WELLS FARGO & CO/MN
Form 10-Q
May 06, 2011

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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 March 31, 2011
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 ¨

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 ¨

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 ¨ 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 April 29, 2011
Common stock, $1-2/3 par value	5,289,099,076

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PART I **Financial Information**

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PART I - FINANCIAL INFORMATION
FINANCIAL REVIEW
Summary Financial Data

				% Change Mar. 31, 2011 from	
	Quarter ended				
($ in millions, except per share amounts)	**Mar. 31, 2011**	Dec. 31, 2010	Mar. 31, 2010	Dec. 31, 2010	Mar. 31, 2010
For the Period					
Wells Fargo net income	$ **3,759**	3,414	2,547	10 %	48
Wells Fargo net income applicable to common stock	**3,570**	3,232	2,372	10	51
Diluted earnings per common share	**0.67**	0.61	0.45	10	49
Profitability ratios (annualized):					
Wells Fargo net income to average assets (ROA)	**1.23** %	1.09	0.84	13	46
Wells Fargo net income applicable to common stock to average Wells Fargo common stockholders equity (ROE)	**11.98**	10.95	8.96	9	34
Efficiency ratio (1)	**62.6**	62.1	56.5	1	11
Total revenue	$ **20,329**	21,494	21,448	(5)	(5)
Pre-tax pre-provision profit (PTPP) (2)	**7,596**	8,154	9,331	(7)	(19)
Dividends declared per common share	**0.12**	0.05	0.05	140	140
Average common shares outstanding	**5,278.8**	5,256.2	5,190.4	-	2
Diluted average common shares outstanding	**5,333.1**	5,293.8	5,225.2	1	2
Average loans	$ **754,077**	753,675	797,389	-	(5)
Average assets	**1,241,176**	1,237,037	1,226,120	-	1
Average core deposits (3)	**796,826**	794,799	759,169	-	5
Average retail core deposits (4)	**584,100**	573,843	573,653	2	2
Net interest margin	**4.05** %	4.16	4.27	(3)	(5)
At Period End					
Securities available for sale	$ **167,906**	172,654	162,487	(3)	3
Loans	**751,155**	757,267	781,430	(1)	(4)
Allowance for loan losses	**21,983**	23,022	25,123	(5)	(12)
Goodwill	**24,777**	24,770	24,819	-	-
Assets	**1,244,666**	1,258,128	1,223,630	(1)	2
Core deposits (3)	**795,038**	798,192	756,050	-	5
Wells Fargo stockholders equity	**133,471**	126,408	116,142	6	15
Total equity	**134,943**	127,889	118,154	6	14
Tier 1 capital (5)	**110,761**	109,353	98,329	1	13
Total capital (5)	**147,311**	147,142	137,600	-	7
Capital ratios:					
Total equity to assets	**10.84** %	10.16	9.66	7	12

Risk-based capital (5):						
Tier 1 capital		**11.50**	11.16	9.93	3	16
Total capital		**15.30**	15.01	13.90	2	10
Tier 1 leverage (5)		**9.27**	9.19	8.34	1	11
Tier 1 common equity (6)		**8.93**	8.30	7.09	8	26
Book value per common share	**$**	**23.18**	22.49	20.76	3	12
Team members (active, full-time equivalent)		**270,200**	272,200	267,400	(1)	1
Common stock price:						
High	**$**	**34.25**	31.61	31.99	8	7
Low		**29.82**	23.37	26.37	28	13
Period end		**31.71**	30.99	31.12	2	2

(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 19 (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.

This Report on Form 10-Q for the quarter ended March 31, 2011, 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 section 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, 2010 (2010 Form 10-K), 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 this Report.

Financial Review

Overview

Wells Fargo & Company is a $1.2 trillion diversified financial services company 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 second in the market value of our common stock among our large bank peers at March 31, 2011. When we refer to Wells Fargo, the Company, we, our or us in this Report, we mean Wells Fargo & Company and Subsidiaries (consolidated). 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).

Our Vision and Strategy

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 offer them all of the financial products that 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.

Our combined company retail bank household cross-sell was 5.79 products per household in first quarter 2011, up from 5.60 a year ago. We believe there is more opportunity for cross-sell as we continue to earn more business from our Wachovia customers. Our goal is eight products per customer, which is approximately half of our estimate of potential demand for an average U.S. household. One of every four of our retail banking households has eight or more products. Business banking cross-sell offers another potential opportunity for growth, with cross-sell of 4.09 products in our Western footprint (including legacy Wells Fargo and converted Wachovia customers), up from 4.04 in fourth quarter 2010.

Our pursuit of growth and earnings performance is influenced by our belief that it is important to maintain a well controlled operating environment as we complete the integration of the Wachovia businesses and grow the combined company. We manage our credit risk by establishing what we believe are sound credit policies for underwriting new business, while monitoring and reviewing the performance of our loan portfolio. We manage the interest rate and market risks inherent in our asset and liability balances within established ranges, while ensuring adequate liquidity and funding. We maintain strong capital levels to facilitate future growth.

Financial Performance

Wells Fargo net income was a record $3.8 billion in first quarter 2011, up 48% from a year ago, and diluted earnings per common share were $0.67, up 49%. Our results included contributions from each of our three business segments: Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement. In first quarter 2011, credit quality improved, capital ratios increased and cross-selling reached new highs. Reflecting the significant improvement in our credit portfolios, the provision for credit losses was $1.0 billion less than net charge-offs for first quarter 2011. Revenue was down 5% from a year ago, reflecting a decline in mortgage banking income and lower service charges on deposits due to regulatory changes, as well as a decline in average loans as we continued to reduce our non-strategic and liquidating loan portfolios. Noninterest expense was up 5% primarily due to higher commission and incentive compensation.

Our average core deposits grew 5% from a year ago to $796.8 billion at March 31, 2011. Average core deposits were 106% of total average loans in first quarter 2011, up from 95% a year ago. We continued to attract high quality core deposits in the form of checking and savings deposits, which grew 9% to $722.5 billion at March 31, 2011, from $664.4 billion a year ago, as we added new customers and deepened our relationships with existing customers.

Wells Fargo remained one of the largest providers of credit to the U.S. economy. We continued to lend to creditworthy customers and made $151 billion in new loan commitments to consumer, small business and commercial customers, including

Overview *(continued)*
$84 billion of residential mortgage originations in first quarter 2011, up from a total of $128 billion a year ago. We are an industry leader in loan modifications for homeowners. As of March 31, 2011, approximately 665,000 Wells Fargo mortgage customers were in active trial or had completed loan modifications since the beginning of 2009.

Credit Quality
We experienced significant improvement in our credit portfolio with lower net charge-offs, lower nonperforming assets and improved delinquency trends. The improvement in our credit portfolio was due in part to the continued decline in our non-strategic and liquidating loan portfolios (primarily from the Wachovia acquisition), which decreased $6.5 billion in first quarter 2011, and $65.0 billion in total since the Wachovia acquisition, to $126.8 billion at March 31, 2011.

Reflecting the improved performance in our loan portfolios, the provision for credit losses was $1.0 billion less than net charge-offs for first quarter 2011. Absent significant deterioration in the economy, we expect future reductions in the allowance for credit losses. First quarter 2011 marked the fifth consecutive quarter of declining loan losses and the second consecutive quarter of reduced nonperforming assets. Net charge-offs decreased significantly to $3.2 billion in first quarter 2011 from $3.8 billion in fourth quarter 2010, and $5.3 billion a year ago. Nonperforming assets decreased to $30.6 billion at March 31, 2011, from $32.4 billion at December 31, 2010, and $31.5 billion a year ago. Loans 90 days or more past due and still accruing (excluding government insured/guaranteed loans) decreased to $2.4 billion at March 31, 2011, from $2.6 billion at December 31, 2010, and $4.9 billion a year ago. In addition, the portfolio of purchased credit-impaired (PCI) loans acquired in the Wachovia merger has performed better than originally expected.

Capital
We continued to build capital in first quarter 2011, with total shareholders equity up $7.1 billion from year-end 2010. In first quarter 2011, our Tier 1 common equity ratio grew more than 60 basis points to 8.93% of risk-weighted assets under Basel I, reflecting strong internal capital generation. Under our interpretation of current Basel III capital proposals, we estimate that our Tier 1 common equity ratio grew to 7.2% in first quarter 2011. Our other regulatory capital ratios also continued to grow with the Tier 1 capital ratio reaching 11.50% and Tier 1 leverage ratio reaching 9.27% at March 31, 2011. See the Capital Management section in this Report for more information regarding our capital, including Tier 1 common equity.

We took several capital actions in first quarter 2011. Reflecting our strong capital position, we returned more capital to shareholders in first quarter 2011, with an increase in our quarterly common stock dividend to $0.12 per share. We also increased our share repurchase authority by 200 million shares. In addition, we issued notice to call $3.2 billion of high-cost trust preferred securities and expect to call additional trust preferred securities.

Wachovia Merger Integration
On December 31, 2008, Wells Fargo acquired Wachovia, one of the nation s largest diversified financial services companies. At the beginning of our third year of the Wachovia integration, our progress to date is on track and on schedule, and business and revenue synergies have exceeded our expectations at the time the merger was announced. First quarter 2011 marked further milestones in our integration of legacy Wells Fargo and Wachovia: we completed our conversion to one common retail brokerage platform and we converted retail banking stores in several eastern states, including Connecticut, Delaware, New Jersey, and New York. With our April conversion of the Pennsylvania retail banking stores, 74% of our banking customers are now on a single deposit system. The Wachovia merger has already proven to be a financial success, with substantially all of the originally expected savings already realized and growing revenue synergies reflecting market share gains in many businesses, including mortgage, auto dealer services and investment banking.

As a result of PCI accounting for loans acquired in the Wachovia merger, ratios of the Company, including the growth rate in nonperforming assets (NPAs) since December 31, 2008, may not be directly comparable with periods prior to the merger or with credit-related ratios of other financial institutions. In particular:

- Wachovia s high risk loans were written down pursuant to PCI accounting at the time of merger. Therefore, the allowance for credit losses is lower than otherwise would have been required without PCI loan accounting; and

Because we virtually eliminated Wachovia s nonaccrual loans at December 31, 2008, the quarterly growth rate in our nonaccrual loans following the merger was higher than it would have been without PCI loan accounting. Similarly, our net charge-offs rate was lower than it otherwise would have been.

Market and Industry Developments

The Board of Governors of the Federal Reserve System (FRB) and the Office of the Comptroller of the Currency (OCC) recently issued consent orders that will require us to promptly correct deficiencies in our residential mortgage loan servicing and foreclosure practices that were identified by federal banking regulators in their review conducted in fourth quarter 2010. The consent orders also require that we improve our servicing and foreclosure practices. We are committed to compliance with the consent orders and support the development of national servicing standards that will provide greater clarity for servicers, investors and customers. We continue to be committed to modifying mortgages for at-risk customers. We have been working with our regulators for an extended period to improve our processes and have already begun making some of the operational changes that will result from the expanded servicing responsibilities outlined in the consent orders.

In 2009, the FRB announced regulatory changes to debit card and ATM overdraft practices, which have reduced our service charges on deposit accounts. The Dodd-Frank Act, among other things, authorizes the FRB to issue regulations

governing debit card interchange fees, which are expected to be implemented in 2011. We continue to refine our estimate of the potential impact on our income of these regulations, if implemented in 2011. Based on the current FRB proposals, we
currently expect that our quarterly income would be reduced by approximately $325 million (after tax), before the impact of any offsetting actions.

Earnings Performance

Net income for first quarter 2011 was $3.8 billion ($0.67 diluted per share) with $3.6 billion applicable to common stock, compared with net income of $2.5 billion ($0.45 diluted per share) with $2.4 billion applicable to common stock for first quarter 2010. Our first quarter 2011 earnings reflected the benefit of continued improvements in credit quality, partially offset by a decrease in total loans and elevated balances of lower yielding earning assets.

Revenue, the sum of net interest income and noninterest income, was $20.3 billion in first quarter 2011 compared with $21.4 billion in first quarter 2010. The decline in revenue was predominantly due to lower net interest income and lower mortgage banking revenue. However, many businesses generated year over year revenue growth, including corporate banking, commercial mortgage servicing, fixed income and equity sales and trading, global remittance, real estate capital markets, retail brokerage, auto dealer services and wealth management. Net interest income of $10.7 billion in first quarter 2011 declined 4% from a year ago compared with a 5% decline in average loans. The decline in average loans reflected continued reductions in the non-strategic/liquidating portfolios and soft consumer loan demand.

Noninterest expense was $12.7 billion (63% of revenue) in first quarter 2011, compared with $12.1 billion (56% of revenue) a year ago. First quarter 2011 included $440 million of merger integration costs (up from $380 million a year ago), $472 million of operating losses (up from $208 million a year ago) substantially all from additional litigation accruals for foreclosure-related matters, and higher incentive compensation expenses caused by sales increases in commission-based business units as well as other earnings-based incentives. Certain expenses remained elevated year over year, including loan resolution costs and merger costs. As we conclude the integration process, and as the economy continues to recover, we expect these expenses to decline.

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 in Table 1 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 $10.8 billion in first quarter 2011, compared with $11.3 billion a year ago. The net interest margin was 4.05% in first quarter 2011,
down 22 basis points from 4.27% in first quarter 2010. Net interest margin was compressed relative to first quarter 2010 as lower-yielding cash and short-term investments increased as loan balances declined. The impact of these factors was somewhat mitigated by continued disciplined deposit pricing and reduced long-term debt.

The mix of earning assets and their yields are important drivers of net interest income. Soft consumer loan demand and the impact of liquidating certain loan portfolios reduced average loans in first quarter 2011 to 70% of average earning assets from 74% in first quarter 2010. Average short-term investments and trading account assets increased to 11% of earning assets in first quarter 2011, up from 6% of earning assets in first quarter 2010.

Core deposits are a low-cost source of funding and thus an important contributor to both 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 rose to $796.8 billion in first quarter 2011 from $759.2 billion in first quarter 2010 and funded 106% and 95% of average loans, respectively. Average core deposits increased to 74% of average earning assets in first quarter 2011, up from 71% a year ago, yet the cost of these deposits declined significantly as the mix shifted from higher cost certificates of deposit to checking and savings products, which were also at lower yields relative to first quarter 2010. About 90% of our core deposits are now in checking and savings deposits, one of the highest percentages in the industry.

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Table 1: Average Balances, Yields and Rates Paid (Taxable-Equivalent Basis) (1)(2)

	Quarter ended March 31,					
			2011			2010
(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	**$ 83,386**	**0.35 %**	**$ 72**	40,833	0.33 %	$ 33
Trading assets	**37,403**	**3.81**	**356**	27,911	3.91	272
Debt securities available for sale (3):						
Securities of U.S. Treasury and federal agencies	**1,575**	**2.87**	**11**	2,278	3.62	20
Securities of U.S. states and political subdivisions	**19,570**	**5.45**	**270**	13,696	6.60	221
Mortgage-backed securities:						
Federal agencies	**73,466**	**4.72**	**832**	79,730	5.39	1,023
Residential and commercial	**32,934**	**9.68**	**732**	32,768	9.67	790
Total mortgage-backed securities	**106,400**	**6.21**	**1,564**	112,498	6.67	1,813
Other debt securities (4)	**35,920**	**5.55**	**465**	32,346	6.51	492
Total debt securities available for sale (4)	**163,465**	**5.94**	**2,310**	160,818	6.59	2,546
Mortgages held for sale (5)	**38,742**	**4.51**	**437**	31,368	4.93	387
Loans held for sale (5)	**975**	**4.88**	**12**	6,406	2.15	34
Loans:						
Commercial:						
Commercial and industrial	**150,047**	**4.65**	**1,723**	156,466	4.51	1,743
Real estate mortgage	**99,797**	**3.92**	**967**	97,967	3.68	889
Real estate construction	**24,281**	**4.26**	**255**	35,852	3.07	272
Lease financing	**13,020**	**7.83**	**255**	14,008	9.22	323
Foreign	**33,638**	**2.83**	**235**	28,561	3.62	256
Total commercial	**320,783**	**4.33**	**3,435**	332,854	4.23	3,483
Consumer:						
Real estate 1-4 family first mortgage	**229,570**	**5.01**	**2,867**	245,024	5.26	3,210
Real estate 1-4 family junior lien mortgage	**94,708**	**4.35**	**1,018**	105,640	4.47	1,168
Credit card	**21,509**	**13.18**	**709**	23,345	13.15	767

Other revolving credit and installment	**87,507**	**6.36**	**1,371**	90,526	6.40	1,427
Total consumer	**433,294**	**5.54**	**5,965**	464,535	5.70	6,572
Total loans (5)	**754,077**	**5.03**	**9,400**	797,389	5.09	10,055
Other	**5,228**	**3.90**	**50**	6,069	3.36	50
Total earning assets	**$ 1,083,276**	**4.73 %**	**$ 12,637**	1,070,794	5.06 %	$13,377
Funding sources						
Deposits:						
Interest-bearing checking	**$ 58,503**	**0.10 %**	**$ 14**	62,021	0.15 %	$ 23
Market rate and other savings	**443,586**	**0.22**	**237**	403,945	0.29	286
Savings certificates	**74,371**	**1.39**	**255**	94,763	1.36	317
Other time deposits	**13,850**	**2.24**	**76**	15,878	2.03	80
Deposits in foreign offices	**57,473**	**0.23**	**33**	55,434	0.21	29
Total interest-bearing deposits	**647,783**	**0.38**	**615**	632,041	0.47	735
Short-term borrowings	**54,751**	**0.22**	**30**	45,081	0.18	19
Long-term debt	**150,144**	**2.95**	**1,104**	209,008	2.45	1,276
Other liabilities	**9,472**	**3.24**	**76**	5,664	3.43	49
Total interest-bearing liabilities	**862,150**	**0.85**	**1,825**	891,794	0.94	2,079
Portion of noninterest-bearing funding sources	**221,126**	**-**	**-**	179,000	-	-
Total funding sources	**$ 1,083,276**	**0.68**	**1,825**	1,070,794	0.79	2,079
Net interest margin and net interest income on a taxable-equivalent basis (6)		**4.05 %**	**$ 10,812**		4.27 %	$11,298
Noninterest-earning assets						
Cash and due from banks	**$ 17,360**			18,049		
Goodwill	**24,775**			24,816		
Other	**115,765**			112,461		
Total noninterest-earning assets	**$ 157,900**			155,326		
Noninterest-bearing funding sources						
Deposits	**$ 193,100**			172,039		
Other liabilities	**55,316**			44,739		

Total equity	**130,610**	117,548
Noninterest-bearing funding sources used to fund earning assets	**(221,126)**	(179,000)
Net noninterest-bearing funding sources	**$ 157,900**	155,326
Total assets	**$ 1,241,176**	1,226,120

(1) Our average prime rate was 3.25% for the quarters ended March 31, 2011 and 2010. The average three-month London Interbank Offered Rate (LIBOR) was 0.31% and 0.26% for the same quarters, respectively.

(2) Yield/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 of $161 million and $151 million for March 31, 2011 and 2010, respectively, primarily related to tax-exempt income on certain loans and securities. The federal statutory tax rate utilized was 35% for the periods presented.

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Noninterest Income

Table 2: Noninterest Income

	Quarter ended March 31,		%
(in millions)	**2011**	2010	Change
Service charges on deposit accounts	$ **1,012**	1,332	(24) %
Trust and investment fees:			
Trust, investment and IRA fees	**1,060**	1,049	1
Commissions and all other fees	**1,856**	1,620	15
Total trust and investment fees	**2,916**	2,669	9
Card fees	**957**	865	11
Other fees:			
Cash network fees	**81**	55	47
Charges and fees on loans	**397**	419	(5)
Processing and all other fees	**511**	467	9
Total other fees	**989**	941	5
Mortgage banking:			
Servicing income, net	**866**	1,366	(37)
Net gains on mortgage loan origination/sales activities	**1,150**	1,104	4
Total mortgage banking	**2,016**	2,470	(18)
Insurance	**503**	621	(19)
Net gains from trading activities	**612**	537	14
Net gains (losses) on debt securities available for sale	**(166)**	28	NM
Net gains from equity investments	**353**	43	721

Operating leases		**77**	185	(58)
All other		**409**	610	(33)
Total	$	**9,678**	10,301	(6)

NM - Not meaningful

Noninterest income was $9.7 billion for first quarter 2011, compared with $10.3 billion for first quarter 2010, representing 48% of revenue for both periods. The decrease from March 31, 2010 was due largely to lower mortgage banking net servicing income and lower service charges on deposit accounts.

Our service charges on deposit accounts decreased in first quarter by $320 million from a year ago. This decrease was primarily the result of changes to Regulation E and related overdraft policy changes.

We earn trust, investment and IRA (Individual Retirement Account) fees from managing and administering assets, including mutual funds, corporate trust, personal trust, employee benefit trust and agency assets. At March 31, 2011, these assets totaled $2.2 trillion, up 10% from $2.0 trillion at March 31, 2010. Trust, investment and IRA fees are largely based on a tiered scale relative to the market value of the assets under management or administration. These fees were $1.1 billion in first quarter 2011, up 1% from a year ago.

We receive commissions and other fees for providing services to full-service and discount brokerage customers as well as from investment banking activities including equity and bond underwriting. These fees increased to $1.9 billion in first quarter 2011 from $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. Brokerage client assets totaled $1.2 trillion at March 31, 2011, up from $1.1 trillion a year ago.

Card fees increased to $957 million in first quarter 2011, from $865 million a year ago, mainly due to growth in purchase volume and new accounts growth driven by improvements in the economy.

Mortgage banking noninterest income consists of net servicing income and net gains on loan origination/sales activities and totaled $2.0 billion in first quarter 2011, compared with $2.5 billion a year ago. The reduction year over year in mortgage banking noninterest income was primarily driven by a decline in net servicing income.

Net servicing income includes both changes in the fair value of mortgage servicing rights (MSRs) during the period as well as changes in the value of derivatives (economic hedges) used to hedge the MSRs. Net servicing income for first quarter 2011 included a $379 million net MSR valuation gain that was recorded to earnings ($499 million increase in the fair value of the MSRs offset by a $120 million hedge loss) and for first quarter 2010 included a $989 million net MSR valuation gain ($777 million decrease in the fair value of MSRs offset by a $1.8 billion hedge gain). The valuation of our MSRs at the end of first quarter 2011 reflected our assessment of changes in servicing and foreclosure costs, including the estimated impact from regulatory consent orders. See the Risk Management Credit Risk Management Risks Relating to Servicing Activities section and Note 11 (Legal Actions) to Financial Statements in this Report for information on the regulatory consent orders. The $610 million decline in net MSR valuation gain results for first quarter 2011 compared with first quarter 2010 was primarily due to a decline in hedge carry income. See the Risk Management Mortgage Banking Interest Rate and Market Risk section of this Report for a detailed discussion of our MSRs risks and hedging approach. Our portfolio of loans serviced for others was $1.86 trillion at March 31, 2011, and $1.84 trillion at December 31, 2010. At March 31, 2011, the ratio of MSRs to related loans serviced for others was 0.92%, compared with 0.86% at December 31, 2010.

Income from loan origination/sale activities was $1.2 billion in first quarter 2011 compared with $1.1 billion a year ago. The slight increase in first quarter 2011 was driven by lower provision for loan repurchase losses and higher loan origination volume, offset by lower margins on loan originations.

Net gains on mortgage loan origination/sales activities include the cost of any additions to the mortgage repurchase liability. Mortgage loans are repurchased from third parties based on standard representations and warranties and early payment default clauses in mortgage sale contracts. Additions to the mortgage repurchase liability that were charged against net gains on mortgage loan origination/sales activities during first quarter 2011 totaled $249 million (compared with $402 million for first quarter 2010), of which $214 million ($358 million for first quarter 2010) was for subsequent increases in estimated losses on prior year s loan sales because of the current economic environment. For additional information about mortgage loan

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repurchases, see the Risk Management Credit Risk Management Liability for Mortgage Loan Repurchase Losses section in this Report.

Residential real estate originations were $84 billion in first quarter 2011 compared with $76 billion a year ago and mortgage applications were $102 billion in first quarter 2011 compared with $125 billion a year ago. The 1-4 family first mortgage unclosed pipeline was $45 billion at March 31, 2011, and $59 billion at March 31, 2010. For additional detail, see the Risk Management Mortgage Banking Interest Rate and Market Risk section and Note 8 (Mortgage Banking Activities) and Note 13 (Fair Values of Assets and Liabilities) to Financial Statements in this Report.

Net gains on debt and equity securities totaled $187 million for first quarter 2011 and $71 million for first quarter 2010, after other-than-temporary impairment (OTTI) write-downs of $121 million for first quarter 2011 and $197 million a year ago.

Noninterest Expense

Table 3: Noninterest Expense

	Quarter ended Mar. 31,		%
(in millions)	**2011**	2010	Change
Salaries	$ **3,454**	3,314	4 %
Commission and incentive compensation	**2,347**	1,992	18
Employee benefits	**1,392**	1,322	5
Equipment	**632**	678	(7)
Net occupancy	**752**	796	(6)
Core deposit and other intangibles	**483**	549	(12)
FDIC and other deposit assessments	**305**	301	1
Outside professional services	**580**	484	20
Contract services	**369**	347	6
Foreclosed assets	**408**	386	6
Operating losses	**472**	208	127
Outside data processing	**220**	272	(19)
Postage, stationery and supplies	**235**	242	(3)
Travel and entertainment	**206**	171	20
Advertising and promotion	**116**	112	4
Telecommunications	**134**	143	(6)
Insurance	**133**	148	(10)
Operating leases	**24**	37	(35)
All other	**471**	615	(23)
Total	$ **12,733**	12,117	5

Noninterest expense was $12.7 billion in first quarter 2011, up 5% from $12.1 billion in first quarter 2010, mostly due to performance-based compensation in brokerage and mortgage, as well as higher operating losses. Commission and incentive compensation expense increased proportionately more than salaries due to higher revenues generated by businesses with revenue-based compensation including the brokerage and mortgage businesses. Volume-related mortgage personnel expense reductions initiated in first quarter 2011 were not fully realized in the first quarter as team member displacement notification periods can lag volume declines. Operating losses of $472 million were substantially all from litigation accruals for foreclosure-related matters.

Merger integration costs totaled $440 million and $380 million in first quarter 2011 and 2010, respectively. Integration expense drove the majority of the increase in outside professional services. First quarter 2011 marked further milestones in our integration of legacy Wells Fargo and Wachovia: we completed our conversion to one common retail brokerage platform and we converted retail banking stores in several eastern states, including Connecticut, Delaware, New Jersey, and New York. With our April conversion of the Pennsylvania retail banking stores, 74% of our banking customers are now on a single deposit system.

Income Tax Expense

Our effective tax rate was 29.5% for first quarter 2011, which included the benefit associated with the realization for tax purposes of a previously written-down investment. Our current estimate of the effective tax rate for the full year 2011 is 32%.

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Operating Segment Results
We define our operating segments by product and customer. In fourth quarter 2010, we aligned certain lending businesses into Wholesale Banking from Community Banking to reflect our previously announced restructuring of Wells Fargo Financial. In first quarter 2011, we realigned a private equity business into Wholesale Banking from Community Banking. Prior periods
have been revised to reflect these changes. Table 4 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 17 (Operating Segments) to Financial Statements in this Report.

Table 4: Operating Segment Results Highlights

	Community Banking		Wholesale Banking		Wealth, Brokerage and Retirement	
(in billions)	**2011**	2010	**2011**	2010	**2011**	2010
Quarter ended March 31,						
Revenue	$ **12.6**	14.0	**5.5**	5.4	**3.2**	2.9
Net income	**2.2**	1.4	**1.7**	1.2	**0.3**	0.3
Average loans	**509.8**	550.4	**234.7**	237.0	**42.7**	43.8
Average core deposits	**548.1**	531.5	**184.8**	161.6	**125.4**	121.1

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. through its Regional Banking and Wells Fargo Home Mortgage business units.

Community Banking reported net income of $2.2 billion and revenue of $12.6 billion in first quarter 2011. Revenue declined $1.4 billion from first quarter 2010 driven primarily by a decrease in mortgage banking income due to a decrease in servicing income, lower deposit service charges due to Regulation E and related overdraft policy changes, and lower net interest income from the planned reduction in certain liquidating loan portfolios. Average core deposits increased $16.6 billion, or 3%, as growth in liquid deposits more than offset planned certificates of deposit run-off. We generated strong growth in the number of consumer and business checking accounts (up 7.4% and 5.3%, respectively, from March 31, 2010). Noninterest expense increased from first quarter 2010 due primarily to higher operating losses due to litigation-related accruals and volume driven mortgage-related expenses. The provision for credit losses decreased $2.5 billion from first quarter 2010 and credit quality indicators in most of our consumer and business loan portfolios generally continued to improve. Net credit losses declined in almost all portfolios and we released $850 million in reserves in first quarter 2011, compared with no reserve release a year ago.

Wholesale Banking provides financial solutions across the U.S. and globally to middle market and large corporate customers with annual revenue generally in excess of $20 million. Products and businesses include commercial banking, investment banking and capital markets, securities investment, government and institutional banking, corporate banking, commercial real estate, treasury management, capital finance, international, insurance, real estate capital markets, commercial mortgage servicing, corporate trust, equipment finance, asset backed finance, and asset management.

Wholesale Banking reported net income of $1.7 billion, up $415 million, or 34%, from first quarter 2010. Revenue increased $37 million, or 1%, from the prior year, driven by growth in net interest income due to stronger earning assets, solid deposit growth and higher loan portfolio yields. Noninterest income declined $164 million, or 6%, from prior year as growth in investment banking and capital markets, corporate banking, foreign exchange and real estate capital markets was more than offset by reduced levels of PCI portfolio recoveries, crop insurance gains and trading portfolio income. Noninterest expense increased $115 million, or 4%, from prior year related to higher personnel expenses. Total provision for credit losses of $134 million declined $676 million, or 83%, from first quarter 2010. The decrease included a $150 million allowance release along with a $526 million improvement in credit losses, compared with no allowance release a year ago.

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. Brokerage serves customers advisory, brokerage and financial needs as part of one of the largest full-service brokerage firms in 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.

Wealth, Brokerage and Retirement earned net income of $339 million in first quarter 2011. Revenue of $3.2 billion included a mix of brokerage commissions, asset-based fees and net interest income. Net interest income was up $32 million compared with first quarter 2010 as higher investment income was driven by solid deposits growth. Noninterest income was up $208 million, or 9%, as higher asset-based fees were partially

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offset by lower brokerage transaction revenue and miscellaneous fees. Noninterest expense was up $169 million, or 7%, from first quarter 2010, primarily due to increased broker commissions from increased production levels.

Balance Sheet Analysis

During first quarter 2011, our total assets, loans and core deposits each declined slightly from December 31, 2010, but the strength of our business model produced record earnings and high rates of internal capital generation as reflected in our improved capital ratios. Tier 1 capital increased to 11.50% as a percentage of total risk-weighted assets, total capital to 15.30%, Tier 1 leverage to 9.27% and Tier 1 common equity to 8.93% at March 31, 2011, up from 11.16%, 15.01%, 9.19% and 8.30%, respectively, at December 31, 2010. At March 31, 2011, core deposits funded 106% of the loan portfolio, and we have significant capacity to add loans and higher yielding long-term MBS to generate future revenue and earnings growth.

The following discussion provides additional information about the major components of our balance sheet. Information about changes in our asset mix and about our capital is included in the Earnings Performance Net Interest Income and Capital Management sections of this Report.

Securities Available for Sale

Table 5: Securities Available for Sale Summary

		March 31, 2011			December 31, 2010	
(in millions)	**Cost**	**Net unrealized gain**	**Fair value**	Cost	Net unrealized gain	Fair value
Debt securities available for sale	**$ 155,147**	**7,751**	**162,898**	160,071	7,394	167,465
Marketable equity securities	**3,883**	**1,125**	**5,008**	4,258	931	5,189
Total securities available for sale	**$ 159,030**	**8,876**	**167,906**	164,329	8,325	172,654

Table 5 presents a summary of our securities available-for-sale portfolio. 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 were $8.9 billion at March 31, 2011, up from net unrealized gains of $8.3 billion at December 31, 2010, primarily due to narrowing of credit spreads.

We analyze securities for OTTI quarterly or more often if a potential loss-triggering event occurs. Of the $121 million OTTI write-downs in first quarter 2011, $80 million related to debt securities. There were no OTTI write-downs for marketable equity securities and there were $41 million in OTTI write-downs related to nonmarketable equity securities. For a discussion of our OTTI accounting policies and underlying considerations and analysis see Note 1 (Summary of Significant Accounting Policies Securities) in our 2010 Form 10-K and Note 4 (Securities Available for Sale) to Financial Statements in this Report.

At March 31, 2011, debt securities available for sale included $21 billion of municipal bonds, of which 84% were rated A- or better, based on external, and in some cases internal, ratings. Additionally, some of these bonds are guaranteed against loss by bond insurers. These bonds 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 decision. These municipal bonds will continue to be monitored as part of our ongoing impairment analysis of our securities available for sale.

The weighted-average expected maturity of debt securities available for sale was 6.5 years at March 31, 2011. Because 66% 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 Table 6.

Table 6: Mortgage-Backed Securities

(in billions)		Fair value	Net unrealized gain (loss)	Expected remaining maturity (in years)
At March 31, 2011	$	108.3	5.9	5.0
At March 31, 2011, assuming a 200 basis point:				
Increase in interest rates		97.2	(5.2)	6.4
Decrease in interest rates		115.6	13.2	3.6

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

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Balance Sheet Analysis ***(continued)***
Loan Portfolio
Table 7: Loan Portfolios

(in millions)		Mar. 31, 2011	Dec. 31, 2010
Commercial	$	**323,222**	322,058
Consumer		**427,933**	435,209
Total loans	$	**751,155**	757,267

A discussion of average loan balances and a comparative detail of average loan balances is included in Table 1 under Earnings Performance Net Interest Income earlier in this Report. Year-end balances and other loan related information are in Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

Deposits

Deposits totaled $837.7 billion at March 31, 2011, compared with $847.9 billion at December 31, 2010. Table 8 provides additional detail regarding deposits. Comparative detail of average deposit balances is provided in Table 1 under Earnings Performance Net Interest Income earlier in this Report. Total core deposits were $795.0 billion at March 31, 2011, down $3.2 billion from $798.2 billion at December 31, 2010.

Table 8: Deposits

(in millions)	March 31, 2011	% of total deposits	December 31, 2010	% of total deposits	% Change
Noninterest-bearing	$ **190,935**	**23 %**	$ 191,231	23 %	
Interest-bearing checking	**55,632**	**6**	63,440	7	(12)
Market rate and other savings	**441,383**	**53**	431,883	51	2
Savings certificates	**73,063**	**9**	77,292	9	(5)
Foreign deposits (1)	**34,025**	**4**	34,346	4	(1)

Core deposits	**795,038**	**95**	798,192	94	
Other time and savings deposits	**19,288**	**2**	19,412	2	(1)
Other foreign deposits	**23,336**	**3**	30,338	4	(23)
Total deposits	**$ 837,662**	**100 %**	$ 847,942	100 %	(1)

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

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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 2010 Form 10-K for a description of our critical accounting policy related to fair valuation of financial instruments.

We may use independent pricing services and brokers to obtain fair values based on 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 certain securities, we may use internal traders to obtain quoted prices. Quoted prices are subject to our internal price verification procedures. We validate prices received 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 review of pricing by Company personnel familiar with market liquidity and other market-related conditions.

Table 9 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.

Table 9: Fair Value Level 3 Summary

		March 31, 2011			December 31, 2010	
		Total			Total	
($ in billions)		**balance**		**Level 3** (1)	balance	Level 3 (1)
Assets carried at fair value	**$**	**277.1**		**47.6**	293.1	47.9
As a percentage of total assets		**22**	**%**	**4**	23	4
Liabilities carried at fair value	**$**	**24.7**		**5.7**	21.2	6.4
As a percentage of total liabilities		**2**	**%**	**1**	2	1

(1) Before derivative netting adjustments.

See Note 13 (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 the impact to our financial statements.

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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

We routinely 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.

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Risk Management

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

For more information about how we manage these risks, see the "Risk Management" section in our 2010 Form 10-K. The discussion that follows is intended to provide an update on these risks.

Credit Risk Management

Table 10: Total Loans Outstanding by Portfolio Segment and Class of Financing Receivable

(in millions)		Mar. 31, 2011	Dec. 31, 2010
Commercial:			
Commercial and industrial	$	**150,857**	151,284
Real estate mortgage		**101,084**	99,435
Real estate construction		**22,868**	25,333
Lease financing		**12,937**	13,094
Foreign (1)		**35,476**	32,912
Total commercial		**323,222**	322,058
Consumer:			
Real estate 1-4 family first mortgage		**226,509**	230,235
Real estate 1-4 family junior lien mortgage		**93,041**	96,149
Credit card		**20,996**	22,260
Other revolving credit and installment		**87,387**	86,565
Total consumer		**427,933**	435,209
Total loans	$	**751,155**	757,267

(1) Substantially all of our foreign loan portfolio is commercial loans. Loans are classified as foreign if the borrower s primary address is outside of the United States.

Our credit risk management process is governed centrally, but provides for decentralized 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, banking regulatory examiners review and perform detailed tests of our credit underwriting, loan administration and allowance processes.

A key to our credit risk management is adhering to a well controlled underwriting process, which we believe is appropriate for the needs of our customers as well as investors who purchase the loans or securities collateralized by the loans. We approve applications and make loans only if we believe the customer has the ability to repay the loan or line of credit according to all its terms. Our underwriting of loans collateralized by residential real property includes appraisals or automated valuation models (AVMs) to support property values. AVMs are computer-based tools used to estimate the market value of homes. AVMs are a lower-cost alternative to appraisals and support valuations of large numbers of properties in a short period of time. AVMs estimate property values based on processing large volumes of market data including market comparables and price trends for local market areas. The primary risk associated with the use of AVMs is that the value of an individual property may vary significantly from the average for the market area. We have processes to periodically validate AVMs and specific risk management guidelines addressing the circumstances when AVMs may be used. Generally AVMs are used in underwriting to support property values on loan originations only where the loan amount is under $250,000. For underwriting residential property loans of $250,000 or more, we generally require property visitation appraisals by qualified independent appraisers.

Non-Strategic and Liquidating Portfolios We continually evaluate and modify our credit policies to address appropriate levels of risk. Accordingly, from time to time, we designate certain portfolios and loan products as non-strategic or high risk to limit or cease their continued origination as we actively work to limit losses and reduce our exposures.

Table 11 identifies our non-strategic and liquidating loan portfolios. These portfolios have decreased 34% since the merger with Wachovia at December 31, 2008, and decreased 5% from the end of 2010. They consist primarily of the Pick-a-Pay mortgage portfolio and non Pick-a-Pay PCI loans acquired in our acquisition of Wachovia as well as some portfolios from legacy Wells Fargo home equity and Wells Fargo Financial. Effective first quarter 2011, we added our education finance government guaranteed loan portfolio to the non-strategic and liquidating portfolios as there is no longer a U.S. Government guaranteed student loan program available to private financial institutions pursuant to legislation in 2010.

The legacy Wells Fargo Financial debt consolidation portfolio included $1.2 billion of loans at March 31, 2011, and December 31, 2010, that were considered prime based on secondary market standards. The remainder is non-prime but was originated with standards to reduce credit risk.

Analysis of the Pick-a-Pay and the commercial and industrial and CRE domestic PCI portfolios is presented below in the Significant Credit Concentrations and Portfolios Reviews section.

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Risk Management Credit Risk Management ***(continued)***
Table 11: Non-Strategic and Liquidating Loan Portfolios

	Outstanding balance			
(in millions)	**Mar. 31, 2011**	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Commercial:				
Commercial and industrial, CRE and foreign PCI loans (1)	**$ 7,507**	7,935	12,988	18,704
Total commercial	**7,507**	7,935	12,988	18,704
Consumer:				
Pick-a-Pay mortgage (1)	**71,506**	74,815	85,238	95,315
Liquidating home equity	**6,568**	6,904	8,429	10,309
Legacy Wells Fargo Financial indirect auto	**4,941**	6,002	11,253	18,221
Legacy Wells Fargo Financial debt consolidation	**18,344**	19,020	22,364	25,299
Education Finance - government guaranteed (2)	**16,907**	17,510	21,150	20,465
Other PCI loans (1)	**1,048**	1,118	1,688	2,478
Total consumer	**119,314**	125,369	150,122	172,087
Total non-strategic and liquidating loan portfolios	**$ 126,821**	133,304	163,110	190,791

(1) Net of purchase accounting adjustments related to PCI loans.

(2) Effective first quarter 2011, we included our education finance government guaranteed loan portfolio as there is no longer a U. S. Government guaranteed student loan program available to private financial institutions, pursuant to legislation in 2010. Prior periods have been adjusted to reflect this change.

Significant Credit Concentrations and Portfolio Reviews Measuring and monitoring our credit risk is an ongoing process that tracks delinquencies, collateral values, FICO scores, economic trends by geographic areas, loan-level risk grading for certain portfolios (typically commercial) and other indications of credit risk. Our credit risk monitoring process is designed to enable early identification of developing risk and to support our determination of an adequate allowance for credit losses. The following analysis reviews the relevant concentrations and certain credit metrics of our significant portfolios. See Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report for more analysis and credit metric information.

COMMERCIAL REAL ESTATE (CRE) The CRE portfolio consists of both CRE mortgage loans and CRE construction loans. The combined CRE loans outstanding totaled $124.0 billion at March 31, 2011, or 17% of total loans. CRE construction loans totaled $22.9 billion at March 31, 2011, or 3% of total loans. CRE mortgage loans totaled $101.1 billion at March 31, 2011, or 14% of total loans, of which over 38% was to owner-occupants. Table 12 summarizes CRE loans by state and property type with the related nonaccrual totals. CRE nonaccrual loans totaled 6% of the non-PCI CRE outstanding balance at March 31, 2011. The portfolio is diversified both geographically and by property type. The largest geographic concentrations of combined CRE loans are in California and Florida, which represented 24% and 10% of the total CRE portfolio, respectively. By property type, the largest concentrations are office buildings at 25% and industrial/warehouse at 11% of the portfolio.

The underwriting of CRE loans primarily focuses on cash flows and creditworthiness of the customer, in addition to 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 put in place to manage problem assets. At March 31, 2011, the recorded investment in PCI CRE loans totaled $5.4 billion, down from $12.3 billion at December 31, 2008, reflecting the reduction resulting from loan resolutions and write-downs.

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Table 12: CRE Loans by State and Property Type

	March 31, 2011							
	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 (1):								
Florida	$ -	449	-	436	-	885		* %
California	-	606	-	174	-	780		*
New York	-	288	-	223	-	511		*
Virginia	-	212	-	241	-	453		*
North Carolina	-	98	-	307	-	405		*
Other	-	1,311	-	1,066	-	2,377	(2)	*
Total PCI loans	$ -	2,964	-	2,447	-	5,411		* %
All other loans:								
California	$ 1,201	25,343	323	3,262	1,524	28,605		4 %
Florida	858	9,493	348	2,083	1,206	11,576		2
Texas	370	6,825	140	1,978	510	8,803		1
North Carolina	377	4,497	224	1,322	601	5,819		*
New York	58	3,953	13	1,069	71	5,022		*
Virginia	88	3,380	44	1,423	132	4,803		*
Georgia	393	3,587	111	789	504	4,376		*
Arizona	231	3,557	93	673	324	4,230		*
Colorado	109	3,039	59	482	168	3,521		*
Washington	60	2,907	32	440	92	3,347		*
Other	1,494	31,539	852	6,900	2,346	38,439	(3)	5

Total all other loans	$ 5,239	98,120		2,239	20,421	7,478	118,541	16 %
Total	$ 5,239	101,084		2,239	22,868	7,478	123,952	17 %
By property:								
PCI loans (1):								
Apartments	$ -	737		-	583	-	1,320	* %
Office buildings	-	938		-	281	-	1,219	*
1-4 family land	-	239		-	429	-	668	*
Retail (excluding shopping center)	-	288		-	94	-	382	*
Land (excluding 1-4 family)	-	50		-	290	-	340	*
Other	-	712		-	770	-	1,482	*
Total PCI loans	$ -	2,964		-	2,447	-	5,411	* %
All other loans:								
Office buildings	$ 1,203	27,386		107	2,139	1,310	29,525	4 %
Industrial/warehouse	727	13,175		45	802	772	13,977	2
Apartments	387	9,515		282	3,200	669	12,715	2
Retail (excluding shopping center)	612	10,584		90	819	702	11,403	2
Shopping center	337	8,010		188	1,587	525	9,597	1
Real estate - other	302	8,629		17	342	319	8,971	1
Hotel/motel	497	6,168		46	852	543	7,020	*
Land (excluding 1-4 family)	47	442		596	6,553	643	6,995	*
Institutional	84	2,657		9	190	93	2,847	*
Agriculture	142	2,551		-	27	142	2,578	*
Other	901	9,003		859	3,910	1,760	12,913	2
Total all other loans	$ 5,239	98,120		2,239	20,421	7,478	118,541	16 %
Total	$ 5,239	101,084	(4)	2,239	22,868	7,478	123,952	17 %

* Less than 1%.

(1) For PCI loans, amounts represent carrying value. PCI loans are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments.

(2) Includes 35 states; no state had loans in excess of $405 million.

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

(4) Includes $38.6 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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Risk Management   Credit Risk Management *(continued)*

COMMERCIAL AND INDUSTRIAL LOANS AND LEASE FINANCING For purposes of portfolio risk management, we aggregate commercial and industrial loans and lease financing according to market segmentation and standard industry codes. Table 13 summarizes commercial and industrial loans and lease financing by industry with the related nonaccrual totals. We believe this portfolio has experienced less credit deterioration than our CRE portfolios. For the quarter ended March 31, 2011, the commercial and industrial loans and lease financing portfolios had (1) a lower percentage of loans 90 days or more past due and still accruing of 0.21%; 0.27% for CRE, (2) a lower percentage of nonperforming loans to total loans outstanding of 1.68%; 6.03% for CRE. Also, the annualized loss rate for both portfolios declined from first quarter 2010. We believe this portfolio is well underwritten and is diverse in its risk with relatively even concentrations across several industries. Our credit risk management process for this portfolio primarily focuses on a customer s ability to repay the loan through their cash flow. Generally, the collateral securing this portfolio represents a secondary source of repayment.

A majority of our commercial and industrial loans and lease financing portfolio is secured by short-term liquid assets, such as accounts receivable, inventory and securities, as well as long-lived assets, such as equipment and other business assets.

Table 13: Commercial and Industrial Loans and Lease Financing by Industry

		March 31, 2011			
(in millions)		Nonaccrual loans	Outstanding balance (1)		% of total loans
PCI loans (1):					
Insurance	$	-	94		* %
Investors		-	81		*
Technology		-	67		*
Cyclical retailers		-	51		*
Healthcare		-	38		*
Residential construction		-	38		*
Other		-	239	(2)	*
Total PCI loans	$	-	608		* %
All other loans:					
Financial institutions	$	138	11,285		2 %
Cyclical retailers		52	9,683		1
Food and beverage		66	8,423		1
Oil and gas		142	7,911		1

Healthcare		74	7,693		1
Industrial equipment		87	6,773		*
Transportation		25	6,451		*
Business services		69	5,923		*
Investors		92	5,678		*
Real estate		96	5,654		*
Technology		21	5,432		*
Utilities		2	4,712		*
Other		1,884	77,568	(3)	10
Total all other loans	$	2,748	163,186		22 %
Total	$	2,748	163,794		22 %

* Less than 1%.

(1) For PCI loans, amounts represent carrying value. PCI loans are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments.

(2) No other single category had loans in excess of $32.7 million.

(3) No other single category had loans in excess of $4.6 billion. The next largest categories included public administration, hotel/restaurant, securities firms, non-residential construction and leisure.

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During the recent credit cycle, we have experienced an increase in requests for extensions of commercial and industrial and CRE loans. All extensions granted are 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 extension. 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 place the loan on nonaccrual status and we charge-off all or a portion of the loan based on the fair value of the collateral securing the loan.

Our ability to seek performance under a guarantee is directly related to the guarantor s creditworthiness, capacity and willingness to perform, which is evaluated 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 industrial and CRE loans.

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Risk Management Credit Risk Management *(continued)*

REAL ESTATE 1-4 FAMILY MORTGAGE LOANS The concentrations of real estate 1-4 family mortgage loans by state are presented in Table 14. Our real estate 1-4 family mortgage loans to borrowers in California represented approximately 14% of total loans (3% of this amount were PCI loans from Wachovia) at March 31, 2011, mostly within the larger metropolitan areas, with no single area consisting of more than 3% of total loans. Changes in real estate values and underlying economic or market conditions for these areas are monitored continuously within our credit risk management process.

Some of our real estate 1-4 family mortgage loans (representing first mortgage and home equity products) include an interest-only feature as part of the loan terms. At March 31, 2011, these interest-only loans were approximately 24% of total commercial and consumer loans, compared with 25% at December 31, 2010. Substantially all of these interest-only loans are considered to be prime or near prime. We believe we have manageable adjustable-rate mortgage (ARM) reset risk across our Wells Fargo originated and owned mortgage loan portfolios. We do not offer option ARM products, nor do we offer variable-rate mortgage products with fixed payment amounts, commonly referred to within the financial services industry as negative amortizing mortgage loans. Our option ARM portfolio was acquired in the Wachovia merger on December 31, 2008.

Table 14: Real Estate 1-4 Family Mortgage Loans by State

					March 31, 2011
(in millions)		Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total real estate 1-4 family mortgage	% of total loans
PCI loans:					
California	$	21,139	47	21,186	3 %
Florida		3,169	50	3,219	*
New Jersey		1,344	31	1,375	*
Other (1)		6,589	111	6,700	*
Total PCI loans	$	32,241	239	32,480	4 %
All other loans:					
California	$	55,137	25,626	80,763	11 %
Florida		16,848	7,808	24,656	3
New Jersey		8,917	6,412	15,329	2
New York		8,348	3,718	12,066	2
Virginia		6,048	4,623	10,671	1
Pennsylvania		6,126	4,032	10,158	1

North Carolina		5,797	3,479	9,276	1
Georgia		4,725	3,520	8,245	1
Texas		6,531	1,423	7,954	1
Other (2)		75,791	32,161	107,952	14
Total all other loans	$	194,268	92,802	287,070	38 %
Total	$	226,509	93,041	319,550	43 %

* Less than 1%.

(1) Consists of 46 states; no state had loans in excess of $786 million.

(2) Consists of 41 states; no state had loans in excess of $6.9 billion. Includes $15.9 billion in loans which are insured by the Federal Housing Authority (FHA) or guaranteed by the Department of Veterans Affairs (VA).

PURCHASED CREDIT-IMPAIRED (PCI) LOANS 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 in the acquisition using the measurement provisions for PCI loans. PCI loans were recorded at fair value at the date of acquisition, and the historical allowance for credit losses related to these loans was not carried over. Such loans are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments.

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 commercial and industrial, 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 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 accretable yield percentage is unaffected by the resolution and any changes in the effective yield for the remaining loans in the pool are addressed by our quarterly cash flow evaluation process for each pool. For loans that are resolved by payment in full, there is no release of the nonaccretable difference for the pool because there is no difference between the amount received at resolution and the contractual amount of the loan. Modified PCI loans are not removed from a pool even if those loans would otherwise be deemed TDRs. Modified PCI loans that are accounted for individually are considered TDRs, and removed from PCI accounting, if there has been a concession granted in excess of the original nonaccretable difference.

During first quarter 2011, we recognized in income $71 million released from nonaccretable difference related to commercial PCI loans due to payoffs and dispositions of these loans. We also transferred $115 million from the nonaccretable difference to the accretable yield and $393 million of losses from loan resolutions and write-downs were absorbed by the nonaccretable difference. Table 15 provides an analysis of changes in the nonaccretable difference related to principal that is not expected to be collected.

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Risk Management Credit Risk Management *(continued)*

Table 15: Changes in Nonaccretable Difference for PCI Loans

(in millions)	Commercial	Pick-a-Pay	Other consumer	Total
Balance at 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 credit-related 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 at December 31, 2009	5,003	16,240	1,622	22,865
Release of nonaccretable difference due to:				
Loans resolved by settlement with borrower (1)	(817)	-	-	(817)
Loans resolved by sales to third parties (2)	(172)	-	-	(172)
Reclassification to accretable yield for loans with improving credit-related cash flows (3)	(726)	(2,356)	(317)	(3,399)
Use of nonaccretable difference due to:				
Losses from loan resolutions and write-downs (4)	(1,698)	(2,959)	(391)	(5,048)
Balance at December 31, 2010	**1,590**	**10,925**	**914**	**13,429**
Release of nonaccretable difference due to:				
Loans resolved by settlement with borrower (1)	**(53)**	**-**	**-**	**(53)**
Loans resolved by sales to third parties (2)	**(18)**	**-**	**-**	**(18)**
Reclassification to accretable yield for loans with improving credit-related cash flows (3)	**(94)**	**-**	**(21)**	**(115)**
Use of nonaccretable difference due to:				
Losses from loan resolutions and write-downs (4)	**(30)**	**(299)**	**(64)**	**(393)**
Balance at March 31, 2011	**$ 1,395**	**10,626**	**829**	**12,850**

(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 to accretable yield for loans with increased cash flow estimates will result in increased interest income as a prospective yield adjustment over the remaining life of the loan or pool of loans.

(4) Write-downs to net realizable value of PCI loans are absorbed by 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 $5.5 billion in nonaccretable difference for certain PCI loans and pools of PCI loans, including $4.0 billion transferred from the nonaccretable difference to the accretable yield and $1.5 billion released to income through loan resolutions. We have provided $1.6 billion in the allowance for credit losses for certain PCI loans or pools of PCI loans that have had credit-related decreases to cash flows expected to be collected. The net result is a $3.9 billion reduction from December 31, 2008 through March 31, 2011, in our initial expected losses on all PCI loans.

At March 31, 2011, the allowance for credit losses in excess of nonaccretable difference on certain PCI loans was $257 million. The allowance is necessary to absorb credit-related decreases in cash flows expected to be collected since acquisition and primarily relates to individual PCI loans. Table 16 analyzes the actual and projected loss results on PCI loans since the acquisition of Wachovia on December 31, 2008, through March 31, 2011.

Table 16: Actual and Projected Loss Results on PCI Loans

(in millions)	Commercial	Pick-a-Pay	Other consumer	Total
Release of unneeded nonaccretable difference due to:				
Loans resolved by settlement with borrower (1)	$ 1,200	-	-	1,200
Loans resolved by sales to third parties (2)	276	-	85	361
Reclassification to accretable yield for loans with improving credit-related cash flows (3)	958	2,383	614	3,955
Total releases of nonaccretable difference due to better than expected losses	2,434	2,383	699	5,516
Provision for worse than originally expected losses (4)	(1,573)	-	(61)	(1,634)
Actual and projected losses on PCI loans less than originally expected	$ 861	2,383	638	3,882

(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 to accretable yield for loans with increased cash flow estimates will result in increased interest income as a prospective yield adjustment over the remaining life of the loan or pool of loans.

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

For further detail on PCI loans, see Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

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Risk Management Credit Risk Management *(continued)*

PICK-A-PAY PORTFOLIO The Pick-a-Pay portfolio was one of the consumer residential first mortgage portfolios we acquired from Wachovia. We considered a majority of the Pick-a-Pay loans to be PCI loans. The Pick-a-Pay portfolio is a liquidating portfolio, as Wachovia ceased originating new Pick-a-Pay loans in 2008.

Real estate 1-4 family junior lien mortgages and lines of credit 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), and also includes 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 Pick-a-Pay portfolio is included in the consumer real estate 1-4 family first mortgage class of loans throughout this Report. Table 17 provides balances over time related to the types of loans included in the portfolio.

Table 17: Pick-a-Pay Portfolio Balances Over Time

		March 31, 2011		2010		December 31, 2008
(in millions)	**Adjusted unpaid principal balance**	**% of total**	Adjusted unpaid principal balance	% of total	Adjusted unpaid principal balance	% of total
Option payment loans (1)	**$ 46,908**	**58 %**	$ 49,958	59 %	$ 99,937	86 %
Non-option payment adjustable-rate and fixed-rate loans (1)	**10,900**	**14**	11,070	13	15,763	14
Full-term loan modifications (1)	**22,779**	**28**	23,132	28	-	-
Total adjusted unpaid principal balance (1)	**$ 80,587**	**100 %**	$ 84,160	100 %	$ 115,700	100 %
Total carrying value	**$ 71,506**		$ 74,815		$ 95,315	

(1) Adjusted unpaid principal balance includes write-downs taken on loans where 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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PCI loans in the Pick-a-Pay portfolio had an adjusted unpaid principal balance of $40.7 billion and a carrying value of $31.4 billion at March 31, 2011. The carrying value of the PCI loans is net of remaining purchase accounting write-downs, which reflected 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 with the original acquisition estimates, we have reclassified $2.4 billion from the nonaccretable difference to the accretable yield since the Wachovia merger. This improvement in the lifetime credit outlook for this portfolio is primarily attributable to the significant modification efforts as well as the portfolio s delinquency stabilization. This improvement in the credit outlook is expected to be realized over the remaining life of the portfolio, which is estimated to have a weighted-average life of approximately nine years. The accretable yield percentage in first quarter 2011 was 4.54%, consistent with fourth quarter 2010. Fluctuations in the accretable yield are driven by changes in interest rate indices for variable rate PCI loans, prepayment assumptions, and expected principal and interest payments over the estimated life of the portfolio. Changes in the projected timing of cash flow events, including loan liquidations, modifications and short sales, can also affect the accretable yield percentage and the estimated weighted-average life of the portfolio.

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 usually cannot increase by more than 7.5% of the then-existing principal and interest payment amount. 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 of $2.5 billion at March 31, 2011, was down from $2.7 billion at December 31, 2010, 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 March 31, 2011, approximately 76% of customers choosing the minimum payment option did not defer interest.

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 reset or 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 the Pick-a-Pay portfolio, there is little 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 loans to recast based on reaching the principal cap: $1 million for the remainder of 2011, $3 million in 2012, and $30 million in 2013. In first quarter 2011, the amount of loans recast based on reaching the principal cap was $2 million. In addition, in a flat rate environment, we would expect the following balances of 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: $22 million for the remainder of 2011, $65 million in 2012, and $265 million in 2013. In first quarter 2011, the amount of loans reaching their recast anniversary date and also having a payment change over the annual 7.5% reset was $3 million.

Table 18 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, including write-downs for expected credit losses, the ratio of the carrying value to the current collateral value will be lower compared with the LTV based on the adjusted unpaid principal balance. For informational purposes, we have included both ratios for PCI loans in the following table.

Risk Management Credit Risk Management *(continued)*
Table 18: Pick-a-Pay Portfolio (1)

	March 31, 2011					
	PCI loans				All other loans	
(in millions)	Adjusted unpaid principal balance (2)	Current LTV ratio (3)	Carrying value (4)	Ratio of carrying value to current value	Carrying value (4)	Current LTV ratio (3)
California	$ 27,645	119 %	$ 20,952	90 %	$ 19,571	83 %
Florida	3,782	125	2,878	90	4,152	103
New Jersey	1,409	93	1,235	80	2,512	78
Texas	365	79	332	72	1,636	65
New York	781	92	682	79	1,087	81
Other states	6,692	109	5,353	86	11,116	86
Total Pick-a-Pay loans	$ 40,674		$ 31,432		$ 40,074	

(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 2011.

(2) Adjusted unpaid principal balance includes write-downs taken on loans where 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.

(3) The current LTV ratio is calculated as the adjusted unpaid principal balance 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.

(4) Carrying value, which does not reflect the allowance for loan losses, includes remaining purchase accounting adjustments, which, for PCI loans may include 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, and, in geographies with substantial property value declines, we may offer permanent principal reductions.

We offer proprietary modification programs and the U.S. Treasury Department s Home Affordability Modification Program (HAMP) to our real estate 1-4 family mortgage borrowers. In first quarter 2011, we completed more than 4,600 proprietary and HAMP Pick-a-Pay loan modifications and have completed more than 85,000 modifications since the Wachovia acquisition, resulting in $3.9 billion of principal forgiveness to our Pick-a-Pay customers. The majority of the loan modifications were concentrated in our PCI Pick-a-Pay loan portfolio. 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 provision for credit losses. To the extent we modify loans not in the PCI Pick-a-Pay portfolio, we separately estimate impairment to the extent loans have been modified in a TDR.

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HOME EQUITY PORTFOLIOS The deterioration in specific segments of the legacy Wells Fargo Home Equity portfolios, which began in 2007, 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 portfolio was $6.6 billion at March 31, 2011, compared with $6.9 billion at December 31, 2010. The loans in this liquidating portfolio represent less than 1% of our total loans outstanding at March 31, 2011, and contain some of the highest risk in our $114.1 billion Home Equity portfolio, with a loss rate of 10.10% compared with 3.44% for the core Home Equity 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 $107.6 billion at March 31, 2011, of which 98% was originated through the retail channel and approximately 20% of the outstanding balance was in a first lien position. Table 19 shows the credit attributes of the Home Equity core and liquidating 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.

Table 19: Home Equity Portfolios (1)

		Outstanding balance		% of loans two payments or more past due		Loss rate (annualized) Quarter ended	
(in millions)		**Mar. 31, 2011**	Dec. 31, 2010	**Mar. 31, 2011**	Dec. 31, 2010	**Mar. 31, 2011**	Dec. 31, 2010
Core portfolio (2)							
California	$	**27,048**	27,850	**3.17** %	3.30	**3.98**	3.95
Florida		**11,742**	12,036	**5.07**	5.46	**6.16**	5.84
New Jersey		**8,460**	8,629	**3.24**	3.44	**2.83**	1.83
Virginia		**5,535**	5,667	**2.30**	2.33	**1.91**	1.70
Pennsylvania		**5,304**	5,432	**2.42**	2.48	**1.49**	1.11
Other		**49,491**	50,976	**2.65**	2.83	**2.97**	2.86
Total		**107,580**	110,590	**3.06**	3.24	**3.44**	3.24
Liquidating portfolio							
California		**2,421**	2,555	**6.11**	6.66	**13.19**	13.48
Florida		**312**	330	**7.16**	8.85	**15.15**	10.59
Arizona		**139**	149	**6.25**	6.91	**20.02**	18.45
Texas		**118**	125	**2.15**	2.02	**3.39**	2.95
Minnesota		**87**	91	**4.24**	5.39	**8.94**	8.73
Other		**3,491**	3,654	**3.98**	4.53	**7.36**	6.46
Total		**6,568**	6,904	**4.94**	5.54	**10.10**	9.49

Total core and liquidating portfolios	$	**114,148**	117,494	**3.17**	3.37	**3.83**	3.61

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

(2) Includes $1.6 billion and $1.7 billion at March 31, 2011, and December 31, 2010, respectively, associated with the Pick-a-Pay portfolio.

CREDIT CARDS Our credit card portfolio totaled $21.0 billion at March 31, 2011, which represented 3% of our total outstanding loans. The quarterly net charge-off rate (annualized) for our credit card loans declined throughout 2010 and was 7.21% for first quarter 2011 compared with 11.17% for first quarter 2010.

OTHER REVOLVING CREDIT AND INSTALLMENT Other revolving credit and installment loans totaled $87.4 billion at March 31, 2011, and predominantly include automobile, student and security-based margin loans. Education finance government guaranteed student loans totaled $16.8 billion of this group of loans at March 31, 2011, and are included in our non-strategic and liquidating portfolios as discussed earlier in this Report. The quarterly net charge-off rate (annualized) for other revolving credit and installment loans was 1.42% for first quarter 2011 compared with 2.45% for first quarter 2010.

For further credit quality details on our loan portfolios, see Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

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Risk Management Credit Risk Management *(continued)*

NONACCRUAL LOANS AND OTHER NONPERFORMING ASSETS 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) 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.

Table 20 shows a quarterly trend for nonaccrual loans and other NPAs, and, for fourth quarter 2010, shows a decline in the total balance from the prior quarter for the first time since the acquisition of Wachovia. The decline continued in first quarter 2011.

Table 20: Nonaccrual Loans and Other Nonperforming Assets

	March 31, 2011		December 31, 2010		September 30, 2010		June 30, 2010	
($ in millions)	**Balances**	**% of total loans**	Balances	% of total loans	Balances	% of total loans	Balances	% of total loans
Commercial:								
Commercial and industrial	$ **2,653**	**1.76%**	$ 3,213	2.12%	$ 4,103	2.79%	$ 3,843	2.63%
Real estate mortgage	**5,239**	**5.18**	5,227	5.26	5,079	5.14	4,689	4.71
Real estate construction	**2,239**	**9.79**	2,676	10.56	3,198	11.46	3,429	11.10
Lease financing	**95**	**0.73**	108	0.82	138	1.06	163	1.21
Foreign	**86**	**0.24**	127	0.39	126	0.42	115	0.38
Total commercial (1)	**10,312**	**3.19**	11,351	3.52	12,644	3.99	12,239	3.82
Consumer:								
Real estate 1-4 family first mortgage (2)	**12,143**	**5.36**	12,289	5.34	12,969	5.69	12,865	5.50
Real estate 1-4 family junior lien mortgage	**2,235**	**2.40**	2,302	2.39	2,380	2.40	2,391	2.36
Other revolving credit and installment	**275**	**0.31**	300	0.35	312	0.35	316	0.36
Total consumer	**14,653**	**3.42**	14,891	3.42	15,661	3.58	15,572	3.49
	24,965	**3.32**	26,242	3.47	28,305	3.76	27,811	3.63

Total nonaccrual loans (3)(4)(5)											
Foreclosed assets:											
Government insured/guaranteed (6)		**1,457**			1,479			1,492			1,344	
Non-government insured/guaranteed		**4,055**			4,530			4,635			3,650	
Total foreclosed assets		**5,512**			6,009			6,127			4,994	
Other (7)		**140**			120			141			131	
Total nonaccrual loans and other nonperforming assets	**$**	**30,617**	**4.08 %**	$	32,371	4.27 %	$	34,573	4.59 %	$	32,936	4.30 %
Change from prior quarter	**$**	**(1,754)**			(2,202)			1,637			1,436	

(1) Includes LHFS of $17 million, $3 million, $89 million and $19 million at March 31, 2011, and December 31, September 30, and June 30, 2010, respectively.

(2) Includes MHFS of $430 million, $426 million, $448 million and $450 million at March 31, 2011, and December 31, September 30, and June 30, 2010, respectively.

(3) 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.

(4) Real estate 1-4 family mortgage loans insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veteran Affairs (VA) and student loans predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the Federal Family Education Loan Program are not placed on nonaccrual status because they are insured or guaranteed.

(5) See Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in our 2010 Form 10-K for further information on impaired loans.

(6) Consistent with regulatory reporting requirements, foreclosed real estate securing government insured/guaranteed loans is classified as nonperforming. Both principal and interest for government insured/guaranteed loans secured by the foreclosed real estate are collectible because the loans are insured by the FHA or guaranteed by the VA.

(7) Includes real estate investments (loans for which any yield is based on performance of the underlying real estate collateral and are 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 $30.6 billion (4.08% of total loans) at March 31, 2011, and included $25.0 billion of nonaccrual loans and $5.5 billion of foreclosed assets. Since the peak in third quarter 2010, NPAs have declined for all loan and other asset types through March 31, 2011, except commercial real estate mortgages which increased slightly. Nonaccruals in all other loan portfolios were essentially flat or down year over year. New inflows to nonaccrual loans continued to decline. Table 21 provides an analysis of the changes in nonaccrual loans.

Table 21: Analysis of Changes in Nonaccrual Loans

		Quarter ended			
(in millions)	**Mar. 31, 2011**	Dec. 31, 2010	Sept. 30, 2010	June 30, 2010	Mar. 31, 2010
Commercial nonaccrual loans					
Balance, beginning of quarter	$ **11,351**	12,644	12,239	12,265	11,723
Inflows	**1,881**	2,329	2,807	2,560	2,763
Outflows	**(2,920)**	(3,622)	(2,402)	(2,586)	(2,221)
Balance, end of quarter	**10,312**	11,351	12,644	12,239	12,265
Consumer nonaccrual loans					
Balance, beginning of quarter	**14,891**	15,661	15,572	15,036	12,695
Inflows	**3,955**	4,357	4,866	4,733	6,169
Outflows	**(4,193)**	(5,127)	(4,777)	(4,197)	(3,828)
Balance, end of quarter	**14,653**	14,891	15,661	15,572	15,036
Total nonaccrual loans	$ **24,965**	26,242	28,305	27,811	27,301

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. We continue to modify loans to assist homeowners and other borrowers in the current difficult economic cycle.
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, inclusive of consecutive payments made prior to modification.

Loans are placed on nonaccrual status when it is probable that we will not collect the contractual value of the asset. While nonaccrual loans are not free of loss content, we believe exposure to loss is significantly mitigated by four factors. First, 99% of consumer nonaccrual loans and 96% of commercial nonaccrual loans are secured. Second, losses

have already been recognized on 55% of the remaining balance of consumer nonaccruals and commercial nonaccruals have been written down by $2.8 billion. Residential nonaccrual loans are written down to net realizable value (fair value of collateral less estimated costs to sell) at 180 days past due, except for loans that go into trial modification prior to becoming 180 days past due, and which are not written down in the trial period (three months) as long as trial payments are being made on time. Third, as of March 31, 2011, 54% of commercial nonaccrual loans were current on interest. Fourth, the inherent risk of loss
in all nonaccruals has been considered and we believe is adequately covered by the allowance for loan losses.

Commercial nonaccrual loans, net of write-downs, amounted to $10.3 billion at March 31, 2011, compared with $12.3 billion a year ago. Consumer nonaccrual loans amounted to $14.7 billion at March 31, 2011, compared with $15.0 billion a year ago. Federal government modification programs, such as HAMP, and Wells Fargo proprietary modification programs, such as the Company s Pick-a-Pay Mortgage Assistance program, require customers to provide updated documentation, and some programs require completion of trial payment periods to demonstrate sustained performance, before the loan can be removed from nonaccrual status. In addition, for loans in foreclosure, many states, including California, Florida and New Jersey, 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 timely fashion.

Generally, when a consumer real estate loan is 120 days past due, we move it to nonaccrual status. When the loan reaches 180 days past due it is our policy to write these loans down to net realizable value, except for modifications in their trial period. Thereafter, we revalue each loan regularly and recognize additional charges if needed. Of the $14.7 billion of consumer nonaccrual loans at March 31, 2011, 98% are secured by real estate and 32% have a combined LTV (CLTV) ratio of 80% or below.

Table 22 provides a summary of foreclosed assets.

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Risk Management Credit Risk Management *(continued)*
Table 22: Foreclosed Assets

(in millions)		**Mar. 31, 2011**	Dec. 31, 2010	Sept. 30, 2010	June 30, 2010	Mar. 31, 2010
Government insured/guaranteed (1)	$	**1,457**	1,479	1,492	1,344	1,111
PCI loans:						
Commercial		**1,005**	967	1,043	940	697
Consumer		**741**	1,068	1,109	722	490
Total PCI loans		**1,746**	2,035	2,152	1,662	1,187
All other loans:						
Commercial		**1,408**	1,412	1,343	1,087	820
Consumer		**901**	1,083	1,140	901	963
Total all other loans		**2,309**	2,495	2,483	1,988	1,783
Total foreclosed assets	$	**5,512**	6,009	6,127	4,994	4,081

(1) Consistent with regulatory reporting requirements, foreclosed real estate securing government insured/guaranteed loans is classified as nonperforming. Both principal and interest for government insured/guaranteed loans secured by the foreclosed real estate are collectible because the loans are insured by the FHA or guaranteed by the VA.

NPAs at March 31, 2011, included $1.5 billion of foreclosed real estate that is FHA insured or VA guaranteed and expected to have little to no loss content, and $4.0 billion of foreclosed assets, which have been written down to net realizable value. Foreclosed assets increased $1.4 billion, or 35%, year over year in first quarter 2011. Of this increase, $559 million were foreclosed loans from the PCI portfolio that are now recorded as foreclosed assets. At March 31, 2011, substantially all of our foreclosed assets of $5.5 billion have been in the foreclosed assets portfolio one year or less.

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. The loss content in the nonaccrual loans has been recognized through charge-offs or provided for in the allowance for credit losses at March 31, 2011. The performance of any one loan can be affected by external factors, such as economic or market conditions, or factors affecting a particular borrower. We are maintaining 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.

We process foreclosures on a regular basis for the loans we service for others as well as those we hold in our loan portfolio. However, we utilize foreclosure only as a last resort for dealing with borrowers who are experiencing financial hardships. We employ extensive contact and restructuring procedures to attempt to find other solutions for our borrowers.

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TROUBLED DEBT RESTRUCTURINGS (TDRs)

Table 23: Troubled Debt Restructurings (TDRs)

(in millions)	**Mar. 31, 2011**	Dec. 31, 2010	Sept. 30, 2010	June 30, 2010	Mar. 31, 2010
Consumer TDRs:					
Real estate 1-4 family first mortgage	**$ 12,261**	11,603	10,951	9,525	7,972
Real estate 1-4 family junior lien mortgage	**1,824**	1,626	1,566	1,469	1,563
Other revolving credit and installment	**859**	778	674	502	310
Total consumer TDRs	**14,944**	14,007	13,191	11,496	9,845
Commercial TDRs	**2,352**	1,751	1,350	656	386
Total TDRs	**$ 17,296**	15,758	14,541	12,152	10,231
TDRs on nonaccrual status	**$ 5,041**	5,185	5,177	3,877	2,738
TDRs on accrual status	**12,255**	10,573	9,364	8,275	7,493
Total TDRs	**$ 17,296**	15,758	14,541	12,152	10,231

Table 23 provides information regarding the recorded investment of loans modified in TDRs. The allowance for TDR loans was $4.2 billion at March 31, 2011, and $3.9 billion at December 31, 2010. Total charge-offs related to loans modified in a TDR were $349 million for first quarter 2011 and $322 million for first quarter 2010.

Our nonaccrual policies are generally the same for all loan types when a restructuring is involved. We underwrite loans at the time of restructuring to determine whether 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 applicable. If the borrower has demonstrated performance under the previous terms and the underwriting process 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 nonaccrual status generally until the borrower demonstrates a sustained period of performance, generally six consecutive months of payments, or equivalent, inclusive of consecutive payments made prior to modification. Loans will also be placed on nonaccrual, and a corresponding charge-off is 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 to the extent not done so prior to the modification. We sometimes delay the required timing of a portion of principal (principal forbearance) and charge off the amount of forbearance if that amount is not considered fully collectible. 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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Risk Management Credit Risk Management *(continued)*

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 until later delinquency, usually 120 days past due. PCI loans of $10.8 billion at March 31, 2011, and $11.6 billion at December 31, 2010, are excluded from this disclosure even though they are 90 days or more contractually past due. These PCI loans are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments.

Excluding insured/guaranteed loans, loans 90 days or more past due and still accruing at March 31, 2011, were down $221 million, or 8%, from December 31, 2010. The decline was due to loss mitigation activities including modifications and increased collection capacity/process improvements, charge-offs, lower early stage delinquency levels and credit stabilization.

Table 24 reflects non-PCI loans 90 days or more past due and still accruing by class for loans not government insured/guaranteed.

Table 24: Loans 90 Days or More Past Due and Still Accruing

(in millions)	**Mar. 31, 2011**	Dec. 31, 2010	Sept. 30, 2010	June 30, 2010	Mar. 31, 2010
Total (excluding PCI):	**$ 17,901**	18,488	18,815	19,384	21,822
Less: FHA insured/guaranteed by the VA (1)	**14,353**	14,733	14,529	14,387	15,865
Less: Student loans guaranteed under the FFELP (2)	**1,120**	1,106	1,113	1,122	1,072
Total, not government insured/guaranteed	**$ 2,428**	2,649	3,173	3,875	4,885
By segment and class, not insured/guaranteed:					
Commercial:					
Commercial and industrial	**$ 338**	308	222	540	561
Real estate mortgage	**177**	104	463	654	947
Real estate construction	**156**	193	332	471	787
Foreign	**16**	22	27	21	29
Total commercial	**687**	627	1,044	1,686	2,324
Consumer:					
Real estate 1-4 family first mortgage (3)	**858**	941	1,016	1,049	1,281
Real estate 1-4 family junior lien mortgage (3)	**325**	366	361	352	414
Credit card	**413**	516	560	610	719
Other revolving credit and installment	**145**	199	192	178	147

Total consumer	**1,741**	2,022	2,129	2,189	2,561
Total, not government insured/guaranteed	**$ 2,428**	2,649	3,173	3,875	4,885

(1) Represents loans whose repayments are insured by the FHA or guaranteed by the VA.

(2) Represents loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the Federal Family Education Loan Program (FFELP).

(3) Includes mortgages held for sale 90 days or more past due and still accruing.

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NET CHARGE-OFFS
Table 25: Net Charge-offs

	Quarter ended									
	March 31, 2011		December 31, 2010		September 30, 2010		June 30, 2010		March 31, 2010	
($ in millions)	**Net loan charge-offs**	**% of avg. loans(1)**	Net loan charge-offs	% of avg. loans (1)	Net loan charge-offs	% of avg. loans (1)	Net loan charge-offs	% of avg. loans (1)	Net loan charge-offs	% of avg. loans (1)
Commercial:										
Commercial and industrial	**$ 354**	**0.96%**	$ 500	1.34%	$ 509	1.38%	$ 689	1.87%	$ 650	1.68%
Real estate mortgage	**152**	**0.62**	234	0.94	218	0.87	360	1.47	271	1.12
Real estate construction	**83**	**1.38**	171	2.51	276	3.72	238	2.90	394	4.45
Lease financing	**6**	**0.18**	21	0.61	23	0.71	27	0.78	29	0.85
Foreign	**28**	**0.34**	28	0.36	39	0.52	42	0.57	36	0.52
Total commercial	**623**	**0.79**	954	1.19	1,065	1.33	1,356	1.69	1,380	1.68
Consumer:										
Real estate 1-4 family first mortgage	**904**	**1.60**	1,024	1.77	1,034	1.78	1,009	1.70	1,311	2.17
Real estate 1-4 family junior lien mortgage	**994**	**4.25**	1,005	4.08	1,085	4.30	1,184	4.62	1,449	5.56
Credit card	**382**	**7.21**	452	8.21	504	9.06	579	10.45	643	11.17
Other revolving credit and installment	**307**	**1.42**	404	1.84	407	1.83	361	1.64	547	2.45
Total consumer	**2,587**	**2.42**	2,885	2.63	3,030	2.72	3,133	2.79	3,950	3.45
Total	**$ 3,210**	**1.73%**	$ 3,839	2.02%	$ 4,095	2.14%	$ 4,489	2.33%	$ 5,330	2.71%

(1) Quarterly net charge-offs as a percentage of average respective loans are annualized.

Risk Management Credit Risk Management *(continued)*

Table 25 presents net charge-offs for first quarter 2011 and each of the four quarters of 2010. Net charge-offs in first quarter 2011 were $3.2 billion (1.73% of average total loans outstanding) compared with $5.3 billion (2.71%) in first quarter 2010.

Net charge-offs in the 1-4 family first mortgage portfolio totaled $904 million in first quarter 2011. Our 1-4 family first mortgage portfolio continued to reflect relatively low loss rates, although until housing prices fully stabilize, these credit losses will continue to remain elevated.

Net charge-offs in the real estate 1-4 family junior lien portfolio were $994 million in first quarter 2011. More information about the Home Equity portfolio, which includes substantially all of our real estate 1-4 family junior lien mortgage loans, is available in Table 19 in this Report and the related discussion.

Credit card net charge-offs of $382 million in first quarter 2011 decreased $261 million from a year ago.

Commercial and CRE net charge-offs were $623 million in first quarter 2011 compared with $1.4 billion a year ago. Commercial business line credit results continued to improve from first quarter 2010 as market liquidity and improving market conditions helped stabilize performance results. Increased lending activity in first quarter 2011 in the majority of our commercial business lines further supported our belief of a turn in the demand for credit.

ALLOWANCE FOR CREDIT LOSSES The allowance for credit losses, which consists of the allowance for loan losses and the allowance for unfunded credit commitments, is management s estimate of credit losses inherent in the loan portfolio and unfunded credit commitments at the balance sheet date, excluding loans carried at fair value. The detail of the changes in the allowance for credit losses by portfolio segment (including charge-offs and recoveries by loan class) 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 credit 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 do not solely determine the adequacy of the allowance as we use several analytical tools in determining its adequacy. For additional information on our allowance for credit losses, see the Critical Accounting Policies Allowance for Credit Losses section in our 2010 Form 10-K and Note 5 (Loans and Allowance for Credit Losses) to Financial Statements in this Report.

At March 31, 2011, the allowance for loan losses totaled $22.0 billion (2.93% of total loans), compared with $23.0 billion (3.04%), at December 31, 2010. The allowance for credit losses was $22.4 billion (2.98% of total loans) at March 31, 2011, and $23.5 billion (3.10%) at December 31, 2010. The allowance for credit losses included $257 million at March 31, 2011, and $298 million at December 31, 2010, related to PCI loans acquired from Wachovia. The allowance for unfunded credit commitments was $400 million at March 31, 2011, and $441 million at December 31, 2010. In addition to the allowance for credit losses, at March 31, 2011, and December 31, 2010, there was $12.9 billion and $13.4 billion, respectively, of nonaccretable difference to absorb losses for PCI loans. For additional information on PCI loans, see the Risk Management Credit Risk Management Purchased Credit-Impaired Loans 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 March 31, 2011, and 89% at December 31, 2010. 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 March 31, 2011.

The ratio of the allowance for loan losses to annualized net charge-offs was 169% at March 31, 2011, and 130% at December 31, 2010. The $1.0 billion decline in the allowance for loan losses in first quarter 2011 reflected continued improvement in delinquencies and portfolio performance primarily in consumer portfolios. As a result of significant levels of previous charge-offs, the loan portfolio at March 31, 2011, consisted of higher percentages of more recent vintage loans subjected to tightened underwriting standards.

Total provision for credit losses was $2.2 billion in first quarter 2011, compared with $5.3 billion a year ago. The first quarter 2011 provision was $1.0 billion less than net charge-offs, compared with a provision that equaled net charge-offs in first quarter 2010. Absent significant deterioration in the economy, we expect future allowance releases.

In determining the appropriate allowance attributable to our residential real estate portfolios, the loss rates used in our analysis include the impact of our established loan modification programs. When modifications occur or are probable to occur, our allowance considers the impact of these modifications, taking into consideration the associated credit cost, including re-defaults of modified loans and projected loss severity. The loss content associated with existing and probable loan modifications has been considered in our allowance methodology.

Changes in the allowance reflect changes in statistically derived loss estimates, historical loss experience, current trends in borrower risk and/or general economic activity on portfolio performance, and management s estimate for imprecision and uncertainty.

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We believe the allowance for credit losses of $22.4 billion was adequate to cover credit losses inherent in the loan portfolio, including unfunded credit commitments, at March 31, 2011. The allowance for credit losses is subject to change and considers existing factors at the time, including economic or 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 allowance for credit losses is discussed in the Critical Accounting Policies Allowance for Credit Losses section in our 2010 Form 10-K and Note 5 (Loans and Allowance for Credit Losses) to the Financial Statements in this Report.

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Risk Management Credit Risk Management *(continued)*

LIABILITY FOR MORTGAGE LOAN REPURCHASE LOSSES We sell residential mortgage loans to various parties, including (1) Freddie Mac and Fannie Mae (GSEs) who include the mortgage loans in GSE-guaranteed mortgage securitizations, (2) special purpose entities (SPEs) that issue private label mortgage-backed securities (MBS), and (3) other financial institutions that purchase mortgage loans for investment or private label securitization. In addition, we pool FHA-insured and VA-guaranteed mortgage loans that back securities guaranteed by GNMA. We may be required to repurchase these mortgage loans, indemnify the securitization trust, investor or insurer, or reimburse the securitization trust, investor or insurer for credit losses incurred on loans (collectively repurchase) in the event of a breach of contractual representations or warranties that is not remedied within a period (usually 90 days or less) after we receive notice of the breach. For further detail see our 2010 Form 10-K.

We have established a mortgage repurchase liability related to various representations and warranties that reflect management s estimate of losses for loans for which we could have a repurchase obligation, whether or not we currently service those loans, based on a combination of factors. Currently, repurchase demands primarily relate to 2006 through 2008 vintages and to GSE-guaranteed MBS.

During first quarter 2011, we observed a decline in our level of repurchases and losses as we continued to work through the remaining risk associated with the 2006 through 2008 vintages. We repurchased or reimbursed investors for incurred losses on mortgage loans with original balances of $805 million. We incurred net losses on repurchased loans and investor reimbursements totaling $331 million in first quarter 2011.

Table 26 provides the number of unresolved repurchase demands and mortgage insurance rescissions. We generally do not have unresolved repurchase demands from the FHA or VA for loans in GNMA-guaranteed securities because those demands are relatively few and we quickly resolve them.

Table 26: Unresolved Repurchase Demands and Mortgage Insurance Rescissions

	Government sponsored entities (1)		Private		Mortgage insurance rescissions with no demand (2)		Total	
($ in millions)	Number of loans	Original loan balance (3)	Number of loans	Original loan balance (3)	Number of loans	Original loan balance (3)	Number of loans	Original loan balance (3)
March 31, 2011	**6,210**	**$ 1,395**	**1,973**	**$ 424**	**2,885**	**$ 674**	**11,068**	**$ 2,493**
2010								
December 31,	6,501	1,467	2,899	680	3,248	801	12,648	2,948
September 30,	9,887	2,212	3,605	882	3,035	748	16,527	3,842
June 30,	12,536	2,840	3,160	707	2,979	760	18,675	4,307
March 31,	10,804	2,499	2,320	519	2,843	737	15,967	3,755
December 31, 2009	8,354	1,911	2,929	886	2,965	859	14,248	3,656

(1) Includes repurchase demands of 685 and $132 million, 1,495 and $291 million, 2,263 and $437 million, 2,141 and $417 million, and 1,824 and $372 million, for March 31, 2011, and December 31, September 30, June 30, and March 31, 2010, respectively, received from investors on mortgage servicing rights acquired from other originators. We generally have the right of recourse against the seller and may be able to recover losses related to such repurchase demands subject to counterparty risk associated with the seller.

(2) 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. Similar to repurchase demands, we evaluate mortgage insurance rescission notices for validity and appeal for reinstatement if the rescission was not based on a contractual breach.

(3) 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.

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The level of repurchase demands outstanding at March 31, 2011, was generally down from a year ago in both number of outstanding loans and in total dollar balances as we continued to work through the demands. Customary with industry practice, we have the right of recourse against correspondent lenders from whom we have purchased loans with respect to representations and warranties. Of the repurchase demands presented in Table 26, 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% of losses from these lenders. Historical recovery rates as well as projected lender performance are incorporated in the establishment of our mortgage repurchase liability.

Our liability for repurchases, included in Accrued expenses and other liabilities in our consolidated financial statements, was $1.2 billion at March 31, 2011, and $1.3 billion at December 31, 2010. In the quarter ended March 31, 2011, $249 million of additions to the liability were recorded, which reduced net gains on mortgage loan origination/sales activities. Our additions to the repurchase liability in the quarter ended March 31, 2011, reflect updated assumptions about the repurchase rate on outstanding demands, particularly on the 2006-2008 vintages.

We believe we have a high quality residential mortgage loan servicing portfolio. Of the $1.8 trillion in the residential mortgage loan servicing portfolio at March 31, 2011, 93% was current, less than 2% was subprime at origination, and approximately 1% was home equity securitizations. Our combined delinquency and foreclosure rate on this portfolio was 7.22% at March 31, 2011, compared with 8.02% at December 31, 2010. In this portfolio 6% are private securitizations where we originated the loan and therefore have some repurchase risk. For this private securitization segment of our residential mortgage loan servicing portfolio, 58% are loans from 2005 vintages or earlier (weighted average age of 66 months); 80% were prime at origination; and approximately 70% are jumbo loans. The weighted-average LTV as of March 31, 2011, for this private securitization segment was 77%. We believe the highest risk segment of these private securitizations are the subprime loans originated in 2006 and 2007. These subprime loans have seller representations and warranties and currently have LTVs close to or exceeding 100%, and represent 8% of the 6% private securitization portion of the residential mortgage servicing portfolio. We had only $21 million of repurchases related to private securitizations in first quarter 2011. Of the servicing portfolio, 4% is non-agency acquired servicing and 3% is private whole loan sales. We did not underwrite and securitize the non-agency acquired servicing and therefore we have no obligation on that portion of our servicing portfolio to the investor for any repurchase demands arising from origination practices.

Table 27 summarizes the changes in our mortgage repurchase liability.

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Risk Management Credit Risk Management *(continued)*

Table 27: Changes in Mortgage Repurchase Liability

(in millions)	Quarter ended **Mar. 31, 2011**	Dec. 31, 2010	Sept. 30, 2010	June 30, 2010	Mar. 31, 2010
Balance, beginning of period	**$ 1,289**	1,331	1,375	1,263	1,033
Provision for repurchase losses:					
Loan sales	**35**	35	29	36	44
Change in estimate primarily due to credit deterioration	**214**	429	341	346	358
Total additions	**249**	464	370	382	402
Losses	**(331)**	(506)	(414)	(270)	(172)
Balance, end of period	**$ 1,207**	1,289	1,331	1,375	1,263

The mortgage repurchase liability of $1.2 billion at March 31, 2011, 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. A range of reasonably possible losses in excess of the estimated liability may exist, but cannot be estimated with confidence. Because the level of mortgage loan repurchase losses depends upon economic factors, investor demand strategies and other external conditions that may change over the life of the underlying loans, the level of the liability 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. For additional information on our repurchase liability, see the Critical Accounting Policies Liability for Mortgage Loan Repurchase Losses section in our 2010 Form 10-K and Note 8 (Mortgage Banking Activities) to Financial Statements in this Report.

The repurchase liability is primarily applicable to loans we originated and sold with representations and warranties. Most of these loans are included in our servicing portfolio. Our repurchase liability estimate considers many factors that influence the key assumptions of what our repurchase volume may be and what loss on average we may incur. Those key assumptions and the sensitivity of the liability to immediate adverse changes in them at March 31, 2011, are presented in Table 28.

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Table 28: Mortgage Repurchase Liability Sensitivity/Assumptions

(in millions)		Mortgage repurchase liability	
Balance at March 31, 2011	$	1,207	
Loss on repurchases (1)		39.0	%
Increase in liability from:			
10% higher losses	$	114	
25% higher losses		285	
Repurchase rate assumption		0.3	%
Increase in liability from:			
10% higher repurchase rates	$	109	
25% higher repurchase rates		273	

(1) Represents total estimated average loss rate on repurchased loans, net of recovery from third party originators, based on historical experience and current economic conditions. The average loss rate includes the impact of repurchased loans for which no loss is expected to be realized.

To the extent that economic conditions and the housing market do not recover or future investor repurchase demands 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 liability. 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.

RISKS RELATING TO SERVICING ACTIVITIES In addition to servicing loans in our portfolio, we act as servicer and/or master servicer of residential mortgage loans included in GSE-guaranteed mortgage securitizations, GNMA-guaranteed mortgage securitizations and private label mortgage securitizations, as well as for unsecuritized loans owned by institutional investors. The loans we service were originated by us or by other mortgage loan originators. As servicer, our primary duties are typically to (1) collect payment due from borrowers, (2) advance certain delinquent payments of principal and interest, (3) maintain and administer any hazard, title or primary mortgage insurance policies relating to the mortgage loans, (4) maintain any required escrow accounts for payment of taxes and insurance and administer escrow payments, and (5) foreclose on defaulted mortgage loans or, to the extent consistent with the documents governing a securitization, consider alternatives to foreclosure, such as loan modifications or short sales. As master servicer, our primary duties are typically to (1) supervise, monitor and oversee the servicing of the mortgage loans by the servicer, (2) consult with each servicer and use reasonable efforts to cause the servicer to observe its servicing obligations, (3) prepare monthly distribution statements to security holders and, if required by the securitization documents, certain periodic reports required to be filed with the Securities and Exchange Commission (SEC), (4) if required by the securitization documents, calculate distributions and loss allocations on the mortgage-backed securities, (5) prepare tax and information returns of the securitization trust, and (6) advance amounts required by non-affiliated servicers who fail to perform their advancing obligations.

Each agreement under which we act as servicer or master servicer generally specifies a standard of responsibility for actions we take in such capacity and provides protection against expenses and liabilities we incur when acting in compliance with the specified standard. For example, most private label securitization agreements under which we act as servicer or master servicer typically provide that the servicer and the master servicer are entitled to indemnification by the securitization trust for taking action or refraining from taking action in good faith or for errors in judgment. However, we are not indemnified, but rather are required to indemnify the securitization trustee, against any failure by us, as servicer or master servicer, to perform our servicing obligations or any of our acts or omissions that involve wilful misfeasance, bad faith or gross negligence in the performance of, or reckless disregard of, our duties. In addition, if we commit a material breach of our obligations as servicer or master servicer, we may be subject to termination if the breach is not cured within a specified period following notice, which can generally be given by the securitization trustee or a specified percentage of security holders. Whole loan sale contracts under which we act as servicer generally include similar provisions with respect to our actions as servicer. The standards governing servicing in GSE-guaranteed securitizations, and the possible remedies for violations of such standards, vary, and those standards and remedies are determined by servicing guides maintained by the GSEs, contracts between the GSEs and individual servicers and topical guides published by the GSEs from time to time. Such remedies could include indemnification or repurchase of an affected mortgage loan.

For additional information regarding risks relating to our servicing activities, see pages 75-76 in our 2010 Form 10-K.

The FRB and OCC completed a joint interagency horizontal examination of foreclosure processing at large mortgage servicers, including Wells Fargo, to evaluate the adequacy of their controls and governance over bank foreclosure processes, including compliance with applicable federal and state law. The OCC and other federal banking regulators published this review on April 13, 2011. We have entered into consent orders with the OCC and FRB, both of which were made public on April 13, 2011. These orders incorporate remedial requirements for identified deficiencies; however civil money penalties have not been assessed at this time. We have been working with our regulators for an extended period on servicing improvements and have already instituted enhancements. For additional information, see the discussion of mortgage-related regulatory investigations in Note 11 (Legal Actions) to Financial Statements in this Report. Changes in servicing and foreclosure practices will increase the Company s costs of servicing mortgage loans. As part of our quarterly MSR valuation process, we assess changes in servicing and foreclosure costs, which in first quarter 2011,

Risk Management Credit Risk Management *(continued)*

included the estimated impact from the regulatory consent orders.

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 (Board), 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 March 31, 2011, our most recent simulation indicated estimated earnings at risk of less than 1% 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 5.55%. 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 March 31, 2011, and December 31, 2010, are presented in Note 12 (Derivatives) to Financial Statements in this Report.

For additional information regarding interest rate risk, see page 76 of our 2010 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 76-78 of our 2010 Form 10-K.

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 ARM 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 composition of the hedge to more interest rate swaps, or there are other changes in the market for mortgage forwards that affect the implied carry.

The total carrying value of our residential and commercial MSRs was $17.1 billion at March 31, 2011, and $15.9 billion at December 31, 2010. The weighted-average note rate on our portfolio of loans serviced for others was 5.31% at March 31, 2011, and 5.39% at December 31, 2010. Our total MSRs were 0.92% of mortgage loans serviced for others at March 31, 2011, compared with 0.86% at December 31, 2010.

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 12 (Derivatives) to Financial Statements in this Report. Trading positions and market risk exposure are monitored by the Market Risk Committee and Corporate ALCO.

The standardized approach for monitoring and reporting market risk for the trading activities consists of value-at-risk (VaR) metrics complemented with sensitivity 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 first quarter 2011 was $25 million, with a lower bound of $19 million and an upper bound of $32 million. For additional information regarding market risk related to trading activities, see pages 78-79 of our 2010 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 79 of our 2010 Form 10-K.

Table 29 provides information regarding our marketable and nonmarketable equity investments.

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Table 29: Marketable and Nonmarketable Equity Investments

(in millions)		Mar. 31, 2011	Dec. 31, 2010
Nonmarketable equity investments:			
Private equity investments:			
Cost method	$	**3,117**	3,240
Equity method		**7,692**	7,624
Federal bank stock		**5,129**	5,254
Principal investments		**302**	305
Total nonmarketable equity investments (1)	$	**16,240**	16,423
Marketable equity securities:			
Cost	$	**3,883**	4,258
Net unrealized gains		**1,125**	931
Total marketable equity securities (2)	$	**5,008**	5,189

(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.

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Risk Management Asset/Liability Management *(continued)*

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, the 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.

Unencumbered debt and equity 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 (FHLB) and the FRB.

Core customer deposits have historically provided a sizeable source of relatively stable and low-cost funds. Average core deposits funded 64.2% and 61.9% of average total assets in first quarter 2011 and 2010, respectively.

Additional funding is provided by long-term debt (including trust preferred securities), other foreign deposits, and short-term borrowings.

Table 30 shows selected information for short-term borrowings, which generally mature in less than 30 days.

Table 30: Short-Term Borrowings

		Quarter ended				
(in millions)		**Mar. 31, 2011**	Dec. 31, 2010	Sept. 30, 2010	June 30, 2010	Mar. 31, 2010
Balance, period end						
Commercial paper and other short-term borrowings	$	**17,228**	17,454	16,856	16,604	17,646
Federal funds purchased and securities sold under agreements to repurchase		**37,509**	37,947	33,859	28,583	28,687
Total	$	**54,737**	55,401	50,715	45,187	46,333
Average daily balance for period						
Commercial paper and other short-term borrowings	$	**17,005**	16,370	15,761	16,316	16,885
Federal funds purchased and securities sold under agreements to repurchase		**37,746**	34,239	30,707	28,766	28,196
Total	$	**54,751**	50,609	46,468	45,082	45,081
Maximum month-end balance for period						
Commercial paper and other short-term borrowings (1)	$	**17,597**	17,454	16,856	17,388	17,646
		37,509	37,947	33,859	28,807	29,270

Federal funds purchased and securities sold under
agreements to repurchase (2)

(1) Highest month-end balance in each of the last five quarters was in February 2011, and December, September, April and March 2010.

(2) Highest month-end balance in each of the last five quarters was in March 2011, and December, September, May and February 2010.

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 debt 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 rating; however, a reduction in credit rating would not cause us to violate any of our debt covenants. See the Risk Factors section in our 2010 Form 10-K for additional information regarding recent legislative developments and our credit ratings.

We continue to evaluate the potential impact on liquidity management of regulatory proposals, including Basel III and
those required under the Dodd-Frank Act, throughout the rule-making process.

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. 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. During first quarter 2011, the Parent issued $5.7 billion in registered senior notes. The Parent also took several actions related to Wachovia s 2006 issuance of 5.80% fixed-to-floating rate trust preferred securities. In February 2011, the Parent remarketed $2.5 billion of junior subordinated notes owned by an unconsolidated, wholly-owned trust. The purchasers of the junior subordinated notes exchanged them

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with the Parent for newly issued senior notes, which are included in the Parent issuances described above. Proceeds of the remarketed junior subordinated securities were used by the trust to purchase $2.5 billion of Class A, Series I Preferred Stock issued by the Parent.

Parent s proceeds from securities issued in first quarter 2011 were used for general corporate purposes, and we expect that the proceeds from securities issued in the future will also be used for the same purposes.

Table 31 provides information regarding the Parent s medium-term note (MTN) programs. The Parent may issue senior and subordinated debt securities under Series I & J, and the European and Australian programmes. Under Series K, the Parent may issue senior debt securities linked to one or more indices.

Table 31: Medium-Term Note (MTN) Programs

			March 31, 2011	
(in billions)	Date established		Debt issuance authority	Available for issuance
MTN program:				
Series I & J (1)	August 2009	$	25.0	18.8
Series K (1)	April 2010		25.0	24.5
European (2)	December 2009		25.0	25.0
Australian (2)(3)	June 2005	AUS $	10.0	6.8

(1) SEC registered.

(2) Not registered with the SEC. May not be offered in the United States without applicable exemptions from registration.

(3) As amended in October 2005 and March 2010.

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 March 31, 2011, 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 OCC regulations.

Wells Fargo Financial Canada Corporation 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. During first quarter 2011, WFFCC issued CAD$500 million in medium-term notes. At March 31,2011, CAD$6.5 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 and risk tolerance objectives. Our potential sources of stockholders equity include retained earnings and issuances of common and preferred stock. Retained earnings increased $2.9 billion from December 31, 2010, predominantly from Wells Fargo net income of $3.8 billion, less common and preferred dividends of $822 million. During first quarter 2011, we issued approximately 40 million shares of common stock, with net proceeds of $634 million.

On March 18, 2011, the Company was notified by the FRB that it did not object to the capital plan the Company submitted on January 7, 2011, as part of the Comprehensive Capital Analysis and Review (CCAR). Following that notification, the Company initiated several capital actions contemplated in its capital plan, including increasing the quarterly common stock dividend to $0.12 a share, authorizing the repurchase of an additional 200 million shares of our common stock, and issuing notice to call $3.2 billion of trust preferred securities that will no longer count as Tier 1 capital under the Dodd-Frank Act and the proposed Basel III capital standards. The Company will participate in any future CCAR activities to demonstrate that proposed capital 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.

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 (including the authorization announced on March 18, 2011), 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.

In 2008, the Board authorized the repurchase of up to 25 million additional shares of our outstanding common stock. In first quarter 2011, the Board authorized the repurchase of an additional 200 million shares. During first quarter 2011, we repurchased 1.7 million shares of our common stock, all from our employee benefit plans. At March 31, 2011, the remaining common stock repurchase authority from the 2008 and 2011 authorizations was approximately 201 million shares. For more information about share repurchases during first quarter 2011, see Part II, Item 2 of this Report.

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 (TARP) Capital Purchase Program (CPP), 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 expiring on October 28, 2018. The Board has authorized the repurchase by the Company of up to $1 billion of the warrants. 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. We have purchased an additional 651,244 warrants since the U.S. Treasury auction; however, no purchases were made during first quarter 2011. At March 31, 2011, there were 39,444,481 warrants outstanding and exercisable and $455 million of unused warrant repurchase authority. Depending on market conditions, we may purchase from time to time additional warrants and/or our outstanding debt securities in privately negotiated or open market transactions, by tender offer or otherwise.

Subsequent to the remarketing of certain junior subordinated notes issued in connection with Wachovia s 2006 issuance of 5.80% fixed-to-floating rate trust preferred securities, the Company issued 25,010 shares of Class A, Series I Preferred Stock, with a par value of $2,501 million to Wachovia Capital Trust III (Trust), an unconsolidated wholly-owned trust. The action completed the Company s and the Trust s obligations under an agreement dated February 1, 2006, as amended, between the Trust and the Company (as successor to Wachovia Corporation). The Series I Preferred Stock replaces the trust preferred securities that will no longer count as Tier 1 capital under the Dodd-Frank Act.

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 March 31, 2011, the Company and each of our subsidiary banks were well-capitalized under applicable regulatory capital adequacy guidelines. See Note 19 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information.

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

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Capital Management ***(continued)***

contemplates a wide range of risks that the Company is exposed to and also takes into consideration our performance under a variety of stressed economic conditions, as well as regulatory expectations and guidance, rating agency viewpoints and the view of capital market participants.

In July 2009, the Basel Committee on Bank Supervision published an additional set of international guidelines for review known as Basel III and finalized these guidelines in December 2010. The additional guidelines were developed in response to the financial crisis of 2009 and 2010 and address many of the weaknesses identified in the banking sector as contributing to the crisis including excessive leverage, inadequate and low quality capital and insufficient liquidity buffers. The U.S. regulatory bodies are reviewing the final international standards and final U.S. rulemaking is expected to be completed in 2011. Although uncertainty exists regarding the final rules, we evaluate the impact of Basel III on our capital ratios based on our interpretation of the proposed capital requirements and we estimate that our Tier 1 common equity ratio under the proposal exceeded the fully-phased in minimum of 7.0% by 20 basis points at the end of first quarter 2011. This estimate is subject to
change depending on final promulgation of Basel III capital rulemaking and interpretations thereof by regulatory authorities.

We are well underway toward Basel II and Basel III implementation and are currently on schedule to enter the parallel run phase of Basel II in 2012 with regulatory approval. Our delayed entry into the parallel run phase was approved by the FRB in 2010 as a result of the acquisition of Wachovia.

At March 31, 2011, 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 $86.0 billion at March 31, 2011, or 8.93% of risk-weighted assets, an increase of $4.7 billion from December 31, 2010. Table 32 provides the details of the Tier 1 common equity calculation.

Table 32: Tier 1 Common Equity (1)

(in billions)	**Mar. 31, 2011**	Dec. 31, 2010
Total equity	**$ 134.9**	127.9
Noncontrolling interests	**(1.5)**	(1.5)
Total Wells Fargo stockholders equity	**133.4**	126.4
Adjustments:		
Preferred equity (2)	**(10.6)**	(8.1)
Goodwill and intangible assets (other than MSRs)	**(35.1)**	(35.5)
Applicable deferred taxes	**4.2**	4.3

MSRs over specified limitations		**(0.9)**	(0.9)
Cumulative other comprehensive income		**(4.9)**	(4.6)
Other		**(0.1)**	(0.3)
Tier 1 common equity	(A)	**$ 86.0**	81.3
Total risk-weighted assets (3)	(B)	**$ 962.9**	980.0
Tier 1 common equity to total risk-weighted assets	(A)/(B)	**8.93 %**	8.30

(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) In March 2011, we issued $2.5 billion of Series I Preferred Stock to an unconsolidated wholly-owned trust.

(3) 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.

Critical Accounting Policies

Our significant accounting policies (see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2010 Form 10-K) 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);
- liability for mortgage loan repurchase losses;
- the fair valuation of financial instruments; and
- income taxes.

Management has reviewed and approved these critical accounting policies and has discussed these policies with the Board s Audit and Examination Committee. These policies are described further in the Financial Review Critical Accounting Policies section and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2010 Form 10-K.

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Current Accounting Developments

The following accounting pronouncement has been issued by the Financial Accounting Standards Board (FASB) but is not yet effective:

Accounting Standards Update (ASU or Update) 2011-02, *A Creditor s Determination of Whether a Restructuring is a Troubled Debt Restructuring.*

ASU 2011-02 provides guidance clarifying under what circumstances a creditor should classify a restructured receivable as a troubled debt restructuring (TDR). A receivable is a TDR if both of the following exist: 1) a creditor has granted a concession to the debtor, and 2) the debtor is experiencing financial difficulties. The Update clarifies that a creditor should consider all aspects of a restructuring when evaluating whether it has granted a concession, which include determining whether a debtor can obtain funds from another source at market rates and assessing the value of additional collateral and guarantees obtained at the time of restructuring. The Update also provides factors a creditor should consider when determining if a debtor is experiencing financial difficulties, such as probability of payment default and bankruptcy declarations. The Update is effective for us in third quarter 2011 with retrospective application to January 1, 2011. Early adoption is permitted. We are evaluating the impact these accounting changes may have on our consolidated 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; the level and loss content of NPAs and nonaccrual loans; the adequacy of the allowance for credit losses, including our current expectation of future reductions in the allowance for credit 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 merger costs, expense savings, revenue synergies and store conversions; (iv) our mortgage repurchase exposure and exposure relating to our foreclosure practices; (v) our current estimate of our effective tax rate for 2011; (vi) our estimated future expenses, including loan resolution costs; (vii) future capital levels and our expectations regarding our estimated Tier 1 common equity ratio under proposed Basel III capital standards; (viii) the expected outcome and impact of legal, regulatory and legislative developments, including Dodd-Frank Act and FRB restrictions on debit interchange fees; and (ix) 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;

our capital and liquidity requirements (including under regulatory capital standards, such as the proposed Basel III capital standards, as determined and interpreted by applicable regulatory authorities) and our ability to generate capital internally or raise capital on favorable terms;

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), debit card interchange fees, 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;

the amount of mortgage loan repurchase demands that we receive and our ability to satisfy any such demands without having to repurchase loans related thereto or otherwise indemnify or reimburse third parties, and the credit quality of or losses on such repurchased mortgage loans;

negative effects relating to mortgage foreclosures, including changes in our procedures or practices and/or industry standards or practices, regulatory or judicial requirements, penalties or fines, increased costs, or delays or moratoriums on foreclosures;

our ability to successfully integrate the Wachovia merger and realize all of 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, MSRs and MHFS;

hedging gains or losses;

disruptions in the capital markets and reduced investor demand for mortgage loans;

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 savings 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 FRB; and the other risk factors and uncertainties described under Risk Factors in our 2010 Form 10-K and 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 previously 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 and to the Risk Factors and Regulation and Supervision sections in our 2010 Form 10-K for more information about risks. Any factor described in this Report or in our 2010 Form 10-K could by itself, or together with other factors, adversely affect our financial results and condition, or the value of an investment in the Company. There are factors not discussed in this Report or in our 2010 Form 10-K 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 March 31, 2011, 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 March 31, 2011.

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 first quarter 2011 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 March 31,	
(in millions, except per share amounts)		**2011**	2010
Interest income			
Trading assets	$	**350**	267
Securities available for sale		**2,164**	2,415
Mortgages held for sale		**437**	387
Loans held for sale		**12**	34
Loans		**9,387**	10,038
Other interest income		**122**	84
Total interest income		**12,472**	13,225
Interest expense			
Deposits		**615**	735
Short-term borrowings		**26**	18
Long-term debt		**1,104**	1,276
Other interest expense		**76**	49
Total interest expense		**1,821**	2,078
Net interest income		**10,651**	11,147
Provision for credit losses		**2,210**	5,330
Net interest income after provision for credit losses		**8,441**	5,817
Noninterest income			
Service charges on deposit accounts		**1,012**	1,332
Trust and investment fees		**2,916**	2,669
Card fees		**957**	865
Other fees		**989**	941
Mortgage banking		**2,016**	2,470
Insurance		**503**	621
Net gains from trading activities		**612**	537
Net gains (losses) on debt securities available for sale (1)		**(166)**	28
Net gains from equity investments (2)		**353**	43
Operating leases		**77**	185
Other		**409**	610

Total noninterest income		**9,678**	10,301
Noninterest expense			
Salaries		**3,454**	3,314
Commission and incentive compensation		**2,347**	1,992
Employee benefits		**1,392**	1,322
Equipment		**632**	678
Net occupancy		**752**	796
Core deposit and other intangibles		**483**	549
FDIC and other deposit assessments		**305**	301
Other		**3,368**	3,165
Total noninterest expense		**12,733**	12,117
Income before income tax expense		**5,386**	4,001
Income tax expense		**1,572**	1,401
Net income before noncontrolling interests		**3,814**	2,600
Less: Net income from noncontrolling interests		**55**	53
Wells Fargo net income	**$**	**3,759**	2,547
Less: Preferred stock dividends and other		**189**	175
Wells Fargo net income applicable to common stock	**$**	**3,570**	2,372
Per share information			
Earnings per common share	**$**	**0.68**	0.46
Diluted earnings per common share		**0.67**	0.45
Dividends declared per common share		**0.12**	0.05
Average common shares outstanding		**5,278.8**	5,190.4
Diluted average common shares outstanding		**5,333.1**	5,225.2

(1) Includes other-than-temporary impairment (OTTI) credit-related losses of $80 million and $92 million recognized in earnings for the quarters ended March 31, 2011 and 2010, respectively. Total OTTI losses (gains) were $(76) million and $154 million, net of $(156) million and $62 million recognized as non-credit related OTTI in other comprehensive income) for the quarters ended March 31, 2011 and 2010, respectively.

(2) Includes OTTI losses of $41 million and $105 million for the quarters ended March 31, 2011 and 2010, 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)		Mar. 31, 2011	Dec. 31, 2010
Assets			
Cash and due from banks	$	**16,978**	16,044
Federal funds sold, securities purchased under resale agreements and other short-term investments		**93,041**	80,637
Trading assets		**57,890**	51,414
Securities available for sale		**167,906**	172,654
Mortgages held for sale (includes $28,931 and $47,531 carried at fair value)		**33,121**	51,763
Loans held for sale (includes $1,003 and $873 carried at fair value)		**1,428**	1,290
Loans (includes $98 and $309 carried at fair value)		**751,155**	757,267
Allowance for loan losses		**(21,983)**	(23,022)
Net loans		**729,172**	734,245
Mortgage servicing rights:			
Measured at fair value		**15,648**	14,467
Amortized		**1,423**	1,419
Premises and equipment, net		**9,545**	9,644
Goodwill		**24,777**	24,770
Other assets		**93,737**	99,781
Total assets (1)	$	**1,244,666**	1,258,128
Liabilities			
Noninterest-bearing deposits	$	**190,959**	191,256
Interest-bearing deposits		**646,703**	656,686
Total deposits		**837,662**	847,942
Short-term borrowings		**54,737**	55,401
Accrued expenses and other liabilities		**68,721**	69,913
Long-term debt (includes $99 and $306 carried at fair value)		**148,603**	156,983
Total liabilities (2)		**1,109,723**	1,130,239

Equity		
Wells Fargo stockholders equity:		
Preferred stock	**11,897**	8,689
Common stock $1-2/3 par value, authorized 9,000,000,000 shares; issued 5,312,696,671 shares and 5,272,414,622 shares	**8,854**	8,787
Additional paid-in capital	**54,815**	53,426
Retained earnings	**54,855**	51,918
Cumulative other comprehensive income	**5,021**	4,738
Treasury stock 11,818,765 shares and 10,131,394 shares	**(541)**	(487)
Unearned ESOP shares	**(1,430)**	(663)
Total Wells Fargo stockholders equity	**133,471**	126,408
Noncontrolling interests	**1,472**	1,481
Total equity	**134,943**	127,889
Total liabilities and equity	**$ 1,244,666**	1,258,128

(1) Our consolidated assets at March 31, 2011 and December 31, 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, $154 million and $200 million; Trading assets, $98 million and $143 million; Securities available for sale, $2.4 billion and $2.2 billion; Loans held for sale, $53 million and $0; Net loans, $15.4 billion and $16.7 billion; Other assets, $1.4 billion and $2.0 billion, and Total assets, $19.6 billion and $21.2 billion, respectively.

(2) Our consolidated liabilities at March 31, 2011 and December 31, 2010, include the following VIE liabilities for which the VIE creditors do not have recourse to Wells Fargo: Short-term borrowings, $31 million and $7 million; Accrued expenses and other liabilities, $90 million and $71 million; Long-term debt, $7.1 billion and $8.3 billion; and Total liabilities, $7.2 billion and $8.4 billion, respectively.

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 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 $40 million of net gains included in net income				
Net unrealized gains on derivatives and hedging activities, net of reclassification of $88 million of net gains on cash flow hedges included in net income				
Unamortized losses under defined benefit plans, net of amortization				
Total comprehensive income				
Noncontrolling interests				
Common stock issued			*21,683,461*	
Common stock repurchased			*(1,312,992)*	
Preferred stock issued to ESOP	*1,000,000*	1,000		
Preferred stock released by ESOP				
Preferred stock converted to common shares	*(209,008)*	(209)	*6,716,195*	
Common stock dividends				
Preferred stock dividends				

Tax benefit upon exercise of stock options				
Stock incentive compensation expense				
Net change in deferred compensation and related plans				
Net change	*790,992*	791	*27,086,664*	-
Balance March 31, 2010	*10,771,932*	$ 9,276	*5,205,711,257*	$ 8,743
Balance January 1, 2011	***10,185,303***	**$ 8,689**	***5,262,283,228***	**$ 8,787**
Comprehensive income: **Net income**				
Other comprehensive income, net of tax: **Translation adjustments**				
Net unrealized gains on securities available for sale, net of reclassification of $32 million of net losses included in net income				
Net unrealized losses on derivatives and hedging activities, net of reclassification of $100 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			***24,788,653***	**41**
Common stock repurchased			***(1,687,371)***	
Preferred stock issued to ESOP	***1,200,000***	**1,200**		
Preferred stock released by ESOP				
Preferred stock converted to common shares	***(492,873)***	**(493)**	***15,493,396***	**26**
Preferred stock issued	***25,010***	**2,501**		
Common stock dividends				
Preferred stock dividends				

Tax benefit upon exercise of stock options				
Stock incentive compensation expense				
Net change in deferred compensation and related plans				
Net change	***732,137***	**3,208**	***38,594,678***	**67**
Balance March 31, 2011	***10,917,440***	**$ 11,897**	***5,300,877,906***	**$ 8,854**

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
52,878	41,563	3,009	(2,450)	(442)	111,786	2,573	114,359
	183				183		183
	2,547				2,547	53	2,600
		5			5		5
		984			984	1	985
		73			73		73
		16			16		16
					3,625	54	3,679
16					16	(615)	(599)
(13)	(213)		690		464		464
			(38)		(38)		(38)
80				(1,080)	-		-
(17)				226	209		209
(4)			213		-		-
	(260)				(260)		(260)
	(184)				(184)		(184)
51					51		51
175					175		175

(10)			125		115		115
278	2,073	1,078	990	(854)	4,356	(561)	3,795
53,156	43,636	4,087	(1,460)	(1,296)	116,142	2,012	118,154
53,426	**51,918**	**4,738**	**(487)**	**(663)**	**126,408**	**1,481**	**127,889**
	3,759				**3,759**	**55**	**3,814**
		15			**15**		**15**
		352			**352**	**(4)**	**348**
		(99)			**(99)**		**(99)**
		15			**15**		**15**
					4,042	**51**	**4,093**
(35)					**(35)**	**(60)**	**(95)**
593					**634**		**634**
			(55)		**(55)**		**(55)**
102				**(1,302)**	**-**		**-**
(42)				**535**	**493**		**493**
467					**-**		**-**
					2,501		**2,501**
4	**(638)**				**(634)**		**(634)**
	(184)				**(184)**		**(184)**
54					**54**		**54**
261					**261**		**261**
(15)			**1**		**(14)**		**(14)**
1,389	**2,937**	**283**	**(54)**	**(767)**	**7,063**	**(9)**	**7,054**

54,815	**54,855**	**5,021**	**(541)**	**(1,430)**	**133,471**	**1,472**	**134,943**

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Wells Fargo & Company and Subsidiaries
Consolidated Statement of Cash Flows (Unaudited)

(in millions)		Quarter ended March 31, 2011	2010
Cash flows from operating activities:			
Net income before noncontrolling interests	$	**3,814**	2,600
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses		**2,210**	5,330
Changes in fair value of MSRs, MHFS and LHFS carried at fair value		**(586)**	(80)
Depreciation and amortization		**477**	713
Other net losses (gains)		**(1,354)**	319
Preferred stock released by ESOP		**493**	209
Stock incentive compensation expense		**261**	175
Excess tax benefits related to stock option payments		**(55)**	(51)
Originations of MHFS		**(79,389)**	(74,290)
Proceeds from sales of and principal collected on mortgages originated for sale		**88,264**	81,466
Originations of LHFS		**-**	(3,155)
Proceeds from sales of and principal collected on LHFS		**2,299**	6,036
Purchases of LHFS		**(2,313)**	(2,407)
Net change in:			
Trading assets		**5,826**	(3,834)
Deferred income taxes		**539**	1,199
Accrued interest receivable		**(156)**	690
Accrued interest payable		**14**	(142)
Other assets, net		**2,389**	3,431
Other accrued expenses and liabilities, net		**(5,522)**	(9,328)
Net cash provided by operating activities		**17,211**	8,881
Cash flows from investing activities:			
Net change in:			
Federal funds sold, securities purchased under resale agreements and other short-term investments		**(12,404)**	(13,307)
Securities available for sale:			
Sales proceeds		**15,361**	1,795
Prepayments and maturities		**11,651**	9,295
Purchases		**(18,831)**	(4,191)
Loans:			
Loans originated by banking subsidiaries, net of principal collected		**(214)**	15,532
Proceeds from sales (including participations) of loans originated for investment by banking subsidiaries		**2,165**	1,341
Purchases (including participations) of loans by banking subsidiaries		**(644)**	(566)
Principal collected on nonbank entities loans		**2,546**	4,286
Loans originated by nonbank entities		**(1,904)**	(2,861)
Proceeds from sales of foreclosed assets		**1,642**	1,109
Changes in MSRs from purchases and sales		**(45)**	(8)
Other, net		**1,909**	270

Net cash provided by investing activities		**1,232**	12,695
Cash flows from financing activities:			
Net change in:			
Deposits		**(10,280)**	(19,125)
Short-term borrowings		**(664)**	2,240
Long-term debt:			
Proceeds from issuance		**5,217**	1,415
Repayment		**(13,933)**	(16,508)
Preferred stock:			
Proceeds from issuance		**2,501**	-
Cash dividends paid		**(251)**	(251)
Common stock:			
Proceeds from issuance		**634**	464
Repurchased		**(55)**	(38)
Cash dividends paid		**(634)**	(260)
Excess tax benefits related to stock option payments		**55**	51
Net change in noncontrolling interests		**(99)**	(343)
Net cash used by financing activities		**(17,509)**	(32,355)
Net change in cash and due from banks		**934**	(10,779)
Cash and due from banks at beginning of period		**16,044**	27,080
Cash and due from banks at end of period	**$**	**16,978**	16,301
Supplemental cash flow disclosures:			
Cash paid for interest	**$**	**1,807**	2,220
Cash paid for income taxes		**144**	325

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

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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.

Note 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 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 other-than-temporary impairment (OTTI) on investment securities (Note 4), allowance for credit losses and purchased credit-impaired (PCI) loans (Note 5), valuations of residential mortgage servicing rights (MSRs) (Notes 7 and 8) and financial instruments (Note 13), liability for mortgage loan repurchase losses (Note 8) and income taxes. Actual results could differ from those estimates.

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, 2010 (2010 Form 10-K).

Accounting Standards Adopted in 2011

In first quarter 2011, we adopted certain provisions of Accounting Standards Update (ASU or Update) 2010-6, *Improving Disclosures about Fair Value Measurements*.

ASU 2010-6 amends the disclosure requirements for fair value measurements. Companies are required to disclose significant transfers in and out of Levels 1 and 2 of the fair value hierarchy. The Update also clarifies that fair value measurement disclosures should be presented for each asset and liability class, which is generally a subset of a line item in the statement of financial position. 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. 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. In first quarter 2011, we adopted the requirement for gross presentation in the Level 3 rollforward with prospective application. The remaining provisions were effective for us in first quarter 2010. Our adoption of the Update did not affect our consolidated financial statement results since it amends only the disclosure requirements for fair value measurements.

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Note 1: Summary of Significant Accounting Policies *(continued)*

SUPPLEMENTAL CASH FLOW INFORMATION Noncash activities are presented below, including information on transfers affecting MHFS, LHFS, and MSRs.

		Quarter ended March 31,	
(in millions)		**2011**	2010
Transfers from loans to securities available for sale	$	**-**	2,057
Trading assets retained from securitization of MHFS		**12,302**	-
Capitalization of MSRs from sale of MHFS		**1,291**	1,065
Transfers from MHFS to foreclosed assets		**40**	51
Transfers from loans to MHFS		**25**	46
Transfers from (to) loans to (from) LHFS		**106**	(149)
Transfers from loans to foreclosed assets		**1,237**	2,697
Changes in consolidations of variable interest entities:			
Trading assets		**-**	155
Securities available for sale		**9**	(7,590)
Loans		**(210)**	25,657
Other assets		**-**	193
Short-term borrowings		**-**	5,127
Long-term debt		**(204)**	13,134
Accrued expenses and other liabilities		**-**	(32)
Decrease in noncontrolling interests due to deconsolidation of subsidiaries		**-**	239

SUBSEQUENT EVENTS We have evaluated the effects of subsequent events that have occurred subsequent to period end March 31, 2011, and there have been no material events that would require recognition in our first quarter 2011 consolidated financial statements or disclosure in the Notes to the financial statements.

Note 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.

We did not complete any acquisitions in first quarter 2011. At March 31, 2011, we had one pending business combination with total assets of approximately $5 million. We expect to complete this transaction in 2011.

Note 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)		Mar. 31, 2011	Dec. 31, 2010
Federal funds sold and securities purchased under resale agreements	$	**20,868**	24,880
Interest-earning deposits		**70,058**	53,433
Other short-term investments		**2,115**	2,324
Total	$	**93,041**	80,637

We receive collateral from other entities under resale agreements and securities borrowings. For additional information, see Note 10.

Note 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 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
March 31, 2011					
Securities of U.S. Treasury and federal agencies	**$**	**1,483**	**43**	**(19)**	**1,507**
Securities of U.S. states and political subdivisions		**21,374**	**616**	**(831)**	**21,159**
Mortgage-backed securities:					
Federal agencies		**72,475**	**3,207**	**(130)**	**75,552**
Residential		**17,119**	**2,188**	**(359)**	**18,948**
Commercial		**12,823**	**1,343**	**(386)**	**13,780**
Total mortgage-backed securities		**102,417**	**6,738**	**(875)**	**108,280**
Corporate debt securities		**9,506**	**1,412**	**(90)**	**10,828**
Collateralized debt obligations (1)		**5,322**	**478**	**(184)**	**5,616**
Other (2)		**15,045**	**642**	**(179)**	**15,508**
Total debt securities		**155,147**	**9,929**	**(2,178)**	**162,898**
Marketable equity securities:					
Perpetual preferred securities		**3,290**	**287**	**(66)**	**3,511**
Other marketable equity securities		**593**	**905**	**(1)**	**1,497**
Total marketable equity securities		**3,883**	**1,192**	**(67)**	**5,008**
Total	**$**	**159,030**	**11,121**	**(2,245)**	**167,906**
December 31, 2010					
Securities of U.S. Treasury and federal agencies	$	1,570	49	(15)	1,604
Securities of U.S. states and political subdivisions		18,923	568	(837)	18,654

Mortgage-backed securities:					
Federal agencies		78,578	3,555	(96)	82,037
Residential		18,294	2,398	(489)	20,203
Commercial		12,990	1,199	(635)	13,554
Total mortgage-backed securities		109,862	7,152	(1,220)	115,794
Corporate debt securities		9,015	1,301	(37)	10,279
Collateralized debt obligations (1)		4,638	369	(229)	4,778
Other (2)		16,063	576	(283)	16,356
Total debt securities		160,071	10,015	(2,621)	167,465
Marketable equity securities:					
Perpetual preferred securities		3,671	250	(89)	3,832
Other marketable equity securities		587	771	(1)	1,357
Total marketable equity securities		4,258	1,021	(90)	5,189
Total	$	164,329	11,036	(2,711)	172,654

(1) Includes collateralized loan obligations with a cost basis and fair value of $4.7 billion and $5.0 billion, respectively, at March 31, 2011, and $4.0 billion and $4.2 billion, respectively, at December 31, 2010.

(2) 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 $4.4 billion and $4.4 billion, respectively, at March 31, 2011, and $6.2 billion and $6.4 billion, respectively, at December 31, 2010. Also included in the Other category are asset-backed securities collateralized by home equity loans with a cost basis and fair value of $900 million and $1.1 billion, respectively, at March 31, 2011, and $927 million and $1.1 billion, respectively, at December 31, 2010. The remaining balances primarily include asset-backed securities collateralized by credit cards and student loans.

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Note 4: Securities Available for Sale ***(continued)***

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 only 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
March 31, 2011						
Securities of U.S. Treasury and federal agencies	**$ (19)**	**583**	**-**	**-**	**(19)**	**583**
Securities of U.S. states and political subdivisions	**(319)**	**6,358**	**(512)**	**3,002**	**(831)**	**9,360**
Mortgage-backed securities:						
Federal agencies	**(121)**	**15,690**	**(9)**	**701**	**(130)**	**16,391**
Residential	**(32)**	**1,068**	**(327)**	**3,870**	**(359)**	**4,938**
Commercial	**(15)**	**607**	**(371)**	**4,021**	**(386)**	**4,628**
Total mortgage-backed securities	**(168)**	**17,365**	**(707)**	**8,592**	**(875)**	**25,957**
Corporate debt securities	**(7)**	**459**	**(83)**	**193**	**(90)**	**652**
Collateralized debt obligations	**(15)**	**844**	**(169)**	**473**	**(184)**	**1,317**
Other	**(13)**	**933**	**(166)**	**782**	**(179)**	**1,715**
Total debt securities	**(541)**	**26,542**	**(1,637)**	**13,042**	**(2,178)**	**39,584**
Marketable equity securities:						
Perpetual preferred securities	**(9)**	**490**	**(57)**	**672**	**(66)**	**1,162**
Other marketable equity securities	**-**	**-**	**(1)**	**5**	**(1)**	**5**
Total marketable equity securities	**(9)**	**490**	**(58)**	**677**	**(67)**	**1,167**

Total	**$**	**(550)**	**27,032**	**(1,695)**	**13,719**	**(2,245)**	**40,751**
December 31, 2010							
Securities of U.S. Treasury and federal agencies	$	(15)	544	-	-	(15)	544
Securities of U.S. states and political subdivisions		(322)	6,242	(515)	2,720	(837)	8,962
Mortgage-backed securities:							
Federal agencies		(95)	8,103	(1)	60	(96)	8,163
Residential		(35)	1,023	(454)	4,440	(489)	5,463
Commercial		(9)	441	(626)	5,141	(635)	5,582
Total mortgage-backed securities		(139)	9,567	(1,081)	9,641	(1,220)	19,208
Corporate debt securities		(10)	477	(27)	157	(37)	634
Collateralized debt obligations		(13)	679	(216)	456	(229)	1,135
Other		(13)	1,985	(270)	757	(283)	2,742
Total debt securities		(512)	19,494	(2,109)	13,731	(2,621)	33,225
Marketable equity securities:							
Perpetual preferred securities		(41)	962	(48)	467	(89)	1,429
Other marketable equity securities		-	-	(1)	7	(1)	7
Total marketable equity securities		(41)	962	(49)	474	(90)	1,436
Total	$	(553)	20,456	(2,158)	14,205	(2,711)	34,661

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We do not have the intent to sell any securities included in the previous table. For debt securities included in the table, 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 in our 2010 Form 10-K. There have been no material changes to our methodologies for assessing impairment in first quarter 2011.

SECURITIES OF U.S. TREASURY AND FEDERAL AGENCIES AND FEDERAL AGENCY MORTGAGE-BACKED SECURITIES (MBS) The unrealized losses associated with U.S. Treasury and federal agency securities and federal agency MBS are primarily driven by changes in interest rates and not due to credit losses given the explicit or implicit guarantees provided by the U.S. 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.

RESIDENTIAL AND COMMERCIAL MORTGAGE-BACKED SECURITIES (MBS) The unrealized losses associated with private residential MBS and commercial MBS are primarily driven by changes in projected collateral losses, credit spreads and 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. We use forecasted loan performance to project cash flows to the various tranches in the structure. We also consider cash flow forecasts and, 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.

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 amortized 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 changes in projected collateral losses, credit spreads and interest rates. We assess for credit impairment using a cash flow model. The key assumptions include default rates, severities and prepayment rates. We also consider cash flow forecasts and, 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.

OTHER DEBT SECURITIES The unrealized losses associated with other debt securities primarily relate to other asset-backed securities, which are primarily backed by home equity and student loans. The losses are primarily driven by changes in projected collateral losses, credit spreads and 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 are not considered to be other-than-temporarily impaired if there is no evidence of credit deterioration or investment rating downgrades of any issuers to below investment grade, and we expect 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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Note 4: Securities Available for Sale *(continued)*

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.

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 based on internal credit grades were $201 million and $1.9 billion, respectively, at March 31, 2011, and $83 million and $1.3 billion, respectively, at December 31, 2010. 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
March 31, 2011				
Securities of U.S. Treasury and federal agencies	**$ (19)**	**583**	**-**	**-**
Securities of U.S. states and political subdivisions	**(733)**	**8,911**	**(98)**	**449**
Mortgage-backed securities:				
Federal agencies	**(130)**	**16,391**	**-**	**-**
Residential	**(21)**	**714**	**(338)**	**4,224**
Commercial	**(200)**	**3,725**	**(186)**	**903**
Total mortgage-backed securities	**(351)**	**20,830**	**(524)**	**5,127**
Corporate debt securities	**(13)**	**339**	**(77)**	**313**
Collateralized debt obligations	**(42)**	**954**	**(142)**	**363**
Other	**(158)**	**1,477**	**(21)**	**238**

Total debt securities		**(1,316)**	**33,094**	**(862)**	**6,490**
Perpetual preferred securities		**(63)**	**1,052**	**(3)**	**110**
Total	**$**	**(1,379)**	**34,146**	**(865)**	**6,600**
December 31, 2010					
Securities of U.S. Treasury and federal agencies	$	(15)	544	-	-
Securities of U.S. states and political subdivisions		(722)	8,423	(115)	539
Mortgage-backed securities:					
Federal agencies		(96)	8,163	-	-
Residential		(23)	888	(466)	4,575
Commercial		(299)	4,679	(336)	903
Total mortgage-backed securities		(418)	13,730	(802)	5,478
Corporate debt securities		(22)	330	(15)	304
Collateralized debt obligations		(42)	613	(187)	522
Other		(180)	2,510	(103)	232
Total debt securities		(1,399)	26,150	(1,222)	7,075
Perpetual preferred securities		(81)	1,327	(8)	102
Total	$	(1,480)	27,477	(1,230)	7,177

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Contractual Maturities

The following table shows the remaining contractual maturities and contractual yields of debt securities available for sale. The remaining contractual principal maturities for MBS do not consider 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 maturity							
		Weighted-			After one year		After five years			
	Total	average	Within one year		through five years		through ten years		After ten years	
(in millions)	amount	yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
March 31, 2011										
Securities of U.S. Treasury and federal agencies	**$ 1,507**	**3.05 %**	**$ 8**	**4.99 %**	**$ 583**	**2.86 %**	**$ 816**	**3.04 %**	**$ 100**	**4.04 %**
Securities of U.S. states and political subdivisions	**21,159**	**5.66**	**339**	**3.12**	**4,565**	**3.07**	**1,935**	**5.85**	**14,320**	**6.52**
Mortgage-backed securities:										
Federal agencies	**75,552**	**5.06**	**5**	**6.57**	**34**	**6.09**	**529**	**5.06**	**74,984**	**5.06**
Residential	**18,948**	**5.02**	**-**	**-**	**-**	**-**	**660**	**2.04**	**18,288**	**5.13**
Commercial	**13,780**	**5.39**	**-**	**-**	**1**	**1.03**	**205**	**5.04**	**13,574**	**5.40**
Total mortgage-backed securities	**108,280**	**5.09**	**5**	**6.57**	**35**	**5.97**	**1,394**	**3.63**	**106,846**	**5.11**
Corporate debt securities	**10,828**	**5.76**	**416**	**6.36**	**5,041**	**5.16**	**3,939**	**6.57**	**1,432**	**5.46**
Collateralized debt obligations	**5,616**	**0.84**	**-**	**-**	**579**	**0.91**	**3,155**	**0.80**	**1,882**	**0.90**
Other	**15,508**	**2.17**	**1,609**	**1.66**	**7,557**	**2.41**	**3,393**	**2.44**	**2,949**	**1.55**

Total debt securities at fair value	**$ 162,898**	**4.77 %**	**$ 2,377**	**2.71 %**	**$ 18,360**	**3.30 %**	**$ 14,632**	**3.79 %**	**$ 127,529**	**5.13 %**
December 31, 2010										
Securities of U.S. Treasury and federal agencies	$ 1,604	2.54 %	$ 9	5.07 %	$ 641	1.72 %	$ 852	2.94 %	$ 102	4.15 %
Securities of U.S. states and political subdivisions	18,654	5.99	322	3.83	3,210	3.57	1,884	6.13	13,238	6.60
Mortgage-backed securities:										
Federal agencies	82,037	5.01	5	6.63	28	6.58	420	5.23	81,584	5.00
Residential	20,203	4.98	-	-	-	-	341	3.20	19,862	5.01
Commercial	13,554	5.39	-	-	1	1.38	215	5.28	13,338	5.39
Total mortgage-backed securities	115,794	5.05	5	6.63	29	6.38	976	4.53	114,784	5.05
Corporate debt securities	10,279	5.94	545	7.82	3,853	6.01	4,817	5.62	1,064	6.21
Collateralized debt obligations	4,778	0.80	-	-	545	0.88	2,581	0.72	1,652	0.90
Other	16,356	2.53	1,588	2.89	7,887	3.00	4,367	2.01	2,514	1.72
Total debt securities at fair value	$ 167,465	4.81 %	$ 2,469	4.12 %	$ 16,165	3.72 %	$ 15,477	3.63 %	$ 133,354	5.10 %

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Note 4: Securities Available for Sale ***(continued)***

Realized Gains and Losses

The following table shows the gross realized gains and losses on sales and OTTI write-downs related to the securities available-for-sale portfolio, which includes marketable equity securities, as well as net realized gains and losses on nonmarketable equity securities (see Note 6 Other Assets).

		Quarter ended March 31,	
(in millions)		**2011**	2010
Gross realized gains	$	**70**	184
Gross realized losses		**(42)**	(15)
OTTI write-downs		**(80)**	(106)
Net realized gains (losses) from securities available for sale		**(52)**	63
Net realized gains from principal and private equity investments		**239**	8
Net realized gains from debt securities and equity investments	$	**187**	71

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Other-Than-Temporary Impairment

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

		Quarter ended March 31,	
(in millions)		**2011**	2010
OTTI write-downs included in earnings			
Debt securities:			
U.S. states and political subdivisions	$	**-**	5
Mortgage-backed securities:			
Residential		**62**	39
Commercial		**14**	13
Corporate debt securities		**-**	1
Collateralized debt obligations		**-**	6
Other debt securities		**4**	28
Total debt securities		**80**	92
Equity securities:			
Marketable equity securities:			
Perpetual preferred securities		**-**	14
Total marketable equity securities		**-**	14
Total securities available for sale		**80**	106
Nonmarketable equity securities		**41**	91
Total OTTI write-downs included in earnings	$	**121**	197

Other-Than-Temporarily Impaired Debt Securities

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 March 31,	
(in millions)		**2011**	2010
OTTI on debt securities			
Recorded as part of gross realized losses:			
Credit-related OTTI	$	**79**	89
Intent-to-sell OTTI		**1**	3
Total recorded as part of gross realized losses		**80**	92
Recorded directly to OCI for non-credit-related impairment:			
U.S. states and political subdivisions		**-**	(4)
Residential mortgage-backed securities		**(104)**	26
Commercial mortgage-backed securities		**(53)**	(2)
Collateralized debt obligations		**-**	59
Other debt securities		**1**	(17)
Total recorded directly to OCI for increase (decrease) in noncredit related impairment (1)		**(156)**	62
Total OTTI losses (gains) recorded on debt securities	$	**(76)**	154

(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, to the extent additional credit-related OTTI did not occur, are not reflected in this total. For the quarter ended March 31, 2011, the non-credit-related impairment recorded to OCI was a $156 million reduction in total OTTI because the fair value of the security increased due to factors other than credit. This fair value increase (net of the $79 million decrease related to credit) was not sufficient to recover the full amount of the unrealized loss on such securities and therefore required recognition of OTTI.

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Note 4: Securities Available for Sale ***(continued)***

The following table presents a rollforward 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 that we do not intend to sell were:

	Quarter ended March 31,	
(in millions)	**2011**	2010
Credit loss component, beginning of period	**$ 1,043**	1,187
Additions:		
Initial credit impairments	**11**	20
Subsequent credit impairments	**68**	69
Total additions	**79**	89
Reductions:		
For securities sold	**(23)**	(25)
For securities derecognized resulting from adoption of consolidation accounting guidance	**-**	(242)
For recoveries of previous credit impairments (1)	**(12)**	(7)
Total reductions	**(35)**	(274)
Credit loss component, end of period	**$ 1,087**	1,002

(1) Recoveries of previous credit impairments result from increases in expected cash flows subsequent to credit loss recognition. Such recoveries are reflected prospectively as interest yield adjustments using the effective interest method.

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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 (NPAs), 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 that we do not intend to sell are shown in the table below. The table also presents a summary of the significant inputs considered in determining the measurement of the credit loss component recognized in earnings for residential MBS.

	Quarter ended March 31,	
($ in millions)	**2011**	2010
Credit impairment losses on residential MBS		
Investment grade	**$ 5**	-
Non-investment grade	**57**	39
Total credit impairment losses on residential MBS	**$ 62**	39
Significant inputs (non-agency non-investment grade MBS)		
Expected remaining life of loan losses (1):		
Range (2)	**2-26 %**	2-36
Credit impairment distribution (3):		
0 - 10% range	**57**	53
10 - 20% range	**25**	20
20 - 30% range	**18**	22
Greater than 30%	**-**	5
Weighted average (4)	**9**	10
Current subordination levels (5):		
Range (2)	**0-11**	0-22
Weighted average (4)	**5**	7
Prepayment speed (annual CPR (6)):		
Range (2)	**5-15**	3-13
Weighted average (4)	**10**	8

(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 57% of credit impairment losses recognized in earnings for the quarter

ended March 31, 2011, 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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Note 5: Loans and Allowance for Credit Losses

The following table presents total loans outstanding by portfolio segment and class of financing receivable. Outstanding balances are presented net of unearned income, net deferred loan fees, and unamortized discounts and premiums totaling a net reduction of $10.8 billion and $11.3 billion at March 31, 2011 and December 31, 2010, respectively. Outstanding balances also include PCI loans net of any remaining purchase accounting adjustments. Information about PCI loans is presented separately in the Purchased Credit-Impaired Loans section of this Note.

(in millions)	**Mar. 31, 2011**	Dec. 31, 2010
Commercial:		
Commercial and industrial	**$ 150,857**	151,284
Real estate mortgage	**101,084**	99,435
Real estate construction	**22,868**	25,333
Lease financing	**12,937**	13,094
Foreign (1)	**35,476**	32,912
Total commercial	**323,222**	322,058
Consumer:		
Real estate 1-4 family first mortgage	**226,509**	230,235
Real estate 1-4 family junior lien mortgage	**93,041**	96,149
Credit card	**20,996**	22,260
Other revolving credit and installment	**87,387**	86,565
Total consumer	**427,933**	435,209
Total loans	**$ 751,155**	757,267

(1) Substantially all of our foreign loan portfolio is commercial loans. Loans are classified as foreign if the borrower s primary address is outside of the United States.

The following table summarizes the proceeds paid or received for purchases and sales of loans, respectively. It also includes transfers from (to) mortgages/loans held for sale at lower of cost or market. The table excludes PCI loans and loans recorded at fair value, including loans originated for sale. This activity primarily includes purchases or sales of commercial loan participation interests, whereby we receive or transfer a portion of a loan after origination.

	Quarter ended March 31,					
	2011			2010		
(in millions)	**Commercial**	**Consumer**	**Total**	Commercial	Consumer	Total
Purchases	**$ 644**	**-**	**644**	543	24	567
Sales	**(1,571)**	**(1)**	**(1,572)**	(1,068)	-	(1,068)
Transfers from/(to) MHFS/LHFS	**106**	**25**	**131**	(15)	(88)	(103)

Allowance for Credit Losses (ACL)

The ACL is management s estimate of credit losses inherent in the loan portfolio, including unfunded credit commitments, at the balance sheet date. We have an established process to determine the adequacy of the allowance for credit losses that assesses the losses inherent in our portfolio and related unfunded credit commitments. While we attribute portions of the allowance to specific portfolio segments, the entire allowance is available to absorb credit losses inherent in the total loan portfolio and unfunded credit commitments.

Our process involves procedures to appropriately consider the unique risk characteristics of our commercial and consumer loan portfolio segments. For each portfolio segment, losses are estimated collectively for groups of loans with similar characteristics, individually for impaired loans or, for PCI loans, based on the changes in cash flows expected to be collected.

Our allowance levels are influenced by loan volumes, loan grade migration or delinquency status, historic loss experience influencing loss factors, and other conditions influencing loss expectations, such as economic conditions.

COMMERCIAL PORTFOLIO SEGMENT ACL METHODOLOGY Generally, commercial loans are assessed for estimated losses by grading each loan using various risk factors as identified through periodic reviews. We apply historic grade-specific loss factors to the aggregation of each funded grade pool. These historic loss factors are also used to estimate losses for unfunded credit commitments. In the development of our statistically derived loan grade loss factors, we observe historical losses over a relevant period for each loan grade. These loss estimates are adjusted as appropriate based on additional analysis of long-term average loss experience compared to previously forecasted losses, external loss data or other risks identified from current economic conditions and credit quality trends.

The allowance also includes an amount for the estimated impairment on nonaccrual commercial loans and commercial loans modified in a TDR, whether on accrual or nonaccrual status.

CONSUMER PORTFOLIO SEGMENT ACL METHODOLOGY For consumer loans, not identified as a TDR, we determine the allowance on a collective basis utilizing forecasted losses to represent our best estimate of inherent loss. We pool loans, generally by product types with similar risk characteristics, such as residential real estate mortgages and credit cards. As appropriate, to achieve greater accuracy, we may further stratify selected portfolios by sub-product, origination channel, vintage, loss type, geographic location and other predictive characteristics. Models designed for each pool are utilized to develop the loss estimates. We use assumptions for these pools in our forecast models, such as historic delinquency and default, loss severity, home price trends, unemployment trends, and other key economic variables that may influence the frequency and severity of losses in the pool.

We separately estimate impairment for consumer loans that have been modified in a TDR, whether on accrual or nonaccrual status.

OTHER ACL MATTERS Commercial and consumer PCI loans may require an allowance subsequent to their acquisition. This allowance requirement is due to probable decreases in expected principal and interest cash flows (other than due to decreases in interest rate indices and changes in prepayment assumptions).

The allowance for credit losses for both portfolio segments includes an amount for imprecision or uncertainty that may change from period to period. This amount represents management s judgment of risks inherent in the processes and assumptions used in establishing the allowance. This imprecision considers economic environmental factors, modeling assumptions and performance, process risk, and other subjective factors, including industry trends.

Note 5: Loans and Allowance for Credit Losses *(continued)*

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

	Quarter ended March 31,	
(in millions)	**2011**	2010
Balance, beginning of period	**$ 23,463**	25,031
Provision for credit losses	**2,210**	5,330
Interest income on certain impaired loans (1)	**(83)**	(74)
Loan charge-offs:		
Commercial:		
Commercial and industrial	**(468)**	(767)
Real estate mortgage	**(179)**	(281)
Real estate construction	**(119)**	(405)
Lease financing	**(13)**	(34)
Foreign	**(39)**	(47)
Total commercial	**(818)**	(1,534)
Consumer:		
Real estate 1-4 family first mortgage	**(1,015)**	(1,397)
Real estate 1-4 family junior lien mortgage	**(1,046)**	(1,496)
Credit card	**(448)**	(696)
Other revolving credit and installment	**(500)**	(750)
Total consumer	**(3,009)**	(4,339)
Total loan charge-offs	**(3,827)**	(5,873)
Loan recoveries:		
Commercial:		
Commercial and industrial	**114**	117
Real estate mortgage	**27**	10
Real estate construction	**36**	11
Lease financing	**7**	5
Foreign	**11**	11
Total commercial	**195**	154

Consumer:		
Real estate 1-4 family first mortgage	**111**	86
Real estate 1-4 family junior lien mortgage	**52**	47
Credit card	**66**	53
Other revolving credit and installment	**193**	203
Total consumer	**422**	389
Total loan recoveries	**617**	543
Net loan charge-offs (2)	**(3,210)**	(5,330)
Allowances related to business combinations/other (3)	**3**	699
Balance, end of period	**$ 22,383**	25,656
Components:		
Allowance for loan losses	**$ 21,983**	25,123
Allowance for unfunded credit commitments	**400**	533
Allowance for credit losses (4)	**$ 22,383**	25,656
Net loan charge-offs (annualized) as a percentage of average total loans (2)	**1.73 %**	2.71
Allowance for loan losses as a percentage of total loans (4)	**2.93**	3.22
Allowance for credit losses as a percentage of total loans (4)	**2.98**	3.28

(1) Certain impaired loans with an allowance calculated by discounting expected cash flows using the loan s effective interest rate over the remaining life of the loan recognize reductions in the allowance 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 for the quarter ended March 31, 2010, related to the adoption of consolidation accounting guidance on January 1, 2010.
(4) The allowance for credit losses includes $257 million and $247 million at March 31, 2011 and 2010, 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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The following table summarizes the activity in the allowance for credit losses by our commercial and consumer portfolio segments.

	Quarter ended March 31,					
	2011			2010		
(in millions)	**Commercial**	**Consumer**	**Total**	Commercial	Consumer	Total
Balance, beginning of period	**$ 8,169**	**15,294**	**23,463**	8,141	16,890	25,031
Provision for credit losses	**472**	**1,738**	**2,210**	2,104	3,226	5,330
Interest income on certain impaired loans	**(45)**	**(38)**	**(83)**	(41)	(33)	(74)
Loan charge-offs	**(818)**	**(3,009)**	**(3,827)**	(1,534)	(4,339)	(5,873)
Loan recoveries	**195**	**422**	**617**	154	389	543
Net loan charge-offs	**(623)**	**(2,587)**	**(3,210)**	(1,380)	(3,950)	(5,330)
Allowance related to business combinations/other	**-**	**3**	**3**	9	690	699
Balance, end of period	**$ 7,973**	**14,410**	**22,383**	8,833	16,823	25,656

The following table disaggregates our allowance for credit losses and recorded investment in loans by impairment methodology.

	Allowance for credit losses			Recorded investment in loans		
(in millions)	Commercial	Consumer	Total	Commercial	Consumer	Total
March 31, 2011						
Collectively evaluated (1)	**$ 5,222**	**10,480**	**15,702**	**304,630**	**380,509**	**685,139**
Individually evaluated (2)	**2,517**	**3,907**	**6,424**	**11,085**	**14,944**	**26,029**
PCI (3)	**234**	**23**	**257**	**7,507**	**32,480**	**39,987**
Total	**$ 7,973**	**14,410**	**22,383**	**323,222**	**427,933**	**751,155**

December 31, 2010							
Collectively evaluated (1)	$	5,424	11,539	16,963	302,392	387,707	690,099
Individually evaluated (2)		2,479	3,723	6,202	11,731	14,007	25,738
PCI (3)		266	32	298	7,935	33,495	41,430
Total	$	8,169	15,294	23,463	322,058	435,209	757,267

(1) Represents loans collectively evaluated for impairment in accordance with ASC 450-20, *Loss Contingencies* (formerly FAS 5), and pursuant to amendments by ASU 2010-20 regarding allowance for unimpaired loans.
(2) Represents loans individually evaluated for impairment in accordance with ASC 310-10, *Receivables* (formerly FAS 114), and pursuant to amendments by ASU 2010-20 regarding allowance for impaired loans.
(3) Represents the allowance and related loan carrying value determined in accordance with ASC 310-30*, Receivables Loans and Debt Securities Acquired with Deteriorated Credit Quality* (formerly SOP 03-3) and pursuant to amendments by ASU 2010-20 regarding allowance for PCI loans.

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Note 5: Loans and Allowance for Credit Losses *(continued)*

Credit Quality
We monitor credit quality as indicated by evaluating various attributes and utilize such information in our evaluation of the adequacy of the allowance for credit losses. The following sections provide the credit quality indicators we most closely monitor. See the Purchased Credit-Impaired Loans section of this Note for credit quality information on our PCI portfolio.

The majority of credit quality indicators are based on March 31, 2011, information, with the exception of updated FICO and updated loan-to-value (LTV)/combined LTV (CLTV), which are obtained at least quarterly. Generally, these indicators are updated in the second month of each quarter, with updates no older than December 31, 2010.

COMMERCIAL CREDIT QUALITY INDICATORS In addition to monitoring commercial loan concentration risk, we manage a consistent process for assessing commercial loan credit quality. Commercial loans are subject to individual risk assessment using our internal borrower and collateral quality ratings. Our ratings are aligned to Pass and Criticized categories. The Criticized category includes Special Mention, Substandard, and Doubtful categories which are defined by banking regulatory agencies.

The table below provides a breakdown of outstanding commercial loans by risk category. Both the CRE mortgage and construction criticized totals are relatively high as a result of the current conditions in the real estate market. Of the $35.0 billion in criticized CRE loans, $7.5 billion has been placed on nonaccrual status and written down to net realizable value. Loans in both populations have a high level of surveillance and monitoring in place to manage these assets and mitigate any loss exposure.

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Lease financing	Foreign	Total
March 31, 2011						
By risk category:						
Pass	**$ 127,340**	**72,940**	**10,586**	**12,341**	**32,834**	**256,041**
Criticized	**22,909**	**25,180**	**9,835**	**596**	**1,154**	**59,674**
Total commercial loans (excluding PCI)	**150,249**	**98,120**	**20,421**	**12,937**	**33,988**	**315,715**
Total commercial PCI loans (carrying value)	**608**	**2,964**	**2,447**	**-**	**1,488**	**7,507**
Total commercial loans	**$ 150,857**	**101,084**	**22,868**	**12,937**	**35,476**	**323,222**
December 31, 2010						

By risk category:						
Pass	$ 126,058	70,597	11,256	12,411	30,341	250,663
Criticized	24,508	25,983	11,128	683	1,158	63,460
Total commercial loans (excluding PCI)	150,566	96,580	22,384	13,094	31,499	314,123
Total commercial PCI loans (carrying value)	718	2,855	2,949	-	1,413	7,935
Total commercial loans	$ 151,284	99,435	25,333	13,094	32,912	322,058

In addition, while we monitor past due status, we do not consider it a key driver of our credit risk management practices
for commercial loans. The following table provides past due information for commercial loans.

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Lease financing	Foreign	Total
March 31, 2011						
By delinquency status:						
Current-29 DPD	**$ 146,268**	**91,667**	**17,473**	**12,772**	**33,779**	**301,959**
30-89 DPD	**990**	**1,037**	**553**	**70**	**107**	**2,757**
90+ DPD and still accruing	**338**	**177**	**156**	**-**	**16**	**687**
Nonaccrual loans	**2,653**	**5,239**	**2,239**	**95**	**86**	**10,312**
Total commercial loans (excluding PCI)	**150,249**	**98,120**	**20,421**	**12,937**	**33,988**	**315,715**
Total commercial PCI loans (carrying value)	**608**	**2,964**	**2,447**	**-**	**1,488**	**7,507**
Total commercial loans	**$ 150,857**	**101,084**	**22,868**	**12,937**	**35,476**	**323,222**
December 31, 2010						
By delinquency status:						
Current-29 DPD	$ 146,135	90,233	19,005	12,927	31,350	299,650
30-89 DPD	910	1,016	510	59	-	2,495
90+ DPD and still accruing	308	104	193	-	22	627
Nonaccrual loans	3,213	5,227	2,676	108	127	11,351
Total commercial loans (excluding PCI)	150,566	96,580	22,384	13,094	31,499	314,123
Total commercial PCI loans (carrying value)	718	2,855	2,949	-	1,413	7,935
Total commercial loans	$ 151,284	99,435	25,333	13,094	32,912	322,058

CONSUMER CREDIT QUALITY INDICATORS We have various classes of consumer loans that present respective unique risks. Loan delinquency, FICO credit scores and LTV for loan types are common credit quality indicators that we monitor and utilize in our evaluation of the adequacy of the allowance for credit losses for the consumer portfolio segment.

The majority of our loss estimation techniques used for the allowance for credit losses rely on delinquency matrix models or delinquency roll rate models. Therefore, delinquency is an important indicator of credit quality and the establishment of our allowance for credit losses.

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Note 5: Loans and Allowance for Credit Losses *(continued)*

The following table provides the outstanding balances of our consumer portfolio by delinquency status.

(in millions)	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Credit card	Other revolving credit and installment	Total
March 31, 2011					
By delinquency status:					
Current	**$ 156,523**	**86,950**	**19,623**	**62,579**	**325,675**
1-29 DPD	**5,723**	**2,811**	**578**	**6,687**	**15,799**
30-59 DPD	**4,080**	**817**	**215**	**836**	**5,948**
60-89 DPD	**1,831**	**508**	**167**	**258**	**2,764**
90-119 DPD	**1,272**	**415**	**148**	**127**	**1,962**
120-179 DPD	**1,934**	**695**	**264**	**51**	**2,944**
180+ DPD	**7,053**	**606**	**1**	**9**	**7,669**
Government insured/guaranteed loans (1)	**15,852**	**-**	**-**	**16,840**	**32,692**
Total consumer loans (excluding PCI)	**194,268**	**92,802**	**20,996**	**87,387**	**395,453**
Total consumer PCI loans (carrying value)	**32,241**	**239**	**-**	**-**	**32,480**
Total consumer loans	**$ 226,509**	**93,041**	**20,996**	**87,387**	**427,933**
December 31, 2010 (2)					
By delinquency status:					
Current	$ 158,961	89,408	20,546	59,295	328,210
1-29 DPD	5,597	3,104	730	7,834	17,265
30-59 DPD	4,516	917	262	1,261	6,956
60-89 DPD	2,173	608	207	376	3,364
90-119 DPD	1,399	476	190	171	2,236
120-179 DPD	2,080	764	324	58	3,226
180+ DPD	6,750	622	1	117	7,490
Government insured/guaranteed loans (1)	15,514	-	-	17,453	32,967
Total consumer loans (excluding PCI)	196,990	95,899	22,260	86,565	401,714
Total consumer PCI loans (carrying value)	33,245	250	-	-	33,495

Total consumer loans	$ 230,235	96,149	22,260	86,565	435,209

(1) Represents loans whose repayments are insured by the FHA or guaranteed by the VA and student loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under FFELP.

(2) Amounts at December 31, 2010, have been revised to conform to the current presentation.

Of the $12.6 billion of loans that are 90 days or more past due at March 31, 2011, $1.7 billion was accruing, compared with $13.0 billion and $20.0 billion, respectively, at December 31, 2010.

Real estate 1-4 family first mortgage loans 180 days or more past due totaled $7.1 billion, or 3.6% of total first mortgages (excluding PCI), up slightly from 3.4% at December 31, 2010. The aging of the delinquent real estate 1-4 family first mortgage loans is a result of the prolonged foreclosure process and our effort to help customers stay in their homes through various loan modification programs, as loans continue to age until these processes are complete.

The following table provides a breakdown of our consumer portfolio by updated FICO. We obtain FICO scores at loan origination and the scores are updated at least quarterly. FICO is not available for certain loan types and may not be obtained if we deem it unnecessary due to strong collateral and other borrower attributes, primarily securities-based margin loans of $5.2 billion at March 31, 2011, and $4.1 billion at December 31, 2010. The majority of our portfolio is underwritten with a FICO score of 680 and above.

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(in millions)	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Credit card	Other revolving credit and installment	Total
March 31, 2011					
By updated FICO:					
< 600	**$ 25,024**	**7,915**	**2,643**	**10,453**	**46,035**
600-639	**11,148**	**4,186**	**1,743**	**5,893**	**22,970**
640-679	**15,940**	**7,530**	**3,159**	**8,427**	**35,056**
680-719	**24,942**	**13,587**	**4,350**	**9,597**	**52,476**
720-759	**29,162**	**19,614**	**4,250**	**8,845**	**61,871**
760-799	**47,466**	**25,854**	**2,966**	**9,106**	**85,392**
800+	**19,252**	**9,467**	**1,625**	**4,622**	**34,966**
No FICO available	**5,482**	**4,649**	**260**	**8,444**	**18,835**
FICO not required	**-**	**-**	**-**	**5,160**	**5,160**
Government insured/guaranteed loans (1)	**15,852**	**-**	**-**	**16,840**	**32,692**
Total consumer loans (excluding PCI)	**194,268**	**92,802**	**20,996**	**87,387**	**395,453**
Total consumer PCI loans (carrying value)	**32,241**	**239**	**-**	**-**	**32,480**
Total consumer loans	**$ 226,509**	**93,041**	**20,996**	**87,387**	**427,933**
December 31, 2010 (2)					
By updated FICO:					
< 600	$ 26,013	9,126	2,872	10,806	48,817
600-639	11,105	4,457	1,826	5,965	23,353
640-679	16,202	7,678	3,305	8,344	35,529
680-719	25,549	13,759	4,522	9,480	53,310
720-759	29,443	20,334	4,441	8,808	63,026
760-799	47,250	27,222	3,215	9,357	87,044
800+	19,719	10,607	1,794	4,692	36,812
No FICO available	6,195	2,716	285	7,528	16,724
FICO not required	-	-	-	4,132	4,132
Government insured/guaranteed loans (1)	15,514	-	-	17,453	32,967

Total consumer loans (excluding PCI)	196,990	95,899	22,260	86,565	401,714
Total consumer PCI loans (carrying value)	33,245	250	-	-	33,495
Total consumer loans	$ 230,235	96,149	22,260	86,565	435,209

(1) Represents loans whose repayments are insured by the FHA or guaranteed by the VA and student loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under FFELP.

(2) Amounts at December 31, 2010, have been revised to conform to the current presentation.

LTV refers to the ratio comparing the loan s unpaid principal balance to the property s collateral value. CLTV refers to the combination of first mortgage and junior lien mortgage ratios. LTVs and CLTVs are updated quarterly using a cascade approach which first uses values provided by automated valuation models (AVMs) for the property. If an AVM is not available, then the value is estimated using the original appraised value adjusted by the change in Home Price Index (HPI) for the property location. If an HPI is not available, the original appraised value is used. The HPI value is normally the only method considered for high value properties as the AVM values have proven less accurate for these properties.

The following table shows the most updated LTV and CLTV distribution of the real estate 1-4 family first and junior lien mortgage loan portfolios. In recent years, the residential real estate markets have experienced significant declines in property values and several markets, particularly California and Florida have experienced declines that turned out to be more significant than the national decline. These trends are considered in the way that we monitor credit risk and establish our allowance for credit losses. LTV does not necessarily reflect the likelihood of performance of a given loan, but does provide an indication of collateral value. In the event of a default, any loss should be limited to the portion of the loan amount in excess of the net realizable value of the underlying real estate collateral value. Certain loans do not have an LTV or CLTV primarily due to industry data availability and portfolios acquired from or serviced by other institutions.

Note 5: Loans and Allowance for Credit Losses *(continued)*

	March 31, 2011			December 31, 2010 (3)		
(in millions)	**Real estate 1-4 family first mortgage by LTV**	**Real estate 1-4 family junior lien mortgage by CLTV**	**Total**	Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total
By LTV/CLTV:						
0-60%	**$ 46,886**	**13,286**	**60,172**	47,808	14,814	62,622
60.01-80%	**42,682**	**16,692**	**59,374**	42,542	17,744	60,286
80.01-100%	**40,168**	**22,354**	**62,522**	39,497	24,255	63,752
100.01-120% (1)	**23,416**	**17,870**	**41,286**	24,147	17,887	42,034
> 120% (1)	**21,299**	**19,716**	**41,015**	24,243	18,628	42,871
No LTV/CLTV available	**3,965**	**2,884**	**6,849**	3,239	2,571	5,810
Government insured/guaranteed loans (2)	**15,852**	**-**	**15,852**	15,514	-	15,514
Total consumer loans (excluding PCI)	**194,268**	**92,802**	**287,070**	196,990	95,899	292,889
Total consumer PCI loans (carrying value)	**32,241**	**239**	**32,480**	33,245	250	33,495
Total consumer loans	**$ 226,509**	**93,041**	**319,550**	230,235	96,149	326,384

(1) Reflects total loan balances with LTV/CLTV amounts in excess of 100%. In the event of default, the loss content would generally be limited to only the amount in excess of 100% LTV/CLTV.

(2) Represents loans whose repayments are insured by the FHA or guaranteed by the VA.

(3) Amounts at December 31, 2010, have been revised to conform to the current presentation.

NONACCRUAL LOANS The following table provides loans on nonaccrual status. PCI loans are excluded from this table due to the existence of the accretable yield.

(in millions)	**Mar. 31, 2011**	Dec. 31, 2010
Commercial:		

Commercial and industrial	$	**2,653**	3,213
Real estate mortgage		**5,239**	5,227
Real estate construction		**2,239**	2,676
Lease financing		**95**	108
Foreign		**86**	127
Total commercial (1)		**10,312**	11,351
Consumer:			
Real estate 1-4 family first mortgage (2)		**12,143**	12,289
Real estate 1-4 family junior lien mortgage		**2,235**	2,302
Other revolving credit and installment		**275**	300
Total consumer		**14,653**	14,891
Total nonaccrual loans (excluding PCI)	$	**24,965**	26,242

(1) Includes LHFS of $17 million and $3 million at March 31, 2011 and December 31, 2010, respectively.

(2) Includes MHFS of $430 million and $426 million at March 31, 2011 and December 31, 2010, respectively.

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LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING Certain loans 90 days or more past due as to interest or principal are 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 until later delinquency, usually 120 days past due. PCI loans of $10.8 billion at March 31, 2011, and $11.6 billion at December 31, 2010, are excluded from this disclosure even though they are 90 days or more contractually past due. These PCI loans are considered to be accruing due to the existence of the accretable yield and not based on consideration given to contractual interest payments.

The following table shows non-PCI loans 90 days or more past due and still accruing by class for loans not government insured/guaranteed.

(in millions)		**Mar. 31, 2011**	Dec. 31, 2010
Total (excluding PCI):	$	**17,901**	18,488
Less: FHA insured/guaranteed by the VA (1)		**14,353**	14,733
Less: Student loans guaranteed under the FFELP (2)		**1,120**	1,106
Total, not government insured/guaranteed	$	**2,428**	2,649
By segment and class, not insured/guaranteed:			
Commercial:			
Commercial and industrial	$	**338**	308
Real estate mortgage		**177**	104
Real estate construction		**156**	193
Foreign		**16**	22
Total commercial		**687**	627
Consumer:			
Real estate 1-4 family first mortgage (3)		**858**	941
Real estate 1-4 family junior lien mortgage (3)		**325**	366
Credit card		**413**	516
Other revolving credit and installment		**145**	199
Total consumer		**1,741**	2,022
Total, not government insured/guaranteed	$	**2,428**	2,649

(1) Represents loans whose repayments are insured by the FHA or guaranteed by the VA.

(2) Represents loans whose repayments are predominantly guaranteed by agencies on behalf of the U.S. Department of Education under the FFELP.

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

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Note 5: Loans and Allowance for Credit Losses *(continued)*

IMPAIRED LOANS The table below summarizes key information for impaired loans. Our impaired loans include loans on nonaccrual status in the commercial portfolio segment and loans modified in a TDR, whether on accrual or nonaccrual status.
These impaired loans may have estimated impairment which is included in the allowance for credit losses. Impaired loans exclude PCI loans.

		Recorded investment		
(in millions)	Unpaid principal balance	Impaired loans	Impaired loans with related allowance for credit losses	Related allowance for credit losses
March 31, 2011				
Commercial:				
Commercial and industrial	**$ 7,501**	**2,901**	**2,901**	**548**
Real estate mortgage	**7,374**	**5,566**	**5,239**	**1,357**
Real estate construction	**4,078**	**2,495**	**2,495**	**573**
Lease financing	**139**	**97**	**90**	**32**
Foreign	**175**	**26**	**22**	**7**
Total commercial	**19,267**	**11,085**	**10,747**	**2,517**
Consumer:				
Real estate 1-4 family first mortgage	**13,706**	**12,261**	**12,261**	**2,875**
Real estate 1-4 family junior lien mortgage	**1,949**	**1,824**	**1,824**	**621**
Credit card	**602**	**602**	**602**	**356**
Other revolving credit and installment	**259**	**257**	**257**	**55**
Total consumer	**16,516**	**14,944**	**14,944**	**3,907**
Total impaired loans (excluding PCI)	**$ 35,783**	**26,029**	**25,691**	**6,424**
December 31, 2010				

Commercial:				
Commercial and industrial	$ 8,190	3,600	3,276	607
Real estate mortgage	7,439	5,239	5,163	1,282
Real estate construction	4,676	2,786	2,786	548
Lease financing	149	91	91	34
Foreign	215	15	15	8
Total commercial	20,669	11,731	11,331	2,479
Consumer:				
Real estate 1-4 family first mortgage	12,834	11,603	11,603	2,754
Real estate 1-4 family junior lien mortgage	1,759	1,626	1,626	578
Credit card	548	548	548	333
Other revolving credit and installment	231	230	230	58
Total consumer	15,372	14,007	14,007	3,723
Total impaired loans (excluding PCI)	$ 36,041	25,738	25,338	6,202

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Commitments to lend additional funds on loans whose terms have been modified in a TDR amounted to $1.7 billion and $1.2 billion at March 31, 2011 and December 31, 2010, respectively. These commitments primarily relate to CRE loans, which, at the time of modification, had an amount of availability to the borrower that continues under the modified terms of the TDR and totaled $1.3 billion and $861 million at March 31, 2011 and December 31, 2010, respectively.

The following table provides the average recorded investment in impaired loans and the amount of interest income recognized on impaired loans after impairment by portfolio segment and class.

	Quarter ended March 31,			
	2011		2010	
(in millions)	**Average recorded investment**	**Recognized interest income**	Average recorded investment	Recognized interest income
Commercial:				
Commercial and industrial	**$ 3,105**	**24**	3,277	29
Real estate mortgage	**5,522**	**13**	2,040	8
Real estate construction	**2,681**	**14**	2,556	4
Lease financing	**106**	**-**	73	-
Foreign	**40**	**-**	78	-
Total commercial	**11,454**	**51**	8,024	41
Consumer:				
Real estate 1-4 family first mortgage	**11,901**	**151**	7,491	104
Real estate 1-4 family junior lien mortgage	**1,763**	**14**	1,404	13
Credit card	**581**	**6**	105	1
Other revolving credit and installment	**243**	**9**	47	-
Total consumer	**14,488**	**180**	9,047	118
Total impaired loans (excluding PCI)	**$ 25,942**	**231**	17,071	159

Interest income:

Cash basis of accounting	$	**38**	47
Other (1)		**193**	112
Total interest income	$	**231**	159

(1) Includes interest recognized on accruing TDRs, interest recognized related to certain impaired loans which have an allowance calculated using discounting, and amortization of purchase accounting adjustments related to certain impaired loans. See footnote 1 to the table of changes in the allowance for credit losses.

Note 5: Loans and Allowance for Credit Losses *(continued)*

Purchased Credit-Impaired Loans

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Certain loans acquired in the Wachovia acquisition are accounted for as PCI loans. The following table presents PCI loans net of any remaining purchase accounting adjustments.

(in millions)	**Mar. 31, 2011**	Dec. 31, 2010
Commercial:		
Commercial and industrial	**$ 608**	718
Real estate mortgage	**2,964**	2,855
Real estate construction	**2,447**	2,949
Foreign	**1,488**	1,413
Total commercial	**7,507**	7,935
Consumer:		
Real estate 1-4 family first mortgage	**32,241**	33,245
Real estate 1-4 family junior lien mortgage	**239**	250
Other revolving credit and installment	**-**	-
Total consumer	**32,480**	33,495
Total PCI loans (carrying value)	**$ 39,987**	41,430
Total PCI loans (unpaid principal balance)	**$ 61,341**	64,331

ACCRETABLE YIELD The excess of cash flows expected to be collected over the carrying value of PCI loans is referred to as the accretable yield and is recognized in interest income using an effective yield method over the remaining life of the loan, or pools of loans. 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 regular evaluations of cash flows expected to be collected;

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 Updates to expected cash flows are driven by the credit outlook and actions taken with borrowers. Changes in expected future cash flows from loan modifications are included in the regular evaluations of cash flows expected to be collected.

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

		Quarter ended	Year ended	
		Mar. 31,		Dec. 31,
(in millions)		**2011**	2010	2009
Total, beginning of period	$	**16,714**	14,559	10,447
Accretion(1)		**(701)**	(2,435)	(2,606)
Reclassification from nonaccretable difference for loans with improving cash flows		**115**	3,399	441
Changes in expected cash flows that do not affect nonaccretable difference (2)		**(247)**	1,191	6,277
Total, end of period	$	**15,881**	16,714	14,559

(1) Includes accretable yield released as a result of settlements with borrowers, which are included in interest income, and sales to third parties, which are included in noninterest income ($155 million in first quarter 2011).

(2) Represents changes in cash flows expected to be collected due to changes in interest rates on variable rate PCI loans and the impact of modifications.

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PCI ALLOWANCE When it is estimated that the cash flows expected to be collected 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	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	712	-	59	771
Charge-offs	(776)	-	(30)	(806)
Balance, December 31, 2010	**266**	**-**	**32**	**298**
Provision for losses due to credit deterioration	**11**	**-**	**(1)**	**10**
Charge-offs	**(43)**	**-**	**(8)**	**(51)**
Balance, March 31, 2011	**$ 234**	**-**	**23**	**257**

COMMERCIAL PCI CREDIT QUALITY INDICATORS The following table provides a breakdown of commercial PCI loans by risk category.

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Foreign	Total
March 31, 2011					
By risk category:					
Pass	**$ 227**	**530**	**87**	**204**	**1,048**
Criticized	**381**	**2,434**	**2,360**	**1,284**	**6,459**

Total commercial PCI loans	**$**	**608**	**2,964**	**2,447**	**1,488**	**7,507**
December 31, 2010						
By risk category:						
Pass	$	214	352	128	210	904
Criticized		504	2,503	2,821	1,203	7,031
Total commercial PCI loans	$	718	2,855	2,949	1,413	7,935

The following table provides past due information for commercial PCI loans.

(in millions)		Commercial and industrial	Real estate mortgage	Real estate construction	Foreign	Total
March 31, 2011						
By delinquency status:						
Current-29 DPD	**$**	**477**	**2,479**	**1,193**	**1,309**	**5,458**
30-89 DPD		**46**	**121**	**192**	**-**	**359**
90+ DPD and still accruing		**85**	**364**	**1,062**	**179**	**1,690**
Total commercial PCI loans	**$**	**608**	**2,964**	**2,447**	**1,488**	**7,507**
December 31, 2010						
By delinquency status:						
Current-29 DPD	$	612	2,295	1,395	1,209	5,511
30-89 DPD		22	113	178	-	313
90+ DPD and still accruing		84	447	1,376	204	2,111
Total commercial PCI loans	$	718	2,855	2,949	1,413	7,935

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Note 5: Loans and Allowance for Credit Losses *(continued)*

CONSUMER PCI CREDIT QUALITY INDICATORS Our consumer PCI loans were aggregated into several pools of loans at acquisition. Below, we have provided credit quality indicators based on the individual loans included in the pool,
but we have not allocated the remaining purchase accounting adjustments, which were established at a pool level. The following table provides the delinquency status of consumer PCI loans.

		March 31, 2011			December 31, 2010	
(in millions)	**Real estate 1-4 family first mortgage**	**Real estate 1-4 family junior lien mortgage**	**Total**	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total
By delinquency status:						
Current	**$ 28,664**	**249**	**28,913**	29,253	357	29,610
1-29 DPD	**42**	**57**	**99**	44	79	123
30-59 DPD	**3,207**	**20**	**3,227**	3,586	30	3,616
60-89 DPD	**1,185**	**11**	**1,196**	1,364	17	1,381
90-119 DPD	**779**	**8**	**787**	881	13	894
120-179 DPD	**1,353**	**13**	**1,366**	1,346	19	1,365
180+ DPD	**7,125**	**177**	**7,302**	7,214	220	7,434
Total consumer PCI loans	**$ 42,355**	**535**	**42,890**	43,688	735	44,423
Total consumer PCI loans (carrying value)	**$ 32,241**	**239**	**32,480**	33,245	250	33,495

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The following table provides FICO scores for consumer PCI loans.

	March 31, 2011			December 31, 2010		
(in millions)	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total
By FICO:						
< 600	$ 20,959	282	21,241	22,334	363	22,697
600-639	7,586	81	7,667	7,563	109	7,672
640-679	6,374	78	6,452	6,185	96	6,281
680-719	3,877	49	3,926	3,949	60	4,009
720-759	1,966	14	1,980	2,057	17	2,074
760-799	1,026	6	1,032	1,087	7	1,094
800+	208	2	210	232	2	234
No FICO available	359	23	382	281	81	362
Total consumer PCI loans	$ 42,355	535	42,890	43,688	735	44,423
Total consumer PCI loans (carrying value)	$ 32,241	239	32,480	33,245	250	33,495

The following table shows the distribution of consumer PCI loans by LTV for real estate 1-4 family first mortgages and by CLTV for real estate 1-4 family junior lien mortgages.

	March 31, 2011			December 31, 2010		
	Real estate 1-4 family	Real estate 1-4 family		Real estate 1-4 family	Real estate 1-4 family	

(in millions)		first mortgage by LTV	junior lien mortgage by CLTV	Total	first mortgage by LTV	junior lien mortgage by CLTV	Total
By LTV/CLTV:							
0-60%	$	**1,280**	**32**	**1,312**	1,653	43	1,696
60.01-80%		**4,623**	**57**	**4,680**	5,513	42	5,555
80.01-100%		**11,416**	**82**	**11,498**	11,861	89	11,950
100.01-120% (1)		**9,618**	**93**	**9,711**	9,525	116	9,641
> 120% (1)		**15,295**	**269**	**15,564**	15,047	314	15,361
No LTV/CLTV available		**123**	**2**	**125**	89	131	220
Total consumer PCI loans	$	**42,355**	**535**	**42,890**	43,688	735	44,423
Total consumer PCI loans (carrying value)	$	**32,241**	**239**	**32,480**	33,245	250	33,495

(1) Reflects total loan balances with LTV/CLTV amounts in excess of 100%. In the event of default, the loss content would generally be limited to only the amount in excess of 100% LTV/CLTV.

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Note 6: Other Assets

The components of other assets were:

(in millions)		Mar. 31, 2011	Dec. 31, 2010
Nonmarketable equity investments:			
Cost method:			
Private equity investments	$	**3,117**	3,240
Federal bank stock		**5,129**	5,254
Total cost method		**8,246**	8,494
Equity method		**7,692**	7,624
Principal investments (1)		**302**	305
Total nonmarketable equity investments		**16,240**	16,423
Corporate/bank-owned life insurance		**19,924**	19,845
Accounts receivable		**19,126**	23,763
Interest receivable		**5,051**	4,895
Core deposit intangibles		**8,493**	8,904
Customer relationship and other amortized intangibles		**1,773**	1,847
Foreclosed assets:			
Government insured/guaranteed (2)		**1,457**	1,479
Non-government insured/guaranteed		**4,055**	4,530
Operating lease assets		**1,785**	1,873
Due from customers on acceptances		**165**	229

Other		**15,668**	15,993
Total other assets	**$**	**93,737**	99,781

(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) These are foreclosed real estate securing FHA insured and VA guaranteed loans. Both principal and interest for these loans secured by the foreclosed real estate are collectible because they are insured/guaranteed.

Income related to nonmarketable equity investments was:

	Quarter ended March 31,		
(in millions)		**2011**	2010
Net gains (losses) from:			
Private equity investments	**$**	**221**	(1)
Principal investments		**18**	9
All other nonmarketable equity investments		**(60)**	(17)
Net gains (losses) from nonmarketable equity investments	**$**	**179**	(9)

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Note 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 finance its activities without additional subordinated financial support or whose equity investors lack the ability to control the entity s activities. 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. We assess whether or not we are the primary beneficiary of a VIE on an on-going basis.

We have segregated our involvement with VIEs between those VIEs which we consolidate, those which we do not consolidate and transfers of financial assets that are accounted for as secured borrowings. Secured borrowings are transactions involving transfers of our financial assets to third parties that are accounted for as financings with the assets pledged as collateral. Accordingly, the transferred assets remain recognized on our balance sheet. Subsequent tables within this Note further segregate these transactions by structure type.

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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
March 31, 2011					
Cash	**$ -**	**154**		**480**	**634**
Trading assets	**4,808**	**98**		**30**	**4,936**
Securities available for sale (1)	**21,065**	**2,377**		**8,459**	**31,901**
Loans held for sale	**-**	**53**		**-**	**53**
Loans	**12,205**	**15,407**		**1,480**	**29,092**
Mortgage servicing rights	**14,432**	**-**		**-**	**14,432**
Other assets	**3,831**	**1,467**		**114**	**5,412**
Total assets	**56,341**	**19,556**		**10,563**	**86,460**
Short-term borrowings	**-**	**3,608**	(2)	**8,455**	**12,063**
Accrued expenses and other liabilities	**3,417**	**660**	(2)	**16**	**4,093**
Long-term debt	**-**	**7,173**	(2)	**1,681**	**8,854**
Total liabilities	**3,417**	**11,441**		**10,152**	**25,010**
Noncontrolling interests	**-**	**20**		**-**	**20**

Net assets	**$**	**52,924**	**8,095**		**411**	**61,430**
December 31, 2010						
Cash	$	-	200		398	598
Trading assets		5,351	143		32	5,526
Securities available for sale (1)		24,001	2,159		7,834	33,994
Loans		12,401	16,708		1,613	30,722
Mortgage servicing rights		13,261	-		-	13,261
Other assets		3,783	2,039		90	5,912
Total assets		58,797	21,249		9,967	90,013
Short-term borrowings		-	3,636	(2)	7,773	11,409
Accrued expenses and other liabilities		3,514	716	(2)	14	4,244
Long-term debt		-	8,377	(2)	1,700	10,077
Total liabilities		3,514	12,729		9,487	25,730
Noncontrolling interests		-	40		-	40
Net assets	$	55,283	8,480		480	64,243

(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 March 31, 2011 and December 31, 2010, respectively, with recourse to the general credit of Wells Fargo: Short-term borrowings, $3.6 billion and $3.6 billion; Accrued expenses and other liabilities, $570 million and $645 million; and Long-term debt, $53 million and $53 million.

Transactions with Unconsolidated VIEs

Our transactions with VIEs include securitizations of consumer loans, CRE loans, student loans, auto loans and municipal bonds; investment and financing activities involving CDOs backed by asset-backed and CRE securities, collateralized loan obligations (CLOs) backed by corporate loans, 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, but are not the primary beneficiary. The balances presented represent our unconsolidated VIEs for which we consider our involvement to be significant. Our definition of significant continuing involvement excludes 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 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	Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
March 31, 2011						
						Carrying value - asset (liability)
Residential mortgage loan securitizations:						
Conforming	**$ 1,108,820**	**5,282**	**13,248**	**-**	**(898)**	**17,632**
Other/nonconforming	**68,234**	**2,777**	**525**	**4**	**(129)**	**3,177**
Commercial mortgage securitizations	**188,172**	**5,553**	**617**	**240**	**-**	**6,410**
Collateralized debt obligations:						
Debt securities	**18,257**	**1,317**	**-**	**598**	**-**	**1,915**
Loans (2)	**9,986**	**9,736**	**-**	**-**	**-**	**9,736**
Asset-based finance structures	**9,310**	**4,511**	**-**	**(96)**	**-**	**4,415**
Tax credit structures	**18,805**	**3,662**	**-**	**-**	**(1,168)**	**2,494**
Collateralized loan obligations	**12,435**	**2,718**	**-**	**60**	**-**	**2,778**

Investment funds	**8,575**	**1,459**	**-**	**-**	**-**	**1,459**
Other (3)	**18,278**	**2,553**	**42**	**314**	**(1)**	**2,908**
Total	**$ 1,460,872**	**39,568**	**14,432**	**1,120**	**(2,196)**	**52,924**

					Maximum exposure to loss
Residential mortgage loan securitizations:					
Conforming	**$ 5,282**	**13,248**	**-**	**3,516**	**22,046**
Other/nonconforming	**2,777**	**525**	**4**	**196**	**3,502**
Commercial mortgage securitizations	**5,553**	**617**	**441**	**-**	**6,611**
Collateralized debt obligations:					
Debt securities	**1,317**	**-**	**2,528**	**-**	**3,845**
Loans (2)	**9,736**	**-**	**-**	**-**	**9,736**
Asset-based finance structures	**4,511**	**-**	**96**	**2,484**	**7,091**
Tax credit structures	**3,662**	**-**	**-**	**-**	**3,662**
Collateralized loan obligations	**2,718**	**-**	**60**	**576**	**3,354**
Investment funds	**1,459**	**-**	**-**	**57**	**1,516**
Other (3)	**2,553**	**42**	**789**	**150**	**3,534**
Total	**$ 39,568**	**14,432**	**3,918**	**6,979**	**64,897**

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(in millions)	Total VIE assets	Debt and equity interests (1)	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
December 31, 2010						
				Carrying value - asset (liability)		
Residential mortgage loan securitizations:						
Conforming	$ 1,068,737	5,527	12,115	-	(928)	16,714
Other/nonconforming	76,304	2,997	495	6	(107)	3,391
Commercial mortgage securitizations	190,377	5,506	608	261	-	6,375
Collateralized debt obligations:						
Debt securities	20,046	1,436	-	844	-	2,280
Loans (2)	9,970	9,689	-	-	-	9,689
Asset-based finance structures	12,055	6,556	-	(118)	-	6,438
Tax credit structures	20,981	3,614	-	-	(1,129)	2,485
Collateralized loan obligations	13,196	2,804	-	56	-	2,860
Investment funds	10,522	1,416	-	-	-	1,416
Other (3)	20,031	3,221	43	377	(6)	3,635
Total	$ 1,442,219	42,766	13,261	1,426	(2,170)	55,283
					Maximum exposure to loss	

Residential mortgage loan securitizations:						
Conforming	$	5,527	12,115	-	4,248	21,890
Other/nonconforming		2,997	495	6	233	3,731
Commercial mortgage securitizations		5,506	608	488	-	6,602
Collateralized debt obligations:						
Debt securities		1,436	-	2,850	7	4,293
Loans (2)		9,689	-	-	-	9,689
Asset-based finance structures		6,556	-	118	2,175	8,849
Tax credit structures		3,614	-	-	1	3,615
Collateralized loan obligations		2,804	-	56	519	3,379
Investment funds		1,416	-	-	87	1,503
Other (3)		3,221	43	916	162	4,342
Total	$	42,766	13,261	4,434	7,432	67,893

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

(2) Represents senior loans to trusts that are collateralized by asset-backed securities. The trusts invest primarily in senior tranches from a diversified pool of primarily U.S. asset securitizations, of which all are current, and over 92% were rated as investment grade by the primary rating agencies at March 31, 2011. 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.

(3) 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 two preceding tables, Total VIE assets 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. 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.

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.

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 variable interest that could potentially be significant to the VIE.

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 have investments in asset-backed securities that are collateralized by auto leases or loans and cash reserves. These fixed-rate and variable-rate securities 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 VIEs 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 March 31, 2011, we had investments of $1.5 billion and no lending arrangements with certain funds managed by one of our majority owned subsidiaries compared with investments of $1.4 billion and lending arrangements of $14 million at December 31, 2010. 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, and preferred equities with no maturity. All remaining ARS issued by VIEs subject to the agreement were redeemed. At March 31, 2011, we held in our securities available-for-sale portfolio $1.3 billion of ARS issued by VIEs redeemed pursuant to this agreement, compared with $1.6 billion at December 31, 2010.

On November 18, 2009, we reached agreements to purchase additional ARS from eligible investors who bought ARS through one of our broker-dealer subsidiaries. All remaining ARS issued by VIEs subject to the agreement were redeemed. As of March 31, 2011, we held in our securities available-for-sale portfolio $809 million of ARS issued by VIEs redeemed pursuant to this agreement, compared with $901 million at December 31, 2010.

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 preceding table, through the issuance of trust preferred securities we had $16.7 billion and $19.3 billion of junior subordinated debt financing at March 31, 2011 and December 31, 2010, respectively, and $2.5 billion of preferred stock at March 31, 2011. In these transactions, VIEs that we wholly own issue debt securities or preferred equity to third party investors. All of the proceeds of the issuance are invested in debt securities or preferred equity that we issue to the 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 issued to the VIEs as long-term debt and the preferred equity securities issued to the VIEs as preferred stock in our consolidated balance sheet.

In first quarter 2011, we issued notice to call $3.2 billion of trust preferred securities that will no longer count as Tier 1 capital under the Dodd-Frank Act and the Basel Committee recommendations known as the Basel III standards.

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Securitization Activity Related to Unconsolidated VIEs

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.

We recognized net gains of $34 million from transfers accounted for as sales of financial assets in securitizations in first quarter 2011, and net gains of $2 million in first quarter 2010. Additionally, we had the following cash flows with our securitization trusts that were involved in transfers accounted for as sales.

		2011		2010
(in millions)	**Mortgage loans**	**Other financial assets**	Mortgage loans	Other financial assets
Quarter ended March 31,				
Sales proceeds from securitizations (1)	**$ 100,241**	**-**	82,322	-
Servicing fees	**1,088**	**3**	1,040	9
Other interests held	**503**	**87**	407	112
Purchases of delinquent assets	**3**	**-**	-	-
Net servicing advances	**(9)**	**-**	19	-

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

Sales with continuing involvement during the first quarter of 2011 predominantly related to conforming residential mortgage securitizations. During first quarter 2011 we transferred $101.4 billion in fair value of 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, in first quarter 2011 we recorded a $1.3 billion servicing asset and a $35 million liability for repurchase reserves, which are both initially measured at fair value.

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

	2011		2010
Quarter ended March 31,			
Prepayment speed (annual CPR (1))	**11.4**	%	12.4
Life (in years)	**6.4**		5.8
Discount rate	**7.9**	%	8.2

(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 March 31, 2011, for residential and commercial mortgage servicing rights, and other interests held related primarily to residential mortgage loan securitizations are presented in the following table. In the following table Other interests held exclude 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. Subordinated interests include only those bonds whose credit rating was below AAA by a major rating agency at issuance. Senior interests include only those bonds whose credit rating was AAA by a major rating agency at issuance. The information presented excludes trading positions held in inventory.

			Other interests held	
(in millions)	Mortgage servicing rights	Interest-only strips	Subordinated bonds	Senior bonds
Fair value of interests held at March 31, 2011	$ 17,546	231	47	420
Expected weighted-average life (in years)	5.6	5.9	7.3	5.9
Prepayment speed assumption (annual CPR)	11.9 %	10.0	5.9	12.4
Decrease in fair value from:				
10% adverse change	$ 880	6	-	1
25% adverse change	2,075	14	1	3
Discount rate assumption	7.8 %	17.1	13.6	6.4
Decrease in fair value from:				
100 basis point increase	$ 870	7	3	17
200 basis point increase	1,664	13	5	34
Credit loss assumption			1.2 %	3.8
Decrease in fair value from:				
10% higher losses			$ -	1
25% higher losses			-	2

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The sensitivities in the preceding table 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.

The following table presents information about the principal balances of off-balance sheet securitized loans, including residential mortgages sold to FNMA, FHLMC and GNMA and securitizations where servicing is our only form of continuing involvement. Delinquent loans include loans 90 days or more past due and still accruing interest as well as nonaccrual loans. Delinquent loans and net charge-offs exclude loans sold to FNMA, FHLMC and GNMA. We continue to service those 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 their required underwriting standards.