4,740	4,535	(318)	(687)	24,863	24,515
Income (loss) before income tax expense (benefit)	4,961	5,977	4,053	3,512	893	674	(1,247)	(798)	8,660	9,365
Income tax expense (benefit)	1,610	1,806	1,441	1,260	338	265	(474)	(304)	2,915	3,027
Net income (loss) before noncontrolling interests	3,351	4,171	2,612	2,252	555	409	(773)	(494)	5,745	6,338
Less: Net income (loss) from noncontrolling interests	130	134	3	12	3	(25)			136	121
Net income (loss) (2)	$ 3,221	4,037	2,609	2,240	552	434	(773)	(494)	5,609	6,217
Average loans	$ 547.1	566.8	227.8	268.3	43.2	46.3	(33.2)	(36.7)	784.9	844.7

Average assets	**781.6**	817.4	**361.9**	393.1	**139.4**	122.1	**(57.8)**	(50.3)	**1,225.1**	1,282.3
Average core deposits	**532.8**	560.3	**161.2**	138.5	**121.3**	108.2	**(54.8)**	(47.2)	**760.5**	759.8

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

(2) Represents segment net income (loss) for Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement

segments and Wells Fargo net income for the consolidated company.

(3) Includes Wachovia integration expenses and the elimination of items that are included in both Community Banking and Wealth, Brokerage and Retirement, largely representing wealth management customers serviced and products sold in the stores.

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17. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Following are the condensed consolidating financial statements of the Parent and Wells Fargo Financial, Inc. (WFFI) and its wholly-owned subsidiaries.

Condensed Consolidating Statement of Income

					Quarter ended June 30, 2010
(in millions)	Parent	WFFI	Other consolidating subsidiaries	Eliminations	Consolidated Company
Dividends from subsidiaries:					
Bank	$ 5,975			(5,975)	
Nonbank	15			(15)	
Interest income from loans		693	9,622	(38)	10,277
Interest income from subsidiaries	302		9	(311)	
Other interest income	86	30	3,079		3,195
Total interest income	6,378	723	12,710	(6,339)	13,472
Deposits			714		714
Short-term borrowings	21	11	93	(104)	21
Long-term debt	729	260	489	(245)	1,233
Other interest expense	1		54		55
Total interest expense	751	271	1,350	(349)	2,023
Net interest income	5,627	452	11,360	(5,990)	11,449
Provision for credit losses		198	3,791		3,989
Net interest income after provision for credit losses	5,627	254	7,569	(5,990)	7,460
Noninterest income					
Fee income nonaffiliates		26	6,027		6,053
Other	171	29	3,880	(188)	3,892
Total noninterest income	171	55	9,907	(188)	9,945
Noninterest expense					
Salaries and benefits	(17)	26	6,843		6,852
Other	207	210	5,665	(188)	5,894
Total noninterest expense	190	236	12,508	(188)	12,746
Income (loss) before income tax expense (benefit) and equity in undistributed income of subsidiaries	5,608	73	4,968	(5,990)	4,659
Income tax expense (benefit)	(118)	26	1,606		1,514

Equity in undistributed income of subsidiaries	(2,664)			2,664	
Net income (loss) before noncontrolling interests	3,062	47	3,362	(3,326)	3,145
Less: Net income from noncontrolling interests			83		83
Parent, WFFI, Other and Wells Fargo net income (loss)	$ 3,062	47	3,279	(3,326)	3,062

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Condensed Consolidating Statement of Income

					Quarter ended June 30, 2009
(in millions)	Parent	WFFI	Other consolidating subsidiaries	Eliminations	Consolidated Company
Dividends from subsidiaries:					
Bank	$ 1			(1)	
Nonbank	209			(209)	
Interest income from loans		867	9,669	(4)	10,532
Interest income from subsidiaries	580			(580)	
Other interest income	114	27	3,630	(2)	3,769
Total interest income	904	894	13,299	(796)	14,301
Deposits			970	(13)	957
Short-term borrowings	50	8	238	(241)	55
Long-term debt	860	338	699	(412)	1,485
Other interest expense			40		40
Total interest expense	910	346	1,947	(666)	2,537
Net interest income	(6)	548	11,352	(130)	11,764
Provision for credit losses		348	4,738		5,086
Net interest income after provision for credit losses	(6)	200	6,614	(130)	6,678
Noninterest income					
Fee income nonaffiliates		30	5,717		5,747
Other	141	38	5,328	(511)	4,996
Total noninterest income	141	68	11,045	(511)	10,743
Noninterest expense					
Salaries and benefits	144	31	6,550		6,725
Other	153	177	6,151	(509)	5,972
Total noninterest expense	297	208	12,701	(509)	12,697
	(162)	60	4,958	(132)	4,724

Income (loss) before income tax expense (benefit) and equity in undistributed income of subsidiaries					
Income tax expense (benefit)	(76)	22	1,529		1,475
Equity in undistributed income of subsidiaries	3,258			(3,258)	
Net income (loss) before noncontrolling interests	3,172	38	3,429	(3,390)	3,249
Less: Net income from noncontrolling interests			77		77
Parent, WFFI, Other and Wells Fargo net income (loss)	$ 3,172	38	3,352	(3,390)	3,172

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Condensed Consolidating Statement of Income

				Six months ended June 30, 2010	
(in millions)	Parent	WFFI	Other consolidating subsidiaries	Eliminations	Consolidated Company
Dividends from subsidiaries:					
Bank	$ 5,975			(5,975)	
Nonbank	21			(21)	
Interest income from loans		1,419	18,972	(76)	20,315
Interest income from subsidiaries	650		9	(659)	
Other interest income	164	60	6,158		6,382
Total interest income	6,810	1,479	25,139	(6,731)	26,697
Deposits			1,449		1,449
Short-term borrowings	44	20	187	(212)	39
Long-term debt	1,447	547	1,038	(523)	2,509
Other interest expense	1		103		104
Total interest expense	1,492	567	2,777	(735)	4,101
Net interest income	5,318	912	22,362	(5,996)	22,596
Provision for credit losses		519	8,800		9,319
Net interest income after provision for credit losses	5,318	393	13,562	(5,996)	13,277
Noninterest income					
Fee income nonaffiliates		54	11,806		11,860
Other	382	76	8,267	(339)	8,386
Total noninterest income	382	130	20,073	(339)	20,246
Noninterest expense					
Salaries and benefits	(50)	96	13,434		13,480
Other	465	357	10,900	(339)	11,383
Total noninterest expense	415	453	24,334	(339)	24,863
Income (loss) before income tax expense (benefit) and equity in undistributed income of subsidiaries	5,285	70	9,301	(5,996)	8,660
Income tax expense (benefit)	(208)	25	3,098		2,915
Equity in undistributed income of subsidiaries	116			(116)	

Net income (loss) before noncontrolling interests	5,609	45	6,203	(6,112)	5,745
Less: Net income from noncontrolling interests			136		136
Parent, WFFI, Other and Wells Fargo net income (loss)	$ 5,609	45	6,067	(6,112)	5,609

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Condensed Consolidating Statement of Income

					Six months ended June 30, 2009
(in millions)	Parent	WFFI	Other consolidating subsidiaries	Eliminations	Consolidated Company
Dividends from subsidiaries:					
Bank	$ 717			(717)	
Nonbank	209			(209)	
Interest income from loans		1,852	19,454	(9)	21,297
Interest income from subsidiaries	1,231			(1,231)	
Other interest income	227	53	7,042	(5)	7,317
Total interest income	2,384	1,905	26,496	(2,171)	28,614
Deposits			1,977	(21)	1,956
Short-term borrowings	114	17	574	(527)	178
Long-term debt	1,889	706	1,482	(813)	3,264
Other interest expense			76		76
Total interest expense	2,003	723	4,109	(1,361)	5,474
Net interest income	381	1,182	22,387	(810)	23,140
Provision for credit losses		1,023	8,621		9,644
Net interest income after provision for credit losses	381	159	13,766	(810)	13,496
Noninterest income					
Fee income nonaffiliates		83	11,027		11,110
Other	314	71	10,025	(1,136)	9,274
Total noninterest income	314	154	21,052	(1,136)	20,384
Noninterest expense					
Salaries and benefits	282	50	12,887		13,219
Other	263	371	11,796	(1,134)	11,296
Total noninterest expense	545	421	24,683	(1,134)	24,515
Income (loss) before income tax expense (benefit) and equity in undistributed income of subsidiaries	150	(108)	10,135	(812)	9,365
Income tax expense (benefit)	(234)	(35)	3,296		3,027
Equity in undistributed income of subsidiaries	5,833			(5,833)	

Net income (loss) before noncontrolling interests	6,217	(73)	6,839	(6,645)	6,338
Less: Net income from noncontrolling interests			121		121
Parent, WFFI, Other and Wells Fargo net income (loss)	$ 6,217	(73)	6,718	(6,645)	6,217

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Condensed Consolidating Balance Sheet

					June 30, 2010
(in millions)	Parent	WFFI	Other consolidating subsidiaries	Eliminations	Consolidated Company
Assets					
Cash and cash equivalents due from:					
Subsidiary banks	$ 29,609	195		(29,804)	
Nonaffiliates	17	219	91,233		91,469
Securities available for sale	4,360	2,734	150,833		157,927
Mortgages and loans held for sale			42,580		42,580
Loans	7	32,498	747,311	(13,551)	766,265
Loans to subsidiaries:					
Bank	3,885		3,500	(7,385)	
Nonbank	54,137			(54,137)	
Allowance for loan losses		(1,728)	(22,856)		(24,584)
Net loans	58,029	30,770	727,955	(75,073)	741,681
Investments in subsidiaries:					
Bank	134,097			(134,097)	
Nonbank	13,675			(13,675)	
Other assets	8,490	1,291	184,520	(2,096)	192,205
Total assets	$ 248,277	35,209	1,197,121	(254,745)	1,225,862
Liabilities and equity					
Deposits	$		845,427	(29,804)	815,623
Short-term borrowings	1,609	12,712	75,873	(45,007)	45,187
Accrued expenses and other liabilities	7,762	1,668	51,248	(2,096)	58,582
Long-term debt	108,661	19,268	76,736	(19,593)	185,072
Indebtedness to subsidiaries	10,473			(10,473)	
Total liabilities	128,505	33,648	1,049,284	(106,973)	1,104,464
Parent, WFFI, other and Wells Fargo stockholders equity	119,772	1,551	146,221	(147,772)	119,772
Noncontrolling interests		10	1,616		1,626
Total equity	119,772	1,561	147,837	(147,772)	121,398
Total liabilities and equity	$ 248,277	35,209	1,197,121	(254,745)	1,225,862

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Condensed Consolidating Balance Sheet

					December 31, 2009
(in millions)	Parent	WFFI	Other consolidating subsidiaries	Eliminations	Consolidated Company
Assets					
Cash and cash equivalents due from:					
Subsidiary banks	$ 27,303	205		(27,508)	
Nonaffiliates	11	249	67,705		67,965
Securities available for sale	4,666	2,665	165,379		172,710
Mortgages and loans held for sale			44,827		44,827
Loans	7	35,199	750,045	(2,481)	782,770
Loans to subsidiaries:					
Bank	6,760			(6,760)	
Nonbank	56,316			(56,316)	
Allowance for loan losses		(1,877)	(22,639)		(24,516)
Net loans	63,083	33,322	727,406	(65,557)	758,254
Investments in subsidiaries:					
Bank	134,063			(134,063)	
Nonbank	12,816			(12,816)	
Other assets	10,758	1,500	189,049	(1,417)	199,890
Total assets	$ 252,700	37,941	1,194,366	(241,361)	1,243,646
Liabilities and equity					
Deposits	$		851,526	(27,508)	824,018
Short-term borrowings	1,546	10,599	59,813	(32,992)	38,966
Accrued expenses and other liabilities	7,878	1,439	54,542	(1,417)	62,442
Long-term debt	119,353	24,437	80,499	(20,428)	203,861
Indebtedness to subsidiaries	12,137			(12,137)	
Total liabilities	140,914	36,475	1,046,380	(94,482)	1,129,287
Parent, WFFI, other and Wells Fargo stockholders equity	111,786	1,456	145,423	(146,879)	111,786
Noncontrolling interests		10	2,563		2,573
Total equity	111,786	1,466	147,986	(146,879)	114,359
Total liabilities and equity	$ 252,700	37,941	1,194,366	(241,361)	1,243,646

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Condensed Consolidating Statement of Cash Flows

(in millions)	Parent	WFFI	Six months ended June 30, 2010 Other consolidating subsidiaries/ eliminations	Consolidated Company
Cash flows from operating activities:				
Net cash provided by operating activities	$ 7,924	1,001	7,929	16,854
Cash flows from investing activities:				
Securities available for sale:				
Sales proceeds	370	462	3,149	3,981
Prepayments and maturities		108	22,633	22,741
Purchases	(113)	(564)	(10,418)	(11,095)
Loans:				
Decrease in banking subsidiaries loan originations, net of collections		95	20,809	20,904
Proceeds from sales (including participations) of loans originated for investment by banking subsidiaries			3,556	3,556
Purchases (including participations) of loans by banking subsidiaries			(1,201)	(1,201)
Principal collected on nonbank entities loans		5,574	2,432	8,006
Loans originated by nonbank entities		(3,071)	(2,238)	(5,309)
Net repayments from (advances to) subsidiaries	(2,004)	(621)	2,625	
Principal collected on notes/loans made to subsidiaries	7,046		(7,046)	
Net decrease (increase) in investment in subsidiaries	1,359		(1,359)	
Net cash paid for acquisitions			(11)	(11)
Other, net	2	(12)	(29,842)	(29,852)
Net cash provided by investing activities	6,660	1,971	3,089	11,720
Cash flows from financing activities:				
Net change in:				
Deposits			(8,395)	(8,395)
Short-term borrowings	(10)	2,114	(1,010)	1,094
Long-term debt:				
Proceeds from issuance	1,577		588	2,165
Repayment	(13,282)	(5,126)	(13,517)	(31,925)
Preferred stock:				
Cash dividends paid	(369)			(369)
Common stock:				
Proceeds from issuance	865			865
Repurchased	(68)			(68)

Cash dividends paid	(520)			(520)
Common stock warrants repurchased	(540)			(540)
Excess tax benefits related to stock option payments	75			75
Net change in noncontrolling interests			(465)	(465)
Net cash used by financing activities	(12,272)	(3,012)	(22,799)	(38,083)
Net change in cash and due from banks	2,312	(40)	(11,781)	(9,509)
Cash and due from banks at beginning of period	27,314	454	(688)	27,080
Cash and due from banks at end of period	$ 29,626	414	(12,469)	17,571

Condensed Consolidating Statement of Cash Flows

	Six months ended June 30, 2009			
(in millions)	Parent	WFFI	Other consolidating subsidiaries/ eliminations	Consolidated Company
Cash flows from operating activities:				
Net cash provided by operating activities	$ 721	801	16,327	17,849
Cash flows from investing activities:				
Securities available for sale:				
Sales proceeds	562	363	17,946	18,871
Prepayments and maturities		84	18,400	18,484
Purchases	(308)	(597)	(80,018)	(80,923)
Loans:				
Decrease (increase) in banking subsidiaries loan originations, net of collections		(217)	28,687	28,470
Proceeds from sales (including participations) of loans originated for investment by banking subsidiaries			3,179	3,179
Purchases (including participations) of loans by banking subsidiaries			(1,563)	(1,563)
Principal collected on nonbank entities loans		4,853	1,618	6,471
Loans originated by nonbank entities		(2,307)	(2,012)	(4,319)
Net repayments from (advances to) subsidiaries	10,246		(10,246)	
Capital notes and term loans made to subsidiaries	(64)		64	
Principal collected on notes/loans made to subsidiaries	5,202		(5,202)	
Net decrease (increase) in investment in subsidiaries	(5,011)		5,011	
Net cash paid for acquisitions			(132)	(132)
Other, net	22,460	151	13,333	35,944
Net cash provided (used) by investing activities	33,087	2,330	(10,935)	24,482
Cash flows from financing activities:				
Net change in:				
Deposits			32,192	32,192
Short-term borrowings	(14,426)	1,781	(39,946)	(52,591)
Long-term debt:				
Proceeds from issuance	3,538		338	3,876
Repayment	(11,500)	(5,000)	(18,662)	(35,162)
Preferred stock:				
Cash dividends paid	(1,053)			(1,053)
Common stock:				
Proceeds from issuance	9,308			9,308

Repurchased	(63)			(63)
Cash dividends paid	(1,657)			(1,657)
Excess tax benefits related to stock option payments	3			3
Net change in noncontrolling interests			(315)	(315)
Other, net	(34)		34	
Net cash used by financing activities	(15,884)	(3,219)	(26,359)	(45,462)
Net change in cash and due from banks	17,924	(88)	(20,967)	(3,131)
Cash and due from banks at beginning of period	15,658	426	7,679	23,763
Cash and due from banks at end of period	$ 33,582	338	(13,288)	20,632

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18. REGULATORY AND AGENCY CAPITAL REQUIREMENTS

The Company and each of its subsidiary banks are subject to various regulatory capital adequacy requirements administered by the Federal Reserve Board (FRB) and the Office of the Comptroller of the Currency, respectively. Effective March 20, 2010, Wachovia Bank, N.A. merged with and into Wells Fargo Bank, N.A.

We do not consolidate our wholly-owned trusts (the Trusts) formed solely to issue trust preferred securities. The amount of trust preferred securities and perpetual preferred purchase securities issued by the Trusts that was includable in Tier 1 capital in accordance with FRB risk-based capital guidelines was $19.3 billion at June 30, 2010. The junior subordinated debentures held by the Trusts were included in the Company s long-term debt.

	Actual		For capital adequacy purposes		To be well capitalized under the FDICIA prompt corrective action provisions	
(in billions)	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of June 30, 2010:						
Total capital (to risk-weighted assets)						
Wells Fargo & Company	$ 141.1	14.53%	³ $77.7	³ 8.00%		
Wells Fargo Bank, N.A.	119.1	13.42	³ 71.0	³ 8.00	³ $88.7	³ 10.00%
Tier 1 capital (to risk-weighted assets)						
Wells Fargo & Company	102.0	10.51	³ 38.8	³ 4.00		
Wells Fargo Bank, N.A.	90.9	10.24	³ 35.5	³ 4.00	³ 53.2	³ 6.00
Tier 1 capital (to average assets) (Leverage ratio)						
Wells Fargo & Company	102.0	8.66	³ 47.1	³ 4.00(1)		
Wells Fargo Bank, N.A.	90.9	8.81	³ 41.2	³ 4.00(1)	³ 51.6	³ 5.00

(1) The leverage ratio consists of Tier 1 capital divided by quarterly average total assets, excluding goodwill and certain other items. The minimum leverage ratio guideline is 3% for banking organizations that do not anticipate

significant growth and that have well-diversified risk, excellent asset quality, high liquidity, good earnings, effective management and monitoring of market risk and, in general, are considered top-rated, strong banking organizations.

Certain subsidiaries of the Company are approved seller/servicers, and are therefore required to maintain minimum levels of shareholders equity, as specified by various agencies, including the United States Department of Housing and Urban Development, GNMA, FHLMC and FNMA. At June 30, 2010, each seller/servicer met these requirements.

Certain broker-dealer subsidiaries of the Company are subject to SEC Rule 15c3-1 (the Net Capital Rule), which requires that we maintain minimum levels of net capital, as defined. At June 30, 2010, each of these subsidiaries met these requirements.

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GLOSSARY OF ACRONYMS

ABCP	Asset-based commercial paper
ALCO	Asset/Liability Management Committee
AMTN	Australian medium-term note program
ARS	Auction rate security
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ARM	Adjustable-rate mortgage
AVM	Automated valuation model
CDs	Certificates of deposit
CDO	Collateralized debt obligation
CLO	Collateralized loan obligation
CPR	Constant prepayment rate
CRE	Commercial real estate
EMTN	European medium-term note program
ESOP	Employee Stock Ownership Plan
FAS	Statement of Financial Accounting Standards
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Company
FICO	Fair Isaac Corporation (credit rating)
FNMA	Federal National Mortgage Association
FRB	Federal Reserve Board
GAAP	Generally Accepted Accounting Principles
GNMA	Government National Mortgage Association
GSE	Government-sponsored entity
HAMP	*Home Affordability Modification Program*
IRA	Individual Retirement Account
LHFS	Loans held for sale
LIBOR	London Interbank Offered Rate
LTV	Loan-to-value
MBS	Mortgage-backed security
MHFS	Mortgages held for sale
MSR	Mortgage servicing right
MTN	Medium-term note program
NAV	Net asset value
NPA	Nonperforming asset
OCC	Office of the Comptroller of the Currency
OCI	Other comprehensive income
OTC	Over-the-counter
OTTI	Other-than-temporary impairment
PCI Loans	Purchased credit-impaired loans are acquired loans with evidence of credit deterioration accounted for under FASB ASC 310-30 (AICPA Statement of Position 03-3)
PTPP	Pre-tax pre-provision profit
QSPE	Qualifying special purpose entity
RBC	Risk-based capital

ROA	Wells Fargo net income to average total assets

GLOSSARY OF ACRONYMS (continued from previous page)

ROE	Wells Fargo net income applicable to common stock to average Wells Fargo common stockholders equity
SEC	Securities and Exchange Commission
S&P	Standard & Poors
SPE	Special purpose entity
TDR	Troubled debt restructuring
VA	Department of Veterans Affairs
VaR	Value-at-risk
VIE	Variable interest entity
WFFCC	Wells Fargo Financial Canada Corporation

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

Information in response to this item can be found in Note 10 (Guarantees and Legal Actions) to Financial Statements in this Report which information is incorporated by reference into this item.

Item 1A. Risk Factors

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

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

The following table shows Company repurchases of its common stock for each calendar month in the quarter ended June 30, 2010.

Calendar month	Total number of shares repurchased (1)	Weighted-average price paid per share	Maximum number of shares that may yet be repurchased under the authorizations
April	776,794	$32.66	3,992,919
May	88,602	32.36	3,904,317
June	27,777	27.93	3,876,540
Total	893,173		

(1) All shares were repurchased under the authorization covering up to 25 million shares of common stock approved by the Board of Directors and publicly announced by the Company on September 23, 2008. Unless modified or revoked by the Board, this authorization does not expire.

On May 26, 2010, the Company purchased 70,165,963 warrants to purchase shares of its common stock at a price of $7.70 per warrant. The warrants were originally issued to the U.S. Treasury in connection with its investment in the Company under the Troubled Asset Relief Program Capital Purchase Program. The Board of Directors authorized the purchase of up to $1 billion of the warrants. As of June 30, 2010, $459,722,085 of that authority remained.

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Item 6. Exhibits

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

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

SIGNATURE

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

Dated: August 6, 2010	WELLS FARGO & COMPANY
	By: /s/ RICHARD D. LEVY Richard D. Levy Executive Vice President and Controller (Principal Accounting Officer)

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EXHIBIT INDEX

Exhibit Number	Description	Location
3(a)	Restated Certificate of Incorporation, as amended and in effect on the date hereof.	Incorporated by reference to Exhibit 3(a) to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.
3(b)	By-Laws.	Incorporated by reference to Exhibit 3(b) to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.
4(a)	See Exhibits 3(a) and 3(b).	
4(b)	The Company agrees to furnish upon request to the Commission a copy of each instrument defining the rights of holders of senior and subordinated debt of the Company.	
10(a)	Form of Performance Share Award Agreement for grants to John G. Stumpf, Howard I. Atkins, David M. Carroll, David A. Hoyt and Mark C. Oman on June 22, 2010.	Incorporated by reference to Exhibit 10(a) to the Company s Current Report on Form 8-K filed June 25, 2010.
10(b)	Wells Fargo Bonus Plan, as amended effective January 1, 2010.	Filed herewith.
12(a)	Computation of Ratios of Earnings to Fixed Charges:	Filed herewith.

	Quarter ended June 30,		Six months ended June 30,	
	2010	2009	**2010**	2009
Including interest on deposits	**3.15**	2.74	**2.97**	2.61
Excluding interest on deposits	**4.23**	3.72	**3.96**	3.45

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

	Quarter ended June 30,	Six months ended June 30,

	2010	2009	**2010**	2009
Including interest on deposits	**2.79**	2.06	**2.64**	1.97
Excluding interest on deposits	**3.54**	2.46	**3.33**	2.30

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

Exhibit Number	Description	Location
101*	Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company s Quarterly Report on Form 10-Q for the period ended June 30, 2010, is formatted in XBRL interactive data files: (i) Consolidated Statement of Income for the three and six months ended June 30, 2010 and 2009; (ii) Consolidated Balance Sheet at June 30, 2010, and December 31, 2009; (iii) Consolidated Statement of Changes in Equity and Comprehensive Income for the six months ended June 30, 2010 and 2009; (iv) Consolidated Statement of Cash Flows for the six months ended June 30, 2010 and 2009; and (v) Notes to Financial Statements.	Furnished herewith.

*As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.