Note 3: Cash, Loan and Dividend Restrictions

Federal Reserve Board (FRB) regulations require that each of our subsidiary banks maintain reserve balances on deposit with the Federal Reserve Banks. The average required reserve balance was $2.4 billion in 2009 and $2.6 billion in 2008.

Federal law restricts the amount and the terms of both credit and non-credit transactions between a bank and its nonbank affiliates. They may not exceed 10% of the bank's capital and surplus (which for this purpose represents Tier 1 and Tier 2 capital, as calculated under the risk-based capital (RBC) guidelines, plus the balance of the allowance for credit losses excluded from Tier 2 capital) with any single nonbank affiliate and 20% of the bank's capital and surplus with all its nonbank affiliates. Transactions that are extensions of credit may require collateral to be held to provide added security to the bank. For further discussion of RBC, see Note 25 in this Report.

Dividends paid by our subsidiary banks are subject to various federal and state regulatory limitations. Dividends that may be paid by a national bank without the express approval of the Office of the Comptroller of the Currency (OCC) are limited to that bank's retained net profits for the preceding two calendar years plus retained net profits up to the date of any dividend declaration in the current calendar year. Retained net profits, as defined by the OCC, consist of net income less dividends declared during the period. We also have state-chartered subsidiary banks that are subject to state regulations that limit dividends. Under those provisions, our national and state-chartered subsidiary banks could have declared additional dividends of $5.3 billion at December 31, 2009, without obtaining prior regulatory approval. Our nonbank subsidiaries are also limited by certain federal and state statutory provisions and regulations covering the amount of dividends that may be paid in any given year. Based on retained earnings at December 31, 2009, our nonbank subsidiaries could have declared additional dividends of $2.5 billion at December 31, 2009, without obtaining prior approval.

The FRB published clarifying supervisory guidance in first quarter 2009, *SR 09-4 Applying Supervisory Guidance and Regulations on the Payment of Dividends, Stock Redemptions, and Stock Repurchases at Bank Holding Companies*, pertaining to FRB's criteria, assessment and approval process for reductions in capital including the redemption of Troubled Asset Relief Program (TARP) and the payment of dividends. The effect of this guidance is to require the approval of the FRB for the Company to repurchase or redeem common or perpetual preferred stock as well as to raise the per share dividend from its current level of $0.05 per share.

Note 4: 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.

	December 31,	
(in millions)	**2009**	2008
Federal funds sold and securities purchased under resale agreements	**$ 8,042**	8,439
Interest-earning deposits	**31,668**	39,890
Other short-term investments	**1,175**	1,104
Total	**$40,885**	49,433

We pledge certain financial instruments that we own to collateralize repurchase agreements and other securities financings. The types of collateral we pledge include securities issued by federal agencies, government-sponsored entities (GSEs), and domestic and foreign companies. At December 31, 2009 and 2008, we pledged $14.8 billion and $7.9 billion, respectively, under agreements that permit the secured parties to sell or repledge the collateral. Pledged collateral where the secured party cannot sell or repledge was $434 million and $10 million, at December 31, 2009 and 2008, respectively.

We receive collateral from other entities under resale agreements and securities borrowings. At December 31, 2009 and 2008, we received $31.4 billion and $7.9 billion, respectively, for which we have the right to sell or repledge the collateral. These amounts include securities we have sold or repledged to others with a fair value of $29.7 billion at December 31, 2009, and $5.4 billion at December 31, 2008.

Note 5: 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
December 31, 2008				
Securities of U.S. Treasury and federal agencies	$ 3,187	62	—	3,249
Securities of U.S. states and political subdivisions	14,062	116	(1,520)	12,658
Mortgage-backed securities:				
Federal agencies	64,726	1,711	(3)	66,434
Residential	29,536	11	(4,717)	24,830
Commercial	12,305	51	(3,878)	8,478
Total mortgage-backed securities	106,567	1,773	(8,598)	99,742
Corporate debt securities	7,382	81	(539)	6,924
Collateralized debt obligations	2,634	21	(570)	2,085
Other [(1)(2)]	21,363	14	(602)	20,775
Total debt securities	155,195	2,067	(11,829)	145,433
Marketable equity securities:				
Perpetual preferred securities	5,040	13	(327)	4,726
Other marketable equity securities	1,256	181	(27)	1,410
Total marketable equity securities	6,296	194	(354)	6,136
Total	$ 161,491	2,261	(12,183)	151,569
December 31, 2009				
Securities of U.S. Treasury and federal agencies	**$ 2,256**	**38**	**(14)**	**2,280**
Securities of U.S. states and political subdivisions	**13,212**	**683**	**(365)**	**13,530**
Mortgage-backed securities:				
Federal agencies	**79,542**	**3,285**	**(9)**	**82,818**
Residential [(2)]	**28,153**	**2,480**	**(2,043)**	**28,590**
Commercial	**12,221**	**602**	**(1,862)**	**10,961**
Total mortgage-backed securities	**119,916**	**6,367**	**(3,914)**	**122,369**
Corporate debt securities	**8,245**	**1,167**	**(77)**	**9,335**
Collateralized debt obligations	**3,660**	**432**	**(367)**	**3,725**
Other [(1)]	**15,025**	**1,099**	**(245)**	**15,879**
Total debt securities	**162,314**	**9,786**	**(4,982)**	**167,118**
Marketable equity securities:				
Perpetual preferred securities	**3,677**	**263**	**(65)**	**3,875**
Other marketable equity securities	**1,072**	**654**	**(9)**	**1,717**
Total marketable equity securities	**4,749**	**917**	**(74)**	**5,592**
Total	**$167,063**	**10,703**	**(5,056)**	**172,710**

(1) The "Other" category includes certain asset-backed securities collateralized by auto leases or loans and cash reserves with a cost basis and fair value of $8.2 billion and $8.5 billion, respectively, at December 31, 2009, and $8.3 billion and $7.9 billion, respectively, at December 31, 2008. Also included in the "Other" category are asset-backed securities collateralized by home equity loans with a cost basis and fair value of $2.3 billion and $2.5 billion, respectively, at December 31, 2009, and $3.2 billion and $3.2 billion, respectively, at December 31, 2008. The remaining balances primarily include asset-backed securities collateralized by credit cards and student loans.

(2) Foreign residential mortgage-backed securities with a cost basis and fair value of $51 million are included in residential mortgage-backed securities at December 31, 2009. These instruments were included in other debt securities at December 31, 2008, and had a cost basis and fair value of $6.3 billion.

As part of our liquidity management strategy, we pledge securities to secure borrowings from the Federal Home Loan Bank (FHLB) and the Federal Reserve Bank. We also pledge securities to secure trust and public deposits and for other purposes as required or permitted by law. The carrying value of pledged securities where the secured party has the right to sell or repledge totaled $5.0 billion at December 31, 2009, and $4.5 billion at December 31, 2008. Securities pledged where the secured party does not have the right to sell or repledge totaled $93.9 billion at December 31, 2009, and $71.6 billion at December 31, 2008.

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
December 31, 2008						
Securities of U.S. Treasury and federal agencies	$ —	—	—	—	—	—
Securities of U.S. states and political subdivisions	(745)	3,483	(775)	1,702	(1,520)	5,185
Mortgage-backed securities:						
Federal agencies	(3)	83	—	—	(3)	83
Residential	(4,471)	9,960	(246)	238	(4,717)	10,198
Commercial	(1,726)	4,152	(2,152)	2,302	(3,878)	6,454
Total mortgage-backed securities	(6,200)	14,195	(2,398)	2,540	(8,598)	16,735
Corporate debt securities	(285)	1,056	(254)	469	(539)	1,525
Collateralized debt obligations	(113)	215	(457)	180	(570)	395
Other	(554)	8,638	(48)	38	(602)	8,676
Total debt securities	(7,897)	27,587	(3,932)	4,929	(11,829)	32,516
Marketable equity securities:						
Perpetual preferred securities	(75)	265	(252)	360	(327)	625
Other marketable equity securities	(23)	72	(4)	9	(27)	81
Total marketable equity securities	(98)	337	(256)	369	(354)	706
Total	$(7,995)	27,924	(4,188)	5,298	(12,183)	33,222
December 31, 2009						
Securities of U.S. Treasury and federal agencies	**$ (14)**	**530**	**—**	**—**	**(14)**	**530**
Securities of U.S. states and political subdivisions	**(55)**	**1,120**	**(310)**	**2,826**	**(365)**	**3,946**
Mortgage-backed securities:						
Federal agencies	**(9)**	**767**	**—**	**—**	**(9)**	**767**
Residential	**(243)**	**2,991**	**(1,800)**	**9,697**	**(2,043)**	**12,688**
Commercial	**(37)**	**816**	**(1,825)**	**6,370**	**(1,862)**	**7,186**
Total mortgage-backed securities	**(289)**	**4,574**	**(3,625)**	**16,067**	**(3,914)**	**20,641**
Corporate debt securities	**(7)**	**281**	**(70)**	**442**	**(77)**	**723**
Collateralized debt obligations	**(55)**	**398**	**(312)**	**512**	**(367)**	**910**
Other	**(73)**	**746**	**(172)**	**286**	**(245)**	**1,032**
Total debt securities	**(493)**	**7,649**	**(4,489)**	**20,133**	**(4,982)**	**27,782**
Marketable equity securities:						
Perpetual preferred securities	**(1)**	**93**	**(64)**	**527**	**(65)**	**620**
Other marketable equity securities	**(9)**	**175**	**—**	**—**	**(9)**	**175**
Total marketable equity securities	**(10)**	**268**	**(64)**	**527**	**(74)**	**795**
Total	**$ (503)**	**7,917**	**(4,553)**	**20,660**	**(5,056)**	**28,577**

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

See Note 1 – "Securities" in this Report for the factors that we consider in our analysis of OTTI for debt and equity securities available for sale.

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

SECURITIES OF U.S. STATES AND POLITICAL SUBDIVISIONS The unrealized losses associated with securities of U.S. states and political subdivisions are primarily driven by changes in interest rates and not due to the credit quality of the securities. The fair value of these investments is almost exclusively investment grade. The securities were generally underwritten in accordance with our own investment standards prior to the decision to purchase, without relying on a bond insurer's guarantee in making the investment decision. These investments will continue to be monitored as part of our ongoing

impairment analysis, but are expected to perform, even if the rating agencies reduce the credit rating of the bond insurers. As a result, we expect to recover the entire amortized cost basis of these securities.

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

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

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

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

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

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

MARKETABLE EQUITY SECURITIES Our marketable equity securities include investments in perpetual preferred securities, which provide very attractive tax-equivalent yields. We evaluated these hybrid financial instruments with investment-grade ratings for impairment using an evaluation methodology similar to that used for debt securities. Perpetual preferred securities were not other-than-temporarily impaired at December 31, 2009, if there was no evidence of credit deterioration or investment rating downgrades of any issuers to below investment grade, and we expected to continue to receive full contractual payments. We will continue to evaluate the prospects for these securities for recovery in their market value in accordance with our policy for estimating OTTI. We have recorded impairment write-downs on perpetual preferred securities where there was evidence of credit deterioration.

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

The following table shows the gross unrealized losses and fair value of debt and perpetual preferred securities available for sale by those rated investment grade and those rated less than investment grade, according to their lowest credit rating by Standard & Poor's Rating Services (S&P) or Moody's Investors Service (Moody's). Credit ratings express opinions about the credit quality of a security. Securities rated investment grade, that is those rated BBB- or higher by S&P or Baa3 or higher by Moody's, are generally considered by the rating agencies and market participants to be low credit risk. Conversely, securities rated below investment grade, labeled as "speculative grade" by the rating agencies, are considered to be distinctively higher credit risk than investment grade securities. We have also included securities not rated by S&P or Moody's in the table below based on the internal credit grade of the securities (used for credit risk management purposes) equivalent to the credit rating assigned by major credit agencies. There were no unrated securities included in investment grade in a loss position as of December 31, 2009. The unrealized losses and fair value of unrated securities categorized as investment grade were $543 million and $8.1 billion as of December 31, 2008. Substantially all of the unrealized losses on unrated securities classified as investment grade as of December 31, 2008, were related to investments in asset-backed securities collateralized by auto leases and cash reserves that appreciated to an unrealized gain position at December 31, 2009, due to spread tightening. 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
December 31, 2008				
Securities of U.S. Treasury and federal agencies	$ —	—	—	—
Securities of U.S. states and political subdivisions	(1,464)	5,028	(56)	157
Mortgage-backed securities:				
Federal agencies	(3)	83	—	—
Residential	(4,574)	10,045	(143)	153
Commercial	(3,863)	6,427	(15)	27
Total mortgage-backed securities	(8,440)	16,555	(158)	180
Corporate debt securities	(36)	579	(503)	946
Collateralized debt obligations	(478)	373	(92)	22
Other	(549)	8,612	(53)	64
Total debt securities	(10,967)	31,147	(862)	1,369
Perpetual preferred securities	(311)	604	(16)	21
Total	$(11,278)	31,751	(878)	1,390
December 31, 2009				
Securities of U.S. Treasury and federal agencies	**$ (14)**	**530**	**—**	**—**
Securities of U.S. states and political subdivisions	**(275)**	**3,621**	**(90)**	**325**
Mortgage-backed securities:				
Federal agencies	**(9)**	**767**	**—**	**—**
Residential	**(480)**	**5,661**	**(1,563)**	**7,027**
Commercial	**(1,247)**	**6,543**	**(615)**	**643**
Total mortgage-backed securities	**(1,736)**	**12,971**	**(2,178)**	**7,670**
Corporate debt securities	**(31)**	**260**	**(46)**	**463**
Collateralized debt obligations	**(104)**	**471**	**(263)**	**439**
Other	**(85)**	**644**	**(160)**	**388**
Total debt securities	**(2,245)**	**18,497**	**(2,737)**	**9,285**
Perpetual preferred securities	**(65)**	**620**	**—**	**—**
Total	**$ (2,310)**	**19,117**	**(2,737)**	**9,285**

Realized Gains and Losses

The following table shows the gross realized gains and losses on sales from the securities available-for-sale portfolio, including marketable equity securities. Realized losses included OTTI write-downs of $1.1 billion, $1.8 billion and $50 million for 2009, 2008 and 2007, respectively.

(in millions)	Year ended December 31, 2009	2008	2007
Gross realized gains	**$ 1,601**	1,920	479
Gross realized losses	**(1,254)**	(1,891)	(129)
Net realized gains	**$ 347**	29	350

Other-Than-Temporary Impairment

The following table shows the detail of total OTTI related to debt and equity securities available for sale, and nonmarketable equity securities.

(in millions)	Year ended December 31, 2009
OTTI write-downs (included in earnings)	
Debt securities	$1,012
Equity securities:	
Marketable equity securities	82
Nonmarketable equity securities	573
Total equity securities	655
Total OTTI write-downs	$1,667
OTTI on debt securities	
Recorded as part of gross realized losses:	
Credit-related OTTI	$ 982
Securities we intend to sell	30
Recorded directly to other comprehensive income for non-credit-related impairment (1)	1,340
Total OTTI on debt securities	$2,352

(1) Represents amounts recorded to OCI on debt securities in periods OTTI write-downs have occurred, which included $1.1 billion related to residential MBS and $179 million related to commercial MBS. Changes in fair value in subsequent periods on such securities, to the extent not subsequently impaired in those periods, are not reflected in this balance.

The following table provides detail of OTTI recognized in earnings for debt and equity securities available for sale by major security type.

(in millions)	Year ended December 31, 2009	2008
Debt securities		
U.S. states and political subdivisions	**$ 7**	14
Residential mortgage-backed securities	**595**	183
Commercial mortgage-backed securities	**137**	23
Corporate debt securities	**69**	176
Collateralized debt obligations	**125**	147
Other debt securities	**79**	3
Total debt securities	**1,012**	546
Marketable equity securities		
Perpetual preferred securities	**50**	1,057
Other marketable equity securities	**32**	187
Total marketable equity securities	**82**	1,244
Total OTTI losses recognized in earnings	**$1,094**	1,790

Securities that were determined to be credit impaired during the current year as opposed to prior years, in general have experienced further degradation in expected cash flows primarily due to higher loss forecasts.

Other-Than-Temporarily Impaired Debt Securities

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

The table below presents a roll-forward of the credit loss component recognized in earnings (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. The beginning balance represents the credit loss component for debt securities for which OTTI occurred prior to January 1, 2009. OTTI recognized in earnings in 2009 for credit-impaired debt securities is presented as additions in two components based upon whether the current period is the first time the debt security was credit-impaired (initial credit impairment) or is not the first time the debt security was credit impaired (subsequent credit impairments). The credit loss component is reduced if we sell, intend to sell or believe we will be required to sell previously credit-impaired debt securities. Additionally, the credit loss component is reduced if we receive or expect to receive cash flows in excess of what we previously expected to receive over the remaining life of the credit-impaired debt security, the security matures or is fully written down. Changes in the credit loss component of credit-impaired debt securities were:

(in millions)	Year ended December 31, 2009
Balance, beginning of year	$ 471
Additions [1]:	
Initial credit impairments	625
Subsequent credit impairments	357
Reductions:	
For securities sold	(255)
Due to change in intent to sell or requirement to sell	(1)
For increases in expected cash flows	(10)
Balance, end of year	$1,187

(1) Excludes $30 million of OTTI on debt securities we intend to sell.

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 considers current delinquencies and non-performing assets, future expected default rates and collateral value by vintage and geographic region) and prepayments. The expected cash flows of the security are then discounted at the interest rate used to recognize interest income on the security to arrive at a present value amount. The table below presents a summary of the significant inputs considered in determining the measurement of the credit loss component recognized in earnings for residential MBS.

	Non-agency residential MBS – non-investment grade [1] Year ended December 31, 2009
Expected remaining life of loan losses [2]:	
Range [3]	0-58%
Credit impairment distribution [4]:	
0-10% range	56
10-20% range	27
20-30% range	12
Greater than 30%	5
Weighted average [5]	11
Current subordination levels [6]:	
Range [3]	0-44
Weighted average [5]	8
Prepayment speed (annual CPR [7]):	
Range [3]	5-25
Weighted average [5]	11

(1) Total credit impairment losses were $591 million, of which 96% were recorded on non-investment grade securities for the year ended December 31, 2009. This does not include OTTI recorded on those securities that we intend to sell.

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

(3) Represents the range of inputs/assumptions based upon the individual securities within each category.

(4) Represents distribution of credit impairment losses recognized in earnings categorized based on range of expected remaining life of loan losses. For example, 56% of credit impairment losses recognized in earnings for the year ended December 31, 2009, had expected remaining life of loan loss assumptions of 0 to 10%.

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

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

(7) Constant prepayment rate.

Contractual Maturities

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

			Remaining contractual principal maturity							
			Within one year		After one year through five years		After five years through ten years		After ten years	
(in millions)	Total amount	Weighted-average yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
December 31, 2008										
Securities of U.S. Treasury and federal agencies	$ 3,249	1.63%	$ 1,720	0.02%	$ 1,120	3.36%	$ 395	3.54%	$ 14	5.05%
Securities of U.S. states and political subdivisions	12,658	6.80	189	5.77	672	6.84	1,040	6.74	10,757	6.82
Mortgage-backed securities:										
Federal agencies	66,434	5.87	42	4.24	129	5.03	322	5.73	65,941	5.88
Residential	24,830	5.57	—	—	—	—	47	4.95	24,783	5.57
Commercial	8,478	5.32	—	—	5	1.57	135	6.13	8,338	5.31
Total mortgage-backed securities	99,742	5.75	42	4.24	134	4.91	504	5.76	99,062	5.75
Corporate debt securities	6,924	5.15	492	5.00	3,683	4.31	2,231	6.71	518	4.49
Collateralized debt obligations	2,085	4.17	—	—	90	5.68	1,081	4.81	914	3.26
Other	20,775	4.76	53	4.71	7,880	6.75	1,691	3.71	11,151	3.52
Total debt securities at fair value (1)(2)	$ 145,433	5.56%	$ 2,496	1.61%	$ 13,579	5.79%	$ 6,942	5.44%	$ 122,416	5.62%
December 31, 2009										
Securities of U.S. Treasury and federal agencies	**$ 2,280**	**2.80%**	**$ 413**	**0.79%**	**$ 669**	**2.14%**	**$1,192**	**3.87%**	**$ 6**	**4.03%**
Securities of U.S. states and political subdivisions	**13,530**	**6.75**	**77**	**7.48**	**703**	**6.88**	**1,055**	**6.56**	**11,695**	**6.76**
Mortgage-backed securities:										
Federal agencies	**82,818**	**5.50**	**12**	**4.68**	**50**	**5.91**	**271**	**5.56**	**82,485**	**5.50**
Residential	**28,590**	**5.40**	**51**	**4.80**	**115**	**0.45**	**283**	**5.69**	**28,141**	**5.41**
Commercial	**10,961**	**5.29**	**85**	**0.68**	**71**	**5.55**	**169**	**5.66**	**10,636**	**5.32**
Total mortgage-backed securities	**122,369**	**5.46**	**148**	**2.44**	**236**	**3.14**	**723**	**5.63**	**121,262**	**5.46**
Corporate debt securities	**9,335**	**5.53**	**684**	**4.00**	**3,937**	**5.68**	**3,959**	**5.68**	**755**	**5.32**
Collateralized debt obligations	**3,725**	**1.70**	**2**	**5.53**	**492**	**4.48**	**1,837**	**1.56**	**1,394**	**0.90**
Other	**15,879**	**4.22**	**2,128**	**5.62**	**7,762**	**5.96**	**697**	**2.46**	**5,292**	**1.33**
Total debt securities at fair value (1)	**$167,118**	**5.33%**	**$3,452**	**4.63%**	**$13,799**	**5.64%**	**$9,463**	**4.51%**	**$140,404**	**5.37%**

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

(2) Information for December 31, 2008, has been revised to conform the determination of remaining contractual principal maturities and weighted-average yields to the current period methodology.

Note 6: Loans and Allowance for Credit Losses

The following table presents the major categories of loans outstanding including those subject to accounting guidance for PCI loans. Certain loans acquired in the Wachovia acquisition are accounted for as PCI loans and are included below, net of any remaining purchase accounting adjustments.

Outstanding balances of all other loans are presented net of unearned income, net deferred loan fees, and unamortized discount and premium totaling $14.6 billion at December 31, 2009, and $16.9 billion, at December 31, 2008.

									December 31,
			2009			2008(1)	2007	2006	2005
(in millions)	PCI loans	All other loans	Total	PCI loans	All other loans	Total			
Commercial and commercial real estate:									
Commercial	$ 1,911	156,441	158,352	4,580	197,889	202,469	90,468	70,404	61,552
Real estate mortgage	5,631	99,167	104,798	7,762	95,346	103,108	36,747	30,112	28,545
Real estate construction	3,713	25,994	29,707	4,503	30,173	34,676	18,854	15,935	13,406
Lease financing	—	14,210	14,210	—	15,829	15,829	6,772	5,614	5,400
Total commercial and commercial real estate	11,255	295,812	307,067	16,845	339,237	356,082	152,841	122,065	108,903
Consumer:									
Real estate 1-4 family first mortgage	38,386	191,150	229,536	39,214	208,680	247,894	71,415	53,228	77,768
Real estate 1-4 family junior lien mortgage	331	103,377	103,708	728	109,436	110,164	75,565	68,926	59,143
Credit card	—	24,003	24,003	—	23,555	23,555	18,762	14,697	12,009
Other revolving credit and installment	—	89,058	89,058	151	93,102	93,253	56,171	53,534	47,462
Total consumer	38,717	407,588	446,305	40,093	434,773	474,866	221,913	190,385	196,382
Foreign	1,733	27,665	29,398	1,859	32,023	33,882	7,441	6,666	5,552
Total loans	$51,705	731,065	782,770	58,797	806,033	864,830	382,195	319,116	310,837

(1) In 2009, we refined certain of our preliminary purchase accounting adjustments based on additional information as of December 31, 2008. These refinements resulted in increasing the PCI loans carrying value at December 31, 2008, to $59.2 billion. The table above has not been updated as of December 31, 2008, to reflect these refinements.

We pledge loans to secure borrowings from the FHLB and the Federal Reserve Bank as part of our liquidity management strategy. Loans pledged where the secured party does not have the right to sell or repledge totaled $312.6 billion and $337.5 billion at December 31, 2009 and 2008, respectively. We did not have any pledged loans where the secured party has the right to sell or repledge at December 31, 2009 or 2008.

Loan concentrations may exist when there are amounts loaned to borrowers engaged in similar activities or similar types of loans extended to a diverse group of borrowers that would cause them to be similarly impacted by economic or other conditions. At December 31, 2009 and 2008, we did not have concentrations representing 10% or more of our total loan portfolio in commercial loans and lease financing by industry or CRE loans (real estate mortgage and real estate construction) by state or property type. Our real estate 1-4 family mortgage loans to borrowers in the state of California represented approximately 14% of total loans at both December 31, 2009 and 2008. Of this amount, 3% of total loans were PCI loans at December 31, 2009. These loans are generally diversified among the larger metropolitan areas in California, 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. Beginning in 2007, the residential real estate markets experienced significant declines in property values, and several markets in California, specifically the Central Valley and several Southern California metropolitan statistical areas, experienced more severe value adjustments.

Some of our real estate 1-4 family mortgage loans, including first mortgage and home equity products, include an interest-only feature as part of the loan terms. At December 31, 2009, these loans were approximately 15% of total loans, compared with 11% at December 31, 2008. Most of these loans are considered to be prime or near prime.

For certain extensions of credit, we may require collateral, based on our assessment of a customer's credit risk. We hold various types of collateral, including accounts receivable, inventory, land, buildings, equipment, autos, financial instruments, income-producing commercial properties and residential real estate. Collateral requirements for each customer may vary according to the specific credit underwriting, terms and structure of loans funded immediately or under a commitment to fund at a later date.

A commitment to extend credit is a legally binding agreement to lend funds to a customer, usually at a stated interest rate and for a specified purpose. These commitments have fixed expiration dates and generally require a fee. When we make such a commitment, we have credit risk. The liquidity requirements or credit risk will be lower than the contractual amount of commitments to extend credit because a significant portion of these commitments are expected to expire without being used. Certain commitments are subject to loan agreements with covenants regarding the financial performance of the customer or borrowing base formulas that must be met before we are required to fund the commitment. We use the same credit policies in extending credit for unfunded commitments and letters of credit that we use in making loans. See Note 14 in this Report for information on standby letters of credit.

In addition, we manage the potential risk in credit commitments by limiting the total amount of arrangements, both by individual customer and in total, by monitoring the size and maturity structure of these portfolios and by applying the same credit standards for all of our credit activities.

The total of our unfunded loan commitments, net of all funds lent and all standby and commercial letters of credit issued under the terms of these commitments, is summarized by loan category in the following table:

	December 31,	
(in millions)	**2009**	2008
Commercial and commercial real estate:		
Commercial	**$187,319**	195,507
Real estate mortgage	**5,138**	6,536
Real estate construction	**9,385**	19,063
Total commercial and commercial real estate	**201,842**	221,106
Consumer:		
Real estate 1-4 family first mortgage	**33,460**	36,964
Real estate 1-4 family junior lien mortgage	**63,338**	78,417
Credit card	**65,952**	75,776
Other revolving credit and installment	**20,778**	22,231
Total consumer	**183,528**	213,388
Foreign	**4,468**	4,817
Total unfunded loan commitments	**$389,838**	439,311

We have an established process to determine the adequacy of the allowance for credit losses that assesses the risks and losses inherent in our portfolio. While we attribute portions of the allowance to specific loan categories as part of our analytical process, the entire allowance is used to absorb credit losses inherent in the total loan portfolio.

At December 31, 2009, the portion of the allowance for credit losses estimated at a pooled level for consumer loans and some segments of commercial small business loans was $16.7 billion. For purposes of determining the allowance for credit losses, we pool certain loans in our portfolio by product type, primarily for the auto, credit card and real estate mortgage portfolios. To achieve greater accuracy, we further segment selected portfolios. As appropriate, the business groups may attempt to achieve greater accuracy through segmentation by sub-product, origination channel, vintage, loss type, geography and other predictive characteristics. For example, credit cards are segmented by origination channel and the Home Equity portfolios into liquidating and nonliquidating portfolios. In the case of residential mortgages, we segment the liquidating Pick-a-Pay portfolio, and further segment the remainder of the residential mortgage portfolio based on origination channel.

To measure losses inherent in consumer loans and some commercial small business loans, we use loss models and other quantitative, mathematical techniques. Each business group estimates losses for loans as of the balance sheet date over the loss emergence period. During fourth quarter 2008, we conformed our loss emergence period for these portfolios to cover 12 months of estimated losses, which is within Federal Financial Institutions Examination Council (FFIEC) guidelines and resulted in a $2.7 billion increase to the allowance for credit losses in 2008.

In determining the appropriate allowance attributable to our residential real estate portfolios, the loss rates used in our analysis include the impacts 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 reserving methodology.

The portion of the allowance for commercial, CRE, and foreign loans and lease financing was $8.3 billion at December 31, 2009. We initially estimate this portion of the allowance by applying historical loss factors statistically derived from tracking losses associated with actual portfolio movements over a specified period of time, for each specific loan grade. Based on this process, we assign loss factors to each pool of graded loans and a loan equivalent amount for unfunded loan commitments and letters of credit. These estimates are then adjusted or supplemented where necessary from additional analysis of long-term average loss experience, external loss data or other risks identified from current conditions and trends in selected portfolios, including management's judgment for imprecision and uncertainty.

We also assess and account for certain nonaccrual commercial, CRE, and foreign loan exposures that are over $5 million and certain consumer, commercial, CRE, and foreign loans whose terms have been modified in a TDR as impaired. We include the impairment on these nonperforming loans in the allowance unless it has already been recognized as a loss. At December 31, 2009, we included $2.8 billion in the allowance related to these impaired loans, which is included in other components of the allowance described above.

Reflected in the portions of the allowance previously described is an amount for imprecision or uncertainty that incorporates the range of probable outcomes inherent in estimates used for the allowance, which may change from period to period. This amount is the result of our judgment of risks inherent in the portfolios, economic uncertainties, historical loss experience and other subjective factors, including industry trends, calculated to better reflect our view of risk in each loan portfolio.

In addition, the allowance for credit losses included a reserve for unfunded credit commitments of $515 million at December 31, 2009.

The total allowance reflects management's estimate of credit losses inherent in the loan portfolio at the balance sheet date. We consider the allowance for credit losses of $25.0 billion adequate to cover credit losses inherent in the loan portfolio, including unfunded credit commitments, at December 31, 2009.

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

	Year ended December 31,				
(in millions)	**2009**	2008	2007	2006	2005
Balance, beginning of year	**$ 21,711**	5,518	3,964	4,057	3,950
Provision for credit losses	**21,668**	15,979	4,939	2,204	2,383
Loan charge-offs:					
Commercial and commercial real estate:					
Commercial	**(3,365)**	(1,653)	(629)	(414)	(406)
Real estate mortgage	**(758)**	(29)	(6)	(5)	(7)
Real estate construction	**(975)**	(178)	(14)	(2)	(6)
Lease financing	**(229)**	(65)	(33)	(30)	(35)
Total commercial and commercial real estate	**(5,327)**	(1,925)	(682)	(451)	(454)
Consumer:					
Real estate 1-4 family first mortgage	**(3,318)**	(540)	(109)	(103)	(111)
Real estate 1-4 family junior lien mortgage	**(4,812)**	(2,204)	(648)	(154)	(136)
Credit card	**(2,708)**	(1,563)	(832)	(505)	(553)
Other revolving credit and installment	**(3,423)**	(2,300)	(1,913)	(1,685)	(1,480)
Total consumer	**(14,261)**	(6,607)	(3,502)	(2,447)	(2,280)
Foreign	**(237)**	(245)	(265)	(281)	(298)
Total loan charge-offs	**(19,825)**	(8,777)	(4,449)	(3,179)	(3,032)
Loan recoveries:					
Commercial and commercial real estate:					
Commercial	**254**	114	119	111	133
Real estate mortgage	**33**	5	8	19	16
Real estate construction	**16**	3	2	3	13
Lease financing	**20**	13	17	21	21
Total commercial and commercial real estate	**323**	135	146	154	183
Consumer:					
Real estate 1-4 family first mortgage	**185**	37	22	26	21
Real estate 1-4 family junior lien mortgage	**174**	89	53	36	31
Credit card	**180**	147	120	96	86
Other revolving credit and installment	**755**	481	504	537	365
Total consumer	**1,294**	754	699	695	503
Foreign	**40**	49	65	76	63
Total loan recoveries	**1,657**	938	910	925	749
Net loan charge-offs (1)	**(18,168)**	(7,839)	(3,539)	(2,254)	(2,283)
Allowances related to business combinations/other	**(180)**	8,053	154	(43)	7
Balance, end of year	**$ 25,031**	21,711	5,518	3,964	4,057
Components:					
Allowance for loan losses	**$ 24,516**	21,013	5,307	3,764	3,871
Reserve for unfunded credit commitments	**515**	698	211	200	186
Allowance for credit losses	**$ 25,031**	21,711	5,518	3,964	4,057
Net loan charge-offs as a percentage of average total loans (1)	**2.21%**	1.97	1.03	0.73	0.77
Allowance for loan losses as a percentage of total loans (2)	**3.13**	2.43	1.39	1.18	1.25
Allowance for credit losses as a percentage of total loans (2)	**3.20**	2.51	1.44	1.24	1.31

(1) For PCI loans, charge-offs are only recorded to the extent that losses exceed the purchase accounting estimates.

(2) The allowance for credit losses includes $333 million for the year ended December 31, 2009, and none for prior years related to PCI loans acquired from Wachovia. Loans acquired from Wachovia are included in total loans, net of related purchase accounting net write-downs.

Nonaccrual loans were $24.4 billion and $6.8 billion at December 31, 2009 and 2008, respectively. PCI loans have been classified as accruing. Loans past due 90 days or more as to interest or principal and still accruing interest were $22.2 billion at December 31, 2009, and $11.8 billion at December 31, 2008. The 2009 and 2008 balances included $15.3 billion and $8.2 billion, respectively, in advances pursuant to our servicing agreements to the Government National Mortgage Association (GNMA) mortgage pools and similar loans whose repayments are insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA).

We consider a loan to be impaired under the accounting guidance for loan impairment provisions when, based on current information and events, we determine that we will not be able to collect all amounts due according to the loan contract, including scheduled interest payments. We assess and account for as impaired certain nonaccrual commercial, CRE and foreign loan exposures that are over $5 million and certain consumer, commercial, CRE and foreign loans whose terms have been modified in a TDR. The recorded investment in impaired loans and the methodology used to measure impairment was:

(in millions)	December 31, 2009	2008
Impairment measurement based on:		
Collateral value method	$ 561	88
Discounted cash flow method [(1)]	15,217	3,552
Total [(2)]	$15,778	3,640

(1) The December 31, 2009, balance includes $501 million of GNMA loans that are insured by the FHA or guaranteed by the VA. Although both principal and interest are insured, the insured interest rate may be different than the original contractual interest rate prior to modification, resulting in interest impairment under a discounted cash flow methodology.
(2) Includes $15.0 billion and $3.5 billion of impaired loans with a related allowance of $2.8 billion and $816 million at December 31, 2009 and 2008, respectively. The remaining impaired loans do not have a specific impaired allowance associated with them.

The average recorded investment in these impaired loans was $10.6 billion, $2.0 billion and $313 million, in 2009, 2008 and 2007, respectively.

When the ultimate collectibility of the total principal of an impaired loan is in doubt and the loan is on nonaccrual status, all payments are applied to principal, under the cost recovery method. When the ultimate collectibility of the total principal of an impaired loan is not in doubt and the loan is on nonaccrual status, contractual interest is credited to interest income when received, under the cash basis method. Total interest income recognized for impaired loans in 2009, 2008 and 2007 under the cash basis method was not significant.

Purchased Credit-Impaired Loans

PCI loans had an unpaid principal balance of $83.6 billion at December 31, 2009, and $98.2 billion at December 31, 2008 (refined), and a carrying value, before the deduction of the allowance for loan losses, of $51.7 billion and $59.2 billion, respectively. The following table provides details on the PCI loans acquired from Wachovia.

(in millions)	December 31, 2008 (refined)
Contractually required payments including interest	$115,008
Nonaccretable difference [(1)]	(45,398)
Cash flows expected to be collected [(2)]	69,610
Accretable yield	(10,447)
Fair value of loans acquired	$ 59,163

(1) Includes $40.9 billion in principal cash flows not expected to be collected, $2.0 billion of pre-acquisition charge-offs and $2.5 billion of future interest not expected to be collected.
(2) Represents undiscounted expected principal and interest cash flows.

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

- estimate of the remaining life of PCI loans which may change the amount of future interest income, and possibly principal, expected to be collected;
- estimate of the amount of contractually required principal and interest payments over the estimated life that will not be collected (the nonaccretable difference); and
- indices for PCI loans with variable rates of interest.

For PCI loans, the impact of loan modifications is included in the evaluation of expected cash flows for subsequent decreases or increases of cash flows. For variable rate PCI loans, expected future cash flows will be recalculated as the rates adjust over the lives of the loans. At acquisition, the expected future cash flows were based on the variable rates that were in effect at that time. The change in the accretable yield related to PCI loans is presented in the following table.

(in millions)	Year ended December 31, 2009
Total, beginning of year (refined)	$(10,447)
Accretion (recognized in earnings)	2,606
Reclassification from nonaccretable difference for loans with improving cash flows	(441)
Changes in expected cash flows that do not affect nonaccretable difference [(1)]	(6,277)
Total, end of year	$(14,559)

(1) Represents changes in interest cash flows due to the impact of modifications incorporated into the quarterly assessment of expected future cash flows and/or changes in interest rates on variable rate loans.

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

(in millions)	Commercial, CRE and foreign	Pick-a-Pay	Other consumer	Total
Balance at December 31, 2008	$ —	—	—	—
Provision for losses due to credit deterioration	850	—	3	853
Charge-offs	(520)	—	—	(520)
Balance at December 31, 2009	$ 330	—	3	333

Note 7: Premises, Equipment, Lease Commitments and Other Assets

(in millions)	December 31, 2009	2008
Land	$ 2,140	2,029
Buildings	8,143	8,232
Furniture and equipment	6,232	5,589
Leasehold improvements	1,381	1,309
Premises and equipment leased under capital leases	152	110
Total premises and equipment	18,048	17,269
Less: Accumulated depreciation and amortization	7,312	6,000
Net book value, premises and equipment	$10,736	11,269

Depreciation and amortization expense for premises and equipment was $1.3 billion, $861 million and $828 million in 2009, 2008 and 2007, respectively.

Dispositions of premises and equipment, included in noninterest expense, resulted in net losses of $22 million in 2009 and net gains of $22 million and $3 million in 2008 and 2007, respectively.

We have obligations under a number of noncancelable operating leases for premises and equipment. The terms of these leases are predominantly up to 15 years, with the longest up to 78 years, and many provide for periodic adjustment of rentals based on changes in various economic indicators. Some leases also include a renewal option. The following table provides the future minimum payments under capital leases and noncancelable operating leases, net of sublease rentals, with terms greater than one year as of December 31, 2009.

(in millions)	Operating leases	Capital leases
Year ended December 31,		
2010	$1,217	53
2011	1,078	13
2012	977	5
2013	849	4
2014	739	3
Thereafter	3,503	25
Total minimum lease payments	$8,363	103
Executory costs		$ (13)
Amounts representing interest		(13)
Present value of net minimum lease payments		$ 77

Operating lease rental expense (predominantly for premises), net of rental income, was $1.4 billion, $709 million and $673 million in 2009, 2008 and 2007, respectively.

The components of other assets were:

(in millions)	December 31, 2009	2008
Nonmarketable equity investments:		
Cost method:		
Private equity investments	$ 3,808	3,040
Federal bank stock	5,985	6,106
Total cost method	9,793	9,146
Equity method	5,138	6,358
Principal investments (1)	1,423	1,278
Total nonmarketable equity investments (2)	16,354	16,782
Corporate/bank-owned life insurance	19,515	18,339
Accounts receivable	20,565	22,493
Interest receivable	5,946	5,746
Core deposit intangibles	10,774	11,999
Customer relationship and other intangibles	2,168	3,516
Net deferred taxes	3,212	13,864
Foreclosed assets:		
GNMA loans (3)	960	667
Other	2,199	1,526
Operating lease assets	2,395	2,251
Due from customers on acceptances	810	615
Other	19,282	12,003
Total other assets	$104,180	109,801

(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) Certain amounts in the above table have been reclassified to conform to the current presentation.

(3) Consistent with regulatory reporting requirements, foreclosed assets include foreclosed real estate securing GNMA loans. Both principal and interest for GNMA loans secured by the foreclosed real estate are collectible because the GNMA loans are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.

Income related to nonmarketable equity investments was:

(in millions)	Year ended December 31, 2009	2008	2007
Net gains (losses) from:			
Private equity investments (1)	$(368)	265	598
Principal investments	79	—	—
All other nonmarketable equity investments	(234)	(10)	4
Net gains (losses) from nonmarketable equity investments	$(523)	255	602

(1) Net gains in 2008 include $334 million gain from our ownership in Visa, which completed its initial public offering in March 2008.

Note 8: 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 a 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.

The SPEs we use are primarily either qualifying SPEs (QSPEs), which are not consolidated under existing accounting guidance if the criteria described below are met, or variable interest entities (VIEs). To qualify as a QSPE, an entity must be passive and must adhere to significant limitations on the types of assets and derivative instruments it may own and the extent of activities and decision making in which it may engage. For example, a QSPE's activities are generally limited to purchasing assets, passing along the cash flows of those assets to its investors, servicing its assets and, in certain transactions, issuing liabilities. Among other restrictions on a QSPE's activities, a QSPE may not actively manage its assets through discretionary sales or modifications.

A VIE is an entity that has either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support or whose equity investors lack the characteristics of a controlling financial interest. Under existing accounting guidance, a VIE is consolidated by its primary beneficiary, which, under current accounting standards, is the entity that, through its variable interests, absorbs the majority of a VIE's variability. A variable interest is a contractual, ownership or other interest that changes with changes in the fair value of the VIE's net assets.

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

(in millions)	QSPEs	VIEs that we do not consolidate (1)	VIEs that we consolidate	Transfers that we account for as secured borrowings	Total
December 31, 2008					
Cash	$ —	—	117	287	404
Trading account assets	1,261	5,241	71	141	6,714
Securities (2)	18,078	15,117	922	6,094	40,211
Mortgages held for sale	56	—	—	—	56
Loans (3)	—	16,882	217	4,126	21,225
Mortgage servicing rights (4)	14,966	—	—	—	14,966
Other assets	345	5,022	2,416	55	7,838
Total assets	34,706	42,262	3,743	10,703	91,414
Short-term borrowings	—	—	307	1,440	1,747
Accrued expenses and other liabilities (4)	514	1,976	330	26	2,846
Long-term debt	—	—	1,773	7,125	8,898
Noncontrolling interests	—	—	121	—	121
Total liabilities and noncontrolling interests	514	1,976	2,531	8,591	13,612
Net assets	$ 34,192	40,286	1,212	2,112	77,802
December 31, 2009					
Cash	**$ —**	**—**	**273**	**328**	**601**
Trading account assets	**1,309**	**4,788**	**77**	**35**	**6,209**
Securities (2)	**21,015**	**14,171**	**1,794**	**7,126**	**44,106**
Loans (3)	**—**	**15,698**	**561**	**2,007**	**18,266**
Mortgage servicing rights	**16,233**	**—**	**—**	**—**	**16,233**
Other assets	**41**	**5,563**	**2,595**	**68**	**8,267**
Total assets	**38,598**	**40,220**	**5,300**	**9,564**	**93,682**
Short-term borrowings	**—**	**—**	**351**	**1,996**	**2,347**
Accrued expenses and other liabilities	**1,113**	**2,239**	**708**	**4,864**	**8,924**
Long-term debt	**—**	**—**	**1,448**	**1,938**	**3,386**
Noncontrolling interests	**—**	**—**	**68**	**—**	**68**
Total liabilities and noncontrolling interests	**1,113**	**2,239**	**2,575**	**8,798**	**14,725**
Net assets	**$37,485**	**37,981**	**2,725**	**766**	**78,957**

(1) Reverse repurchase agreements of $20 million are included in other assets at December 31, 2009. These instruments were included in loans at December 31, 2008, in the amount of $349 million. The balance for securities at December 31, 2008, has been revised to reflect the removal of funds for which we had no contractual support arrangements.

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

(3) Excludes related allowance for loan losses.

(4) Balances related to QSPEs involving mortgage servicing rights and accrued expenses and other liabilities have been revised to reflect additionally identified QSPEs.

The following disclosures regarding our continuing involvement with QSPEs and unconsolidated VIEs exclude entities where our only involvement is in the form of: (1) investments in trading securities, (2) investments in securities or loans underwritten by third parties, (3) derivative counterparty for certain derivatives such as interest rate swaps or cross currency swaps that have customary terms, and (4) administrative or trustee services. We determined these forms of involvement are not significant due to the temporary nature and size as well as our lack of involvement in the design or operations of unconsolidated VIEs or QSPEs. Also not included are investments accounted for in accordance with the AICPA Investment Company Audit Guide, investments accounted for under the cost method and investments accounted for under the equity method.

Transactions with QSPEs

We use QSPEs 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 QSPEs. 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. The amount recorded for this liability is included in other commitments and guarantees in the following table.

Note 8: Securitizations and Variable Interest Entities (*continued*)

A summary of our involvements with QSPEs follows:

(in millions)	Total QSPE assets [1]	Debt and equity interests [2]	Servicing assets	Derivatives	Other commitments and guarantees	Net assets
December 31, 2008		Carrying value – asset (liability)				
Residential mortgage loan securitizations [3]:						
Conforming [4]	$ 1,008,824	10,207	11,715	—	(426)	21,496
Other/nonconforming	313,447	7,262	2,276	30	(85)	9,483
Commercial mortgage securitizations [3]	320,399	1,452	918	524	—	2,894
Auto loan securitizations	4,133	72	—	43	—	115
Student loan securitizations	2,765	76	57	—	—	133
Other	11,877	74	—	(3)	—	71
Total	$ 1,661,345	19,143	14,966	594	(511)	34,192
		Maximum exposure to loss				
Residential mortgage loan securitizations [3]:						
Conforming [4]		$ 10,207	11,715	—	2,697	24,619
Other/nonconforming		7,262	2,276	300	71	9,909
Commercial mortgage securitizations [3]		1,452	918	524	—	2,894
Auto loan securitizations		72	—	43	—	115
Student loan securitizations		76	57	—	—	133
Other		74	—	1,465	37	1,576
Total		$ 19,143	14,966	2,332	2,805	39,246
December 31, 2009		**Carrying value – asset (liability)**				
Residential mortgage loan securitizations:						
Conforming [4]	**$1,150,515**	**5,846**	**13,949**	**—**	**(869)**	**18,926**
Other/nonconforming	**251,850**	**11,683**	**1,538**	**16**	**(15)**	**13,222**
Commercial mortgage securitizations	**345,561**	**3,760**	**696**	**489**	**—**	**4,945**
Auto loan securitizations	**2,285**	**137**	**—**	**21**	**—**	**158**
Student loan securitizations	**2,637**	**123**	**50**	**—**	**—**	**173**
Other	**8,391**	**57**	**—**	**4**	**—**	**61**
Total	**$1,761,239**	**21,606**	**16,233**	**530**	**(884)**	**37,485**
		Maximum exposure to loss				
Residential mortgage loan securitizations:						
Conforming [4]		**$ 5,846**	**13,949**	**—**	**4,567**	**24,362**
Other/nonconforming		**11,683**	**1,538**	**30**	**218**	**13,469**
Commercial mortgage securitizations		**3,760**	**696**	**766**	**—**	**5,222**
Auto loan securitizations		**137**	**—**	**21**	**—**	**158**
Student loan securitizations		**123**	**50**	**—**	**—**	**173**
Other		**57**	**—**	**78**	**—**	**135**
Total		**$21,606**	**16,233**	**895**	**4,785**	**43,519**

(1) Represents the remaining principal balance of assets held by QSPEs using the most current information available.

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

(3) Certain balances have been revised to reflect additionally identified residential mortgage QSPEs, as well as to reflect removal of commercial mortgage asset transfers that were subsequently determined not to be transfers to QSPEs.

(4) Conforming residential mortgage loan securitizations are those that are guaranteed by GSEs. Other commitments and guarantees include amounts related to loans sold to QSPEs 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 and has been revised as of December 31, 2008, to conform with the 2009 basis of determination.

"Maximum exposure to loss" represents the carrying value of our involvement with off-balance sheet QSPEs plus remaining undrawn liquidity and lending commitments, notional amount of net written derivative contracts, and generally the notional amount of, or stressed loss estimate for, other commitments and guarantees. Maximum exposure to loss is a required disclosure under GAAP and, as presented in the preceding table, represents estimated loss that would be incurred under severe, hypothetical circumstances, for which we believe the possibility of occurrence 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.

We recognized net gains of $1 million from sales of financial assets in securitizations in 2009 (none in 2008). Additionally, we had the following cash flows with our securitization trusts.

	Year ended December 31,			
	2009		2008	
(in millions)	**Mortgage loans**	**Other financial assets**	Mortgage loans	Other financial assets
Sales proceeds from securitizations (1)	**$394,632**	**—**	212,770	—
Servicing fees	**4,283**	**42**	3,128	—
Other interests held	**3,757**	**296**	1,509	131
Purchases of delinquent assets	**45**	**—**	36	—
Net servicing advances	**257**	**—**	61	—

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

For securitizations completed in 2009 and 2008, we used the following weighted-average assumptions to determine the fair value of residential mortgage servicing rights and other interests held at the date of securitization.

	Mortgage servicing rights		Other interests held		Other interests held – subordinate debt	
	2009	2008	**2009**	2008	**2009**	2008
Prepayment speed (annual CPR (1))	**13.4%**	12.7	**—**	36.0	**—**	13.3
Life (in years)	**5.6**	7.1	**—**	2.3	**—**	5.7
Discount rate	**8.3**	9.4	**—**	7.2	**—**	6.7
Expected life of loan losses					**—**	1.1

(1) Constant prepayment rate.

Key economic assumptions and the sensitivity of the current fair value to immediate adverse changes in those assumptions at December 31, 2009, for residential and commercial mortgage servicing rights, and other interests held related primarily to residential mortgage loan securitizations are presented in the following table.

		Other interests held (1)		
(in millions)	Mortgage servicing rights	Interest-only strips	Subordinated bonds (2)	Senior bonds (3)
Fair value of interests held	$17,259	532	447	5,801
Expected weighted-average life (in years)	5.8	5.2	4.2	6.0
Prepayment speed assumption (annual CPR)	12.2%	12.2	8.8	9.9
Decrease in fair value from:				
10% adverse change	$ 718	13	3	43
25% adverse change	1,715	35	9	116
Discount rate assumption	9.0%	20.9	9.7	9.4
MSRs and other interests held				
Decrease in fair value from:				
100 basis point increase	$ 755	14	14	203
200 basis point increase	1,449	28	27	389
Credit loss assumption			4.3%	4.7
Decrease in fair value from:				
10% higher losses			$ 11	6
25% higher losses			22	16

(1) Excludes securities retained in securitizations issued through GSEs such as FNMA, FHLMC and GNMA because we do not believe the value of these securities would be materially affected by the adverse changes in assumptions noted in the table. These GSE securities and other interests held presented in this table are included in debt and equity interests in our disclosure of our involvements with QSPEs shown on page 126.

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

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

The sensitivities in the preceding table are hypothetical and caution should be exercised when relying on this data. Changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in the assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair 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 discount rates), which might magnify or counteract the sensitivities.

The table below presents information about the principal balances of owned and securitized loans.

	Total loans (1)		Delinquent loans (2)(3)		Net charge-offs (3)	
	December 31,		December 31,		Year ended December 31,	
(in millions)	**2009**	2008	**2009**	2008	**2009**	2008
Commercial and commercial real estate:						
Commercial	**$ 159,185**	204,113	**5,052**	1,471	**3,111**	1,539
Real estate mortgage	**326,314**	310,480	**12,375**	1,058	**833**	26
Real estate construction	**29,707**	34,676	**3,765**	1,221	**959**	175
Lease financing	**14,210**	15,829	**171**	92	**209**	52
Total commercial and commercial real estate	**529,416**	565,098	**21,363**	3,842	**5,112**	1,792
Consumer:						
Real estate 1-4 family first mortgage	**1,331,568**	1,165,456	**19,224**	6,849	**4,420**	902
Real estate 1-4 family junior lien mortgage	**107,000**	115,308	**2,854**	1,421	**4,692**	2,115
Credit card	**24,003**	23,555	**795**	687	**2,528**	1,416
Other revolving credit and installment	**99,140**	104,886	**1,765**	1,427	**2,775**	1,819
Total consumer	**1,561,711**	1,409,205	**24,638**	10,384	**14,415**	6,252
Foreign	**29,398**	33,882	**219**	91	**197**	196
Total loans owned and securitized	**$2,120,525**	2,008,185	**46,220**	14,317	**19,724**	8,240
Less:						
Securitized loans	**1,292,928**	1,117,039				
Mortgages held for sale	**39,094**	20,088				
Loans held for sale	**5,733**	6,228				
Total loans held	**$ 782,770**	864,830				

(1) Represents loans in the balance sheet or that have been securitized and includes residential mortgages sold to FNMA, FHLMC and GNMA and securitizations where servicing is our only form of continuing involvement.
(2) Delinquent loans are 90 days or more past due and still accruing interest as well as nonaccrual loans.
(3) Delinquent loans and net charge-offs exclude loans sold to FNMA, FHLMC and GNMA. We continue to service the loans and would only experience a loss if required to repurchase a delinquent loan due to a breach in original representations and warranties associated with our underwriting standards.

Transactions with VIEs

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

The following table summarizes our involvement with unconsolidated VIEs.

(in millions)	Total VIE assets (1)	Debt and equity interests	Derivatives	Other commitments and guarantees	Net assets
December 31, 2008		Carrying value – asset (liability)			
Collateralized debt obligations (2)	$ 54,294	14,080	1,053	—	15,133
Wachovia administered ABCP (3) conduit	10,767	—	—	—	—
Asset-based finance structures	11,614	9,232	(136)	—	9,096
Tax credit structures	22,882	4,366	—	(516)	3,850
Collateralized loan obligations	23,339	3,217	109	—	3,326
Investment funds	105,808	3,543	—	—	3,543
Credit-linked note structures	12,993	50	1,472	—	1,522
Money market funds (4)	13,307	—	10	—	10
Other (5)	1,832	3,983	(36)	(141)	3,806
Total	$ 256,836	38,471	2,472	(657)	40,286
		Maximum exposure to loss			
Collateralized debt obligations		$ 14,080	4,849	1,514	20,443
Wachovia administered ABCP (3) conduit		—	15,824	—	15,824
Asset-based finance structures		9,346	136	—	9,482
Tax credit structures		4,366	—	560	4,926
Collateralized loan obligations		3,217	109	555	3,881
Investment funds		3,550	—	140	3,690
Credit-linked note structures		50	2,253	—	2,303
Money market funds (4)		—	51	—	51
Other (5)		3,991	130	578	4,699
Total		$ 38,600	23,352	3,347	65,299
December 31, 2009		**Carrying value – asset (liability)**			
Collateralized debt obligations	**$ 55,899**	**12,988**	**1,746**	**—**	**14,734**
Wachovia administered ABCP (3) conduit	**5,160**	**—**	**—**	**—**	**—**
Asset-based finance structures	**17,467**	**10,187**	**(72)**	**(248)**	**9,867**
Tax credit structures	**27,537**	**4,659**	**—**	**(653)**	**4,006**
Collateralized loan obligations	**23,830**	**3,602**	**64**	**—**	**3,666**
Investment funds	**84,642**	**1,831**	**—**	**(129)**	**1,702**
Credit-linked note structures	**1,755**	**40**	**985**	**—**	**1,025**
Other (5)	**8,470**	**3,269**	**5**	**(293)**	**2,981**
Total	**$224,760**	**36,576**	**2,728**	**(1,323)**	**37,981**
		Maximum exposure to loss			
Collateralized debt obligations		**$12,988**	**3,586**	**33**	**16,607**
Wachovia administered ABCP (3) conduit		**—**	**5,263**	**—**	**5,263**
Asset-based finance structures		**10,187**	**72**	**968**	**11,227**
Tax credit structures		**4,659**	**—**	**4**	**4,663**
Collateralized loan obligations		**3,702**	**64**	**473**	**4,239**
Investment funds		**2,331**	**500**	**89**	**2,920**
Credit-linked note structures		**40**	**1,714**	**—**	**1,754**
Other (5)		**3,269**	**5**	**1,774**	**5,048**
Total		**$37,176**	**11,204**	**3,341**	**51,721**

(1) Represents the remaining principal balance of assets held by unconsolidated VIEs using the most current information available. For VIEs that obtain exposure to assets synthetically through derivative instruments, the remaining notional amount of the derivative is included in the asset balance.

(2) The balance of total VIE assets for VIEs involving CDOs has been revised to reflect additionally identified CDOs.

(3) Asset-based commercial paper.

(4) Includes only those money market mutual funds to which the Company had outstanding contractual support agreements in place. The balance has been revised to exclude certain funds because the support arrangements had lapsed or settled and the Company is not obligated to support such funds.

(5) Contains investments in auction rate securities issued by VIEs that we do not sponsor and, accordingly, are unable to obtain the total assets of the entity.

"Maximum exposure to loss" represents the carrying value of our involvement with off-balance sheet (unconsolidated) VIEs plus remaining undrawn liquidity and lending commitments, notional amount of net written derivative contracts, and generally the notional amount of, or stressed loss estimate for, other commitments and guarantees. Maximum exposure to loss is a required disclosure under GAAP and, as presented in the preceding table, represents estimated loss that would be incurred under severe, hypothetical circumstances, for which we believe the possibility of occurrence 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.

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.

In addition to our role as arranger we may have other forms of involvement with these transactions. 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 at the inception of the transactions based on our expectation of the variability associated with our continuing involvement. Subsequently, we monitor our ongoing involvement in these transactions to determine if a more frequent assessment of variability is necessary. Variability in these transactions may be created by credit risk, market risk, interest rate risk or liquidity risk associated with the CDO's assets. Our assessment of the variability is performed qualitatively because our continuing involvement is typically senior in priority to the third party investors in transactions. In most cases, we are not the primary beneficiary of these transactions because we do not retain the subordinate interests in these transactions and, accordingly, do not absorb the majority of the variability.

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 some discretion to manage the sale of assets of the CLO.

Prior to the securitization, we may provide all or substantially all of the warehouse financing to the asset manager. The asset manager uses this financing to purchase the assets into a bankruptcy remote SPE during the warehouse period. At the completion of the warehouse period, the assets are sold to the CLO and the warehouse financing is repaid with the proceeds received from the securitization's investors. The warehousing period is generally less than 12 months in duration. In the event the securitization does not take place, the assets in the warehouse are liquidated. We consolidate the warehouse SPEs when we are the primary beneficiary. We are the primary beneficiary when we provide substantially all of the financing and therefore absorb the majority of the variability. Sometimes we have loss sharing arrangements whereby a third party asset manager agrees to absorb the credit and market risk during the warehousing period or upon liquidation of the collateral in the event a securitization does not take place. In those circumstances we do not consolidate the warehouse SPE because the third party asset manager absorbs the majority of the variability through the loss sharing arrangement.

In addition to our role as arranger and warehouse financing provider, 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.

We assess whether we are the primary beneficiary of CLOs at inception of the transactions based on our expectation of the variability associated with our continuing involvement. Subsequently, we monitor our ongoing involvement in these transactions to determine if a more frequent assessment of variability is necessary. Variability in these transactions may be created by credit risk, market risk, interest rate risk or liquidity risk associated with the CLO's assets. Our assessment of the variability is performed qualitatively because our continuing involvement is typically senior in priority to the third party investors in transactions. In most cases, we are not the primary beneficiary of these transactions because we do not retain the subordinate interests in these transactions and, accordingly, do not absorb the majority of the variability.

MULTI-SELLER COMMERCIAL PAPER CONDUIT We administer a multi-seller ABCP conduit that finances certain client transactions. We acquired the relationship with this conduit in the Wachovia merger. This conduit is a bankruptcy remote entity that makes loans to, or purchases certificated interests, generally from SPEs, established by our clients (sellers) and which are secured by pools of financial assets. The conduit funds itself through the issuance of highly rated commercial paper to third party investors. The primary source of repayment of the commercial paper is the cash flows from the conduit's assets or the re-issuance of commercial paper upon maturity. The conduit's assets are structured with deal-specific credit enhancements generally in the form of overcollateralization provided by the seller, but also may include subordinated interests, cash reserve accounts, third party credit support facilities and excess spread capture. The weighted-average life of the conduit's assets was 2.5 years at December 31, 2009, and 3.0 years at December 31, 2008, respectively.

The composition of the conduit's assets follows:

	December 31, 2009		December 31, 2008[1]	
	Funded asset composition	**Total committed exposure**	Funded asset composition	Total committed exposure
Commercial and middle market loans	**42.3%**	**35.6**	27.6	32.6
Auto loans	**26.8**	**29.2**	27.6	22.0
Equipment loans	**18.5**	**16.8**	14.4	11.4
Leases	**4.2**	**3.2**	12.6	11.7
Trade receivables	**3.3**	**10.3**	8.8	10.9
Credit cards	**1.7**	**2.7**	7.0	7.9
Other	**3.2**	**2.2**	2.0	3.5
Total	**100.0%**	**100.0**	100.0	100.0

(1) Certain December 31, 2008, percentages have been revised to conform with the December 31, 2009, classification of certain assets.

The table below summarizes the weighted-average credit rating equivalents of the conduit's assets. These ratings are based on internal rating criteria.

	December 31, 2009		December 31, 2008	
	Funded asset composition	**Total committed exposure**	Funded asset composition	Total committed exposure
AAA	**—%**	**—**	9.4	10.4
AA	**12.8**	**18.7**	8.3	11.7
A	**29.4**	**36.5**	52.2	51.5
BBB/BB	**57.8**	**44.8**	30.1	26.4
Total	**100.0%**	**100.0**	100.0	100.0

The timely repayment of the commercial paper is further supported by asset-specific liquidity facilities in the form of liquidity asset purchase agreements that we provide. Each facility is equal to 102% of the conduit's funding commitment to a client. The aggregate amount of liquidity must be equal to or greater than all the commercial paper issued by the conduit. At the discretion of the administrator, we may be required to purchase assets from the conduit at par value plus accrued interest or discount on the related commercial paper, including situations where the conduit is unable to issue commercial paper. Par value may be different from fair value.

We receive fees in connection with our role as administrator and liquidity provider. We may also receive fees related to the structuring of the conduit's transactions.

The weighted average life of the commercial paper was 22.5 days at December 31, 2009, and the average yield on the commercial paper was 0.24%. The ability of the conduit to issue commercial paper is a function of general market conditions and the credit rating of the liquidity provider. At December 31, 2009, we did not hold any of the commercial paper issued by the conduit.

The conduit has issued a subordinated note to a third party investor. The subordinated note is designed to absorb the expected variability associated with the credit risk in the conduit's assets as well as assets that may be or were funded by us as a result of a purchase under the provisions of a specific liquidity asset purchase agreement. Actual credit losses incurred on the conduit's assets or assets purchased under the liquidity facilities are absorbed first by the subordinated note prior to any allocation to us as the liquidity provider. We increased the face amount of our subordinated note to $60 million in March 2009. In fourth quarter 2009, the subordinated note absorbed $16 million of losses. At December 31, 2009, the available balance of the subordinated note was $44 million. The subordinated note matures in 2017.

At least quarterly, or more often if circumstances dictate, we assess whether we are the primary beneficiary of the conduit based on our expectation of the variability associated with our liquidity facilities and administrative fee arrangement. Such circumstances may include changes to the terms of the conduit's assets, internal credit grades, outstanding amounts under each facility or the purchase of the conduit's commercial paper. We assess variability using a quantitative expected loss model. The key inputs to the model include internally generated risk ratings that are mapped to third party rating agency loss-given-default assumptions. We do not consolidate the conduit because our expected loss model indicates that the holder of the subordinated note absorbs the majority of the variability of the conduit's assets.

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 retain a majority of the variability in these transactions.

For example, we had investments in asset-backed securities that were collateralized by auto leases or loans and cash reserves. These fixed-rate securities are underwritten by us and have been structured as single-tranche, fully amortizing, unrated bonds that are equivalent to investment-grade securities due to their significant overcollateralization. The securities are issued by SPEs that have been formed by third party auto financing institutions primarily because they require a source of liquidity to fund ongoing vehicle sales operations.

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 performance guarantees provided by the project sponsors giving them a majority of the variability.

INVESTMENT FUNDS At December 31, 2009, we had investments of $1.3 billion and lending arrangements of $20 million with certain funds managed by one of our majority owned subsidiaries compared with investments of $2.1 billion and lending arrangements of $349 million at December 31, 2008. In addition, we also provide a default protection agreement to a third party lender to one of these funds. Our involvements in these funds are 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.

We are also a passive investor in various investment funds that invest directly in private equity and mezzanine securities as well as funds sponsored by select private equity and venture capital groups. We also invest in hedge funds on behalf of clients. In these transactions, we use various derivative contracts that are designed to provide our clients with the returns of the underlying hedge fund investments. We do not consolidate these funds because we do not hold a majority of the subordinate interests in these funds.

MONEY MARKET FUNDS In 2008 we entered into a capital support agreement for up to $130 million related to an investment in a structured investment vehicle (SIV) held by AAA-rated money market funds we sponsor in order to maintain a AAA credit rating and a NAV of $1.00 for the funds. In third quarter 2008, we fulfilled our obligation under this agreement by purchasing the SIV investment from the funds. In third quarter 2009, we purchased additional SIV investments from the AAA-rated money market funds. At December 31, 2009, we had no outstanding support agreements. We recorded a loss of $27 million in 2009 in connection with support provided to our money market/collective funds. At December 31, 2009, the SIV investments were recorded as debt securities in our securities available-for-sale portfolio. We do not consolidate these funds because we do not absorb the majority of the expected future variability associated with the fund's assets. We are generally not responsible for investment losses incurred by funds we sponsor, and we do not have a contractual or implicit obligation to indemnify such losses or provide additional support to the funds. While we previously elected to enter into capital support agreements for the funds, we are not obligated and may elect not to provide support to these funds or other funds we sponsor in the future.

CREDIT-LINKED NOTE STRUCTURES We enter into credit-linked note structures for two separate purposes. First and primarily, we structure transactions for clients designed to provide investors with specified returns based on the returns of an underlying security, loan or index. Second, in certain situations, we also use credit-linked note structures to reduce risk-weighted assets for determining regulatory capital ratios by structuring similar transactions that are indexed to the returns of a pool of underlying loans that we own. These transactions reduce our risk-weighted assets because they transfer a portion of the credit risk in the indexed pool of loans to the holders of the credit-linked notes. Both of these types of transactions result in the issuance of credit-linked notes and typically involve a bankruptcy remote SPE that synthetically obtains exposure to the underlying loans through a derivative instrument such as a written credit default swap or total return swap. The SPE issues notes to investors based on the referenced underlying securities or loans. Proceeds received from the issuance of these notes are usually invested in investment grade financial assets. We are typically the derivative counterparty to these transactions and administrator responsible for investing the note proceeds. We do not consolidate these SPEs because we typically do not hold any of the notes that they issue.

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 two of its subsidiaries. ARS are debt instruments with long-term maturities, but which reprice more frequently. Certain of these securities were issued by VIEs. At December 31, 2009, we held in our securities available-for-sale portfolio $3.2 billion of ARS issued by VIEs that we redeemed pursuant to this agreement, compared with $3.7 billion at December 31, 2008. At December 31, 2008, we had a liability in our balance sheet of $91 million for additional losses on anticipated future redemptions of ARS issued by VIEs. We did not have a liability related to this event at December 31, 2009, since all remaining ARS issued by VIEs subject to the agreement were redeemed.

On November 18, 2009, we reached agreements to purchase additional ARS from eligible investors who bought ARS through one of three of our broker-dealer subsidiaries. At December 31, 2009, we had a liability in our balance sheet of $261 million for losses on anticipated future redemptions of ARS associated with these agreements. As of December 31, 2009, we had not redeemed a substantial amount of these securities. Were we to redeem all ARS issued by VIEs that are subject to the agreement, our estimated maximum exposure to loss would be $1.6 billion; however, certain of these securities may be repaid in full by the issuer prior to redemption.

We do not consolidate the VIEs that issued the ARS because we do not expect to absorb the majority of the expected future variability associated with assets of the VIEs.

TRUST PREFERRED SECURITIES In addition to the involvements disclosed in the following table, we had $19.0 billion of debt financing through the issuance of trust preferred securities at December 31, 2009. In these transactions, VIEs that we wholly own issue preferred equity or debt securities to third party investors. All of the proceeds of the issuance are invested in debt securities that we issue to the VIEs. In certain instances, we may provide liquidity to third party investors that purchase long-term securities that reprice frequently issued by VIEs. The VIEs' operations and cash flows relate only to the issuance, administration and repayment of the securities held by third parties. We do not consolidate these VIEs because the sole assets of the VIEs are receivables from us. This is the case even though we own all of the voting equity shares of the VIEs, have fully guaranteed the obligations of the VIEs and may have the right to redeem the third party securities under certain circumstances. We report the debt securities that we issue to the VIEs as long-term debt in our consolidated balance sheet.

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

		Carrying value[1]		
(in millions)	Total VIE assets	Consolidated assets	Third party liabilities	Noncontrolling interests
December 31, 2008				
Secured borrowings:				
Municipal tender option bond securitizations	$ 6,358	6,280	4,765	—
Auto loan securitizations	2,134	2,134	1,869	—
Commercial real estate loans	1,294	1,294	1,258	—
Residential mortgage securitizations	1,124	995	699	—
Total secured borrowings	10,910	10,703	8,591	—
Consolidated VIEs:				
Structured asset finance	3,491	1,666	1,481	13
Investment funds	1,119	1,070	155	97
Other	1,007	1,007	774	11
Total consolidated VIEs	5,617	3,743	2,410	121
Total secured borrowings and consolidated VIEs	$ 16,527	14,446	11,001	121
December 31, 2009				
Secured borrowings:				
Municipal tender option bond securitizations	**$ 7,156**	**7,189**	**6,856**	**—**
Auto loan securitizations	**274**	**274**	**121**	**—**
Commercial real estate loans	**1,309**	**1,309**	**1,269**	**—**
Residential mortgage securitizations	**901**	**792**	**552**	**—**
Total secured borrowings	**9,640**	**9,564**	**8,798**	**—**
Consolidated VIEs:				
Structured asset finance	**2,791**	**1,074**	**1,088**	**10**
Investment funds	**2,257**	**2,245**	**271**	**33**
Other	**2,697**	**1,981**	**1,148**	**25**
Total consolidated VIEs	**7,745**	**5,300**	**2,507**	**68**
Total secured borrowings and consolidated VIEs	**$17,385**	**14,864**	**11,305**	**68**

(1) Amounts exclude loan loss reserves, and total assets may differ from consolidated assets due to the different measurement methods used depending on classification of the assets.

We have raised financing through the securitization of certain financial assets in transactions with VIEs accounted for as secured borrowings. We also consolidate VIEs where we are the primary beneficiary. In certain transactions we provide contractual support in the form of limited recourse and liquidity to facilitate the remarketing of short-term securities issued to third party investors. Other than this limited contractual support, the assets of the VIEs are the sole source of repayment of the securities held by third parties.

Note 9: Mortgage Banking Activities

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

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

	Year ended December 31,		
(in millions)	**2009**	2008	2007
Fair value, beginning of year	**$14,714**	16,763	17,591
Purchases	**—**	191	803
Acquired from Wachovia (1)	**34**	479	—
Servicing from securitizations or asset transfers	**6,226**	3,450	3,680
Sales	**—**	(269)	(1,714)
Net additions	**6,260**	3,851	2,769
Changes in fair value:			
Due to changes in valuation model inputs or assumptions (2)	**(1,534)**	(3,341)	(571)
Other changes in fair value (3)	**(3,436)**	(2,559)	(3,026)
Total changes in fair value	**(4,970)**	(5,900)	(3,597)
Fair value, end of year	**$16,004**	14,714	16,763

(1) The 2009 amount reflects refinements to initial December 31, 2008, Wachovia purchase accounting adjustments.

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

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

The changes in amortized commercial MSRs were:

	Year ended December 31,		
(in millions)	**2009**	2008	2007
Balance, beginning of year	**$1,446**	466	377
Purchases (1)	**11**	10	120
Acquired from Wachovia (2)	**(135)**	1,021	—
Servicing from securitizations or asset transfers (1)	**61**	24	40
Amortization	**(264)**	(75)	(71)
Balance, end of year (3)	**$1,119**	1,446	466
Fair value of amortized MSRs:			
Beginning of year	**$1,555**	573	457
End of year	**1,261**	1,555	573

(1) Based on December 31, 2009, assumptions, the weighted-average amortization period for MSRs added during the twelve months of 2009 was approximately 18.1 years.

(2) The 2009 amount reflects refinements to initial December 31, 2008, Wachovia purchase accounting adjustments.

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

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

	December 31,		
(in billions)	**2009**	2008	2007
Residential mortgage servicing			
Serviced for others	**$1,422**	1,388	1,283
Owned loans serviced	**364**	378	174
Subservicing	**10**	15	17
Total residential servicing	**1,796**	1,781	1,474
Commercial mortgage servicing			
Serviced for others	**454**	472	147
Owned loans serviced	**105**	103	37
Subservicing	**10**	11	6
Total commercial servicing	**569**	586	190
Total managed servicing portfolio	**$2,365**	2,367	1,664
Total serviced for others	**$1,876**	1,860	1,430
Ratio of MSRs to related loans serviced for others	**0.91%**	0.87	1.20

The components of mortgage banking noninterest income were:

(in millions)	Year ended December 31, 2009	2008	2007
Servicing income, net:			
Servicing fees	**$ 3,942**	3,855	4,025
Changes in fair value of residential MSRs:			
Due to changes in valuation model inputs or assumptions (1)	**(1,534)**	(3,341)	(571)
Other changes in fair value (2)	**(3,436)**	(2,559)	(3,026)
Total changes in fair value of residential MSRs	**(4,970)**	(5,900)	(3,597)
Amortization	**(264)**	(75)	(71)
Net derivative gains from economic hedges (3)	**6,849**	3,099	1,154
Total servicing income, net	**5,557**	979	1,511
Net gains on mortgage loan origination/sales activities	**6,152**	1,183	1,289
All other	**319**	363	333
Total mortgage banking noninterest income	**$12,028**	2,525	3,133
Market-related valuation changes to MSRs, net of hedge results (1) + (3)	**$ 5,315**	(242)	583

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

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

(3) Represents results from free-standing derivatives (economic hedges) used to hedge the risk of changes in fair value of MSRs. See Note 15 – Free-Standing Derivatives in this Report for additional discussion and detail.

Servicing fees include certain unreimbursed direct servicing obligations primarily associated with workout activities.

In addition, servicing fees and all other in the table above included:

(in millions)	Year ended December 31, 2009	2008	2007
Contractually specified servicing fees	**$4,473**	3,904	3,922
Late charges	**329**	283	293
Ancillary fees	**187**	148	124

Note 10: Intangible Assets

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

				December 31,
		2009		2008
(in millions)	**Gross carrying value**	**Accumulated amortization**	Gross carrying value	Accumulated amortization
Amortized intangible assets:				
MSRs [(1)]	**$ 1,606**	**487**	1,672	226
Core deposit intangibles	**15,140**	**4,366**	14,188	2,189
Customer relationship and other intangibles	**3,050**	**896**	3,988	486
Total amortized intangible assets	**$19,796**	**5,749**	19,848	2,901
MSRs (carried at fair value) [(1)]	**$16,004**		14,714	
Goodwill	**24,812**		22,627	
Trademark	**14**		14	

(1) See Note 9 in this Report for additional information on MSRs.

The following table provides the current year and estimated future amortization expense for amortized intangible assets.

(in millions)	Amortized commercial MSRs	Core deposit intangibles	Customer relationship and other intangibles [(1)]	Total
Year ended December 31, 2009 (actual)	**$264**	**2,180**	**412**	**2,856**
Estimate for year ended December 31,				
2010	$ 224	1,870	337	2,431
2011	198	1,593	289	2,080
2012	161	1,396	274	1,831
2013	125	1,241	254	1,620
2014	108	1,113	238	1,459

(1) Includes amortization of lease intangibles reported in occupancy expense of $8 million for 2009, and estimated amortization of $9 million, $8 million, $8 million, $5 million, and $4 million for 2010, 2011, 2012, 2013 and 2014, respectively.

We based our projections of amortization expense shown above on existing asset balances at December 31, 2009. Future amortization expense may vary from these projections.

For our goodwill impairment analysis, we allocate all of the goodwill to the individual operating segments. As a result of the combination of Wells Fargo and Wachovia, management realigned its business segments into the following three lines of business: Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement. As part of this realignment, we updated our reporting units. We identify reporting units that are one level below an operating segment (referred to as a component), and distinguish these reporting units based on how the segments and components are managed, taking into consideration the economic characteristics, nature of the products and customers of the components. We allocate goodwill to reporting units based on relative fair value, using certain performance metrics. We have revised prior period information to reflect this realignment. See Note 23 in this Report for further information on management reporting.

The following table shows the allocation of goodwill to our operating segments for purposes of goodwill impairment testing. The additions in 2009 predominantly relate to goodwill recorded in connection with refinements to our initial acquisition date purchase accounting.

(in millions)	Community Banking	Wholesale Banking	Wealth, Brokerage and Retirement	Consolidated Company
December 31, 2007	$ 10,591	2,147	368	13,106
Reduction in goodwill related to divested businesses	—	(1)	—	(1)
Goodwill from business combinations	6,229	3,303	—	9,532
Foreign currency translation adjustments	(10)	—	—	(10)
December 31, 2008	**16,810**	**5,449**	**368**	**22,627**
Goodwill from business combinations	**1,343**	**830**	**5**	**2,178**
Foreign currency translation adjustments	**7**	**—**	**—**	**7**
December 31, 2009	**$18,160**	**6,279**	**373**	**24,812**

Note 11: Deposits

Time certificates of deposit (CDs) and other time deposits issued by domestic offices totaled $117.0 billion and $210.5 billion at December 31, 2009 and 2008, respectively. Substantially all of these deposits were interest bearing. The contractual maturities of these deposits follow.

(in millions)	December 31, 2009
2010	$ 66,162
2011	20,617
2012	9,635
2013	15,354
2014	2,225
Thereafter	3,006
Total	$116,999

Of these deposits, the amount of time deposits with a denomination of $100,000 or more was $43.7 billion and $90.1 billion at December 31, 2009 and 2008, respectively. The contractual maturities of these deposits follow.

(in millions)	December 31, 2009
Three months or less	$10,146
After three months through six months	5,092
After six months through twelve months	8,592
After twelve months	19,907
Total	$43,737

Time CDs and other time deposits issued by foreign offices with a denomination of $100,000 or more represent a major portion of all of our foreign deposit liabilities of $60.0 billion and $40.9 billion at December 31, 2009 and 2008, respectively.

Demand deposit overdrafts of $667 million and $1.1 billion were included as loan balances at December 31, 2009 and 2008, respectively.

Note 12: Short-Term Borrowings

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

At December 31, 2009, we had $500 million available in lines of credit. These financing arrangements require the maintenance of compensating balances or payment of fees, which were not material.

	2009		2008		2007	
(in millions)	**Amount**	**Rate**	Amount	Rate	Amount	Rate
As of December 31,						
Commercial paper and other short-term borrowings	**$12,950**	**0.39%**	$ 45,871	0.93%	$30,427	4.45%
Federal funds purchased and securities sold under agreements to repurchase	**26,016**	**0.08**	62,203	1.12	22,828	2.94
Total	**$38,966**	**0.18**	$108,074	1.04	$53,255	3.80
Year ended December 31,						
Average daily balance						
Commercial paper and other short-term borrowings	**$27,793**	**0.43**	$ 43,792	2.43	$ 8,765	4.96
Federal funds purchased and securities sold under agreements to repurchase	**24,179**	**0.46**	22,034	1.88	17,089	4.74
Total	**$51,972**	**0.44**	$ 65,826	2.25	$25,854	4.81
Maximum month-end balance						
Commercial paper and other short-term borrowings (1)	**$62,871**	**N/A**	$ 76,009	N/A	$30,427	N/A
Federal funds purchased and securities sold under agreements to repurchase (2)	**30,608**	**N/A**	62,203	N/A	23,527	N/A

N/A – Not applicable.

(1) Highest month-end balance in each of the last three years was February 2009, August 2008 and December 2007.

(2) Highest month-end balance in each of the last three years was February 2009, December 2008 and September 2007.

Note 13: Long-Term Debt

Following is a summary of our long-term debt based on original maturity (reflecting unamortized debt discounts and premiums, and purchase accounting adjustments for debt assumed in the Wachovia acquisition, where applicable):

(in millions)	Maturity date(s)	Stated interest rate(s)	December 31, 2009	2008
Wells Fargo & Company (Parent only)				
Senior				
Fixed-rate notes [1][2]	2010-2035	2.125-6.75%	**$ 46,266**	49,019
Floating-rate notes [2][3]	2010-2048	Varies	**41,231**	51,220
Extendible notes [4]			**—**	8
Market-linked notes [5]	2010-2018	Varies	**458**	933
Total senior debt – Parent			**87,955**	101,180
Subordinated				
Fixed-rate notes [1]	2011-2035	4.375-7.574%	**12,148**	12,204
Floating-rate notes	2015-2016	Varies	**1,096**	1,074
Total subordinated debt – Parent			**13,244**	13,278
Junior subordinated				
Fixed-rate notes [1][6][7][8]	2026-2068	5.625-10.18%	**8,661**	10,111
FixFloat preferred purchase securities [9][10]	2013-2044	7.70-9.75% to 2013, varies	**4,296**	4,308
Floating-rate notes	2027-2036	Varies	**272**	245
FixFloat notes	2036	6.28% to 2011, varies	**10**	10
Fixed-rate notes – hybrid trust securities [1][11][12][13]	2037-2047	6.375-7.85%	**2,425**	2,449
FixFloat notes – income trust securities [14]	2011-2042	5.20% to 2011, varies	**2,490**	2,445
Total junior subordinated debt – Parent [15]			**18,154**	19,568
Total long-term debt – Parent			**119,353**	134,026
Wells Fargo Bank, N.A. and its subsidiaries (WFB, N.A.)				
Senior				
Fixed-rate notes	2010-2011	1.122-3.720%	**6**	63
Floating-rate notes			**—**	1,026
Fixed-rate advances – Federal Home Loan Bank (FHLB) [1]	2011-2012	1.60-5.20%	**707**	202
Market-linked notes [5]	2010-2016	0.025-5.75%	**304**	437
Obligations of subsidiaries under capital leases (Note 7)	2010-2025	Varies	**71**	97
Total senior debt – WFB, N.A.			**1,088**	1,825
Subordinated				
Fixed-rate notes [1]	2010-2036	4.75-7.55%	**6,383**	6,941
Floating-rate notes [3]	2016	Varies	**500**	500
Other notes and debentures	2010-2037	0.00-6.00%	**12**	9
Total subordinated debt – WFB, N.A.			**6,895**	7,450
Total long-term debt – WFB, N.A.			**7,983**	9,275
Wachovia Bank, N.A. (WB, N.A.)				
Senior				
Fixed-rate notes [1]	2013	6.00%	**2,227**	2,098
Fixed-rate advances – FHLB			**—**	8
Floating-rate notes [3]	2010-2011	Varies	**3,910**	3,963
Floating-rate advances – FHLB			**—**	5,527
Primarily notes issued under global note programs [16]	2010-2040	Varies	**4,410**	20,529
Obligations of subsidiaries under capital leases (Note 7)	2014	4.98%	**6**	6
Total senior debt – WB, N.A.			**10,553**	32,131
Subordinated				
Fixed-rate notes [1]	2010-2038	4.80-7.85%	**11,825**	12,856
Floating-rate notes [3]	2014-2017	Varies	**1,437**	1,388
Total subordinated debt – WB, N.A.			**13,262**	14,244
Junior subordinated				
Fixed-rate notes – trust securities	2026	8.00%	**318**	308
Floating-rate notes – trust securities	2027	Varies	**270**	243
Total junior subordinated debt – WB, N.A. [15]			**588**	551
Mortgage notes and other debt	2010-2046	Varies	**7,679**	9,993
Total long-term debt – WB, N.A.			**32,082**	56,919

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(in millions)	Maturity date(s)	Stated interest rate(s)	December 31, 2009	2008
Wells Fargo Financial, Inc., and its subsidiaries (WFFI)				
Senior				
Fixed-rate notes	2010-2034	3.60-6.125%	$ **7,294**	6,456
Floating-rate notes			**—**	1,075
Total senior debt – WFFI			**7,294**	7,531
Subordinated				
Other subordinated – WFFI	2010-2017	3.50-5.125%	**4**	6
Total subordinated debt – WFFI			**4**	6
Total long-term debt – WFFI			**7,298**	7,537
Other consolidated subsidiaries				
Senior				
Fixed-rate notes	2010-2049	0.00-7.50%	**617**	2,489
Fixed-rate advances – FHLB	2010-2031	3.27-8.45%	**1,958**	2,545
Floating-rate notes (3)	2011	Varies	**595**	2,641
Floating-rate advances – FHLB (3)	2010-2013	Varies	**32,771**	46,282
Other notes and debentures – floating-rate	2010-2028	Varies	**70**	3,347
Total senior debt – Other consolidated subsidiaries			**36,011**	57,304
Subordinated				
Fixed-rate notes	2016	4.28-5.222%	**18**	—
Floating-rate notes			**—**	421
Floating-rate notes – preferred units			**—**	349
Other notes and debentures – floating rate	2011-2016	Varies	**54**	84
Total subordinated debt – Other consolidated subsidiaries			**72**	854
Junior subordinated				
Fixed-rate notes	2011-2030	5.50-10.875%	**63**	116
Floating-rate notes	2027-2036	Varies	**241**	248
FixFloat notes	2036	7.064% through 2011, varies	**79**	80
Total junior subordinated debt – Other consolidated subsidiaries (15)			**383**	444
Mortgage notes and other debt of subsidiaries	2013-2014	Varies	**679**	799
Total long-term debt – Other consolidated subsidiaries			**37,145**	59,401
Total long-term debt			**$203,861**	267,158

(1) We entered into interest rate swap agreements for most of the aggregate balance of these notes, whereby we receive fixed-rate interest payments approximately equal to interest on the notes and make interest payments based on an average one-month, three-month or six-month London Interbank Offered Rate (LIBOR).

(2) On December 10, 2008, Wells Fargo issued $3 billion of 3% fixed senior unsecured notes and $3 billion of floating senior unsecured notes both maturing on December 9, 2011. On March 30, 2009, Wells Fargo issued $1.75 billion of 2.125% fixed senior unsecured notes and $1.75 billion of floating senior unsecured notes both maturing on June 15, 2012. These notes are guaranteed under the FDIC's Temporary Liquidity Guarantee Program and are backed by the full faith and credit of the United States.

(3) We entered into interest rate swap agreements for a portion of the aggregate balance of these notes, whereby we receive variable-rate interest payments and make interest payments based on a fixed rate.

(4) The extendible notes are floating-rate securities with an initial maturity of 13 or 24 months, which can be extended on a rolling monthly or quarterly basis, respectively, to a final maturity of five years at the investor's option.

(5) Consists of long-term notes where the performance of the note is linked to an embedded equity, commodity, or currency index, or basket of indices accounted for separately from the note as a free-standing derivative. For information on embedded derivatives, see Note 15 – Free-standing derivatives in this Report.

(6) On December 5, 2006, Wells Fargo Capital X issued 5.95% Capital Securities and used the proceeds to purchase from the Parent 5.95% Capital Efficient Notes (the Notes) due 2086 (scheduled maturity 2036). When it issued the Notes, the Parent entered into a Replacement Capital Covenant (the Covenant) in which it agreed for the benefit of the holders of the Parent's 5.625% Junior Subordinated Debentures due 2034 that it will not repay, redeem or repurchase, and that none of its subsidiaries will purchase, any part of the Notes or the Capital Securities on or before December 1, 2066, unless the repayment, redemption or repurchase is made from the net cash proceeds of the issuance of certain qualified securities and pursuant to the other terms and conditions set forth in the Covenant. For more information, refer to the Covenant, which was filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed December 5, 2006.

(7) On May 25, 2007, Wells Fargo Capital XI issued 6.25% Enhanced Trust Preferred Securities (Enhanced TRUPS®) (the 2007 Capital Securities) and used the proceeds to purchase from the Parent 6.25% Junior Subordinated Deferrable Interest Debentures due 2067 (the 2007 Notes). When it issued the 2007 Notes, the Parent entered into a Replacement Capital Covenant (the 2007 Covenant) in which it agreed for the benefit of the holders of the Parent's 5.625% Junior Subordinated Debentures due 2034 that it will not repay, redeem or repurchase, and that none of its subsidiaries will purchase, any part of the 2007 Notes or the 2007 Capital Securities on or before June 15, 2057, unless the repayment, redemption or repurchase is made from the net cash proceeds of the issuance of certain qualified securities and pursuant to the other terms and conditions set forth in the 2007 Covenant. For more information, refer to the 2007 Covenant, which was filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed May 25, 2007.

(8) On March 12, 2008, Wells Fargo Capital XII issued 7.875% Enhanced Trust Preferred Securities (Enhanced TRUPS®) (the First 2008 Capital Securities) and used the proceeds to purchase from the Parent 7.875% Junior Subordinated Deferrable Interest Debentures due 2068 (the First 2008 Notes). When it issued the First 2008 Notes, the Parent entered into a Replacement Capital Covenant (the First 2008 Covenant) in which it agreed for the benefit of the holders of the Parent's 5.375% Junior Subordinated Debentures due 2035 (the Covered Debt) that it will not repay, redeem or repurchase, and that none of its subsidiaries will purchase, any part of the First 2008 Notes or the First 2008 Capital Securities on or before March 15, 2048, unless the repayment, redemption or repurchase is made from the net cash proceeds of the issuance of certain qualified securities and pursuant to the other terms and conditions set forth in the First 2008 Covenant. For more information, refer to the First 2008 Covenant, which was filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed March 12, 2008.

(9) On May 19, 2008, Wells Fargo Capital XIII issued 7.70% Fixed-to-Floating Rate Normal Preferred Purchase Securities (PPS) (the Second 2008 Capital Securities). The proceeds were used to purchase Remarketable 7.50% Junior Subordinated Notes maturing in 2044 (the Second 2008 Notes) from the Parent. In connection with the issuance of the Second 2008 Capital Securities, the Trust and the Parent entered into a forward stock purchase contract that obligates the Trust to purchase the Parent's Noncumulative Perpetual Preferred Stock, Series A (the Series A Preferred Stock) and obligates the Parent to make payments to the Trust of 0.20% per annum through the stock purchase date, expected to be March 26, 2013 (the Series A Stock Purchase Date). Prior to the Series A Stock Purchase Date, the Trust is required to remarket and sell the Second 2008 Notes to third party investors to generate cash proceeds to satisfy its obligation to purchase the Series A Preferred Stock. When it issued the Second 2008 Notes, the Parent entered into a Replacement Capital Covenant (the Second 2008 Covenant) in which it agreed for the benefit of the holders of the Covered Debt that, after the date it notifies the holders of the Covered Debt of the Second 2008 Covenant, it will not repay, redeem or repurchase, and that none of its subsidiaries will purchase, (i) any part of the Second 2008 Notes prior to the Series A Stock Purchase Date or (ii) any part of the Second 2008 Capital Securities or the Series A Preferred Stock prior to the date that is 10 years after the Series A Stock Purchase Date, unless the repayment, redemption or repurchase is made from the net cash proceeds of the issuance of certain qualified securities and pursuant to the other terms and conditions set forth in the Second 2008 Covenant. For more information, refer to the Second 2008 Covenant, which was filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed May 19, 2008.

(10) On September 10, 2008, Wells Fargo Capital XV issued 9.75% Fixed-to-Floating Rate Normal PPS (the Third 2008 Capital Securities). The proceeds were used to purchase Remarketable 9.25% Junior Subordinated Notes maturing in 2044 (the Third 2008 Notes) from the Parent. In connection with the issuance of the Third 2008 Capital Securities, the Trust and the Parent entered into a forward stock purchase contract that obligates the Trust to purchase the Parent's Noncumulative Perpetual Preferred Stock, Series B (the Series B Preferred Stock) and obligates the Parent to make payments to the Trust of 0.50% per annum through the stock purchase date, expected to be September 26, 2013 (the Series B Stock Purchase Date). Prior to the Series B Stock Purchase Date, the Trust is required to remarket and sell the Third 2008 Notes to third party investors to generate cash proceeds to satisfy its obligation to purchase the Series B Preferred Stock. When it issued the Third 2008 Notes, the Parent entered into a Replacement Capital Covenant (the Third 2008 Covenant) in which it agreed for the benefit of the holders of the Covered Debt that, after the date it notifies the holders of the Covered Debt of the Third 2008 Covenant, it will not repay, redeem or repurchase, and that none of its subsidiaries will purchase, (i) any part of the Third 2008 Notes prior to the Series B Stock Purchase Date or (ii) any part of the Third 2008 Capital Securities or the Series B Preferred Stock prior to the date that is 10 years after the Series B Stock Purchase Date, unless the repayment, redemption or repurchase is made from the net cash proceeds of the issuance of certain qualified securities and pursuant to the other terms and conditions set forth in the Third 2008 Covenant. For more information, refer to the Third 2008 Covenant, which was filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed September 10, 2008.

(11) On February 15, 2007, Wachovia Capital Trust IV issued 6.375% Trust Preferred Securities (the First Wachovia Trust Securities) and used the proceeds to purchase from Wachovia 6.375% Extendible Long-Term Subordinated Notes (the First Wachovia Notes). When it issued the First Wachovia Notes, Wachovia entered into a Replacement Capital Covenant (the First Wachovia Covenant) in which it agreed for the benefit of the holders of Wachovia's Floating-Rate Junior Subordinated Deferrable Interest Debentures due January 15, 2027, (the Wachovia Covered Debt) that it will not repay, redeem or repurchase, and that none of its subsidiaries will purchase, any part of the First Wachovia Notes or the First Wachovia Trust Securities on or after the scheduled maturity date of the First Wachovia Notes and prior to the date that is 20 years prior to the final repayment date of the First Wachovia Notes, unless the repayment, redemption or repurchase is made from the net cash proceeds of the issuance of certain qualified securities and pursuant to the other terms and conditions set forth in the First Wachovia Covenant. In connection with the Wachovia acquisition, the Parent assumed all of Wachovia's obligations under the First Wachovia Covenant. For more information, refer to the First Wachovia Covenant, which was filed as Exhibit 99.1 to Wachovia's Current Report on Form 8-K filed February 15, 2007.

(12) On May 8, 2007, Wachovia Capital Trust IX issued 6.375% Trust Preferred Securities (the Second Wachovia Trust Securities) and used the proceeds to purchase from Wachovia 6.375% Extendible Long-Term Subordinated Notes (the Second Wachovia Notes). When it issued the Second Wachovia Notes, Wachovia entered into a Replacement Capital Covenant (the Second Wachovia Covenant) in which it agreed for the benefit of the holders of the Wachovia Covered Debt that it will not repay, redeem or repurchase, and that none of its subsidiaries will purchase, any part of the Second Wachovia Notes or the Second Wachovia Trust Securities (i) on or after the earlier of the date that is 30 years prior to the final repayment date of the Second Wachovia Notes and the scheduled maturity date of the Second Wachovia Notes and (ii) prior to the later of the date that is 20 years prior to the final repayment date of the Second Wachovia Notes and June 15, 2057, unless the repayment, redemption or repurchase is made from the net cash proceeds of the issuance of certain qualified securities and pursuant to the other terms and conditions set forth in the Second Wachovia Covenant. In connection with the Wachovia acquisition, the Parent assumed all of Wachovia's obligations under the Second Wachovia Covenant. For more information, refer to the Second Wachovia Covenant, which was filed as Exhibit 99.1 to Wachovia's Current Report on Form 8-K filed May 8, 2007.

(13) On November 21, 2007, Wachovia Capital Trust X issued 7.85% Trust Preferred Securities (the Third Wachovia Trust Securities) and used the proceeds to purchase from Wachovia 7.85% Extendible Long-Term Subordinated Notes (the Third Wachovia Notes). When it issued the Third Wachovia Notes, Wachovia entered into a Replacement Capital Covenant (the Third Wachovia Covenant) in which it agreed for the benefit of the holders of the Wachovia Covered Debt that it will not repay, redeem or repurchase, and that none of its subsidiaries will purchase, any part of the Third Wachovia Notes or the Third Wachovia Trust Securities (i) on or after the earlier of the date that is 30 years prior to the final repayment date of the Third Wachovia Notes and the scheduled maturity date of the Third Wachovia Notes and (ii) prior to the later of the date that is 20 years prior to the final repayment date of the Third Wachovia Notes and December 15, 2057, unless the repayment, redemption or repurchase is made from the net cash proceeds of the issuance of certain qualified securities and pursuant to the other terms and conditions set forth in the Third Wachovia Covenant. In connection with the Wachovia acquisition, the Parent assumed all of Wachovia's obligations under the Third Wachovia Covenant. For more information, refer to the Third Wachovia Covenant, which was filed as Exhibit 99.1 to Wachovia's Current Report on Form 8-K filed November 21, 2007.

(14) On February 1, 2006, Wachovia Capital Trust III issued 5.80% Fixed-to-Floating Rate Wachovia Income Trust Securities (the Fourth Wachovia Trust Securities) and used the proceeds to purchase from Wachovia Remarketable Junior Subordinated Notes due 2042 (the Fourth Wachovia Notes). In connection with the issuance of the Fourth Wachovia Trust Securities, the Trust and Wachovia entered into a forward stock purchase contract that obligates the Trust to purchase Wachovia's Noncumulative Perpetual Class A Preferred Stock, Series I (the Series I Preferred Stock) and obligates Wachovia to make payments to the Trust of 0.60% per annum through the stock purchase date, expected to be March 15, 2011 (the Series I Stock Purchase Date). Prior to the Series I Stock Purchase Date, the Trust is required to remarket and sell the Fourth Wachovia Notes to third party investors to generate cash proceeds to satisfy its obligation to purchase the Series I Preferred Stock. When it issued the Fourth Wachovia Notes, Wachovia entered into a Declaration of Covenant (the Fourth Wachovia Covenant) in which it agreed for the benefit of the holders of the Wachovia Covered Debt that it will repurchase the Fourth Wachovia Trust Securities or redeem or repurchase shares of the Series I Preferred Stock only if and to the extent that the total redemption or repurchase price is equal to or less than the net cash proceeds of the issuance of certain qualified securities as described in the Fourth Wachovia Covenant. In connection with the Wachovia acquisition, the Parent assumed all of Wachovia's obligations under the Fourth Wachovia Covenant. For more information, refer to the Fourth Wachovia Covenant, which was filed as Exhibit 99.1 to Wachovia's Current Report on Form 8-K filed February 1, 2006.

(15) Represents junior subordinated debentures held by unconsolidated wholly-owned trusts formed for the sole purpose of issuing trust preferred securities.

(16) At December 31, 2009, bank notes of \$3.8 billion had floating rates of interest ranging from 0.0006% to 7.6%, and \$593 million of the notes had fixed rates of interest ranging from 1.00% to 5.00%.

We participated in the Federal Deposit Insurance Corporation's (FDIC) Temporary Liquidity Guarantee Program (TLGP). The TLGP had two components: the Debt Guarantee Program, which provided a temporary guarantee of newly issued senior unsecured debt issued by eligible entities; and the Transaction Account Guarantee Program, which provided a temporary unlimited guarantee of funds in noninterest-bearing transaction accounts at FDIC-insured institutions. The Debt Guarantee Program expired on October 31, 2009, and we opted out of the temporary unlimited guarantee of funds effective December 31, 2009.

The aggregate annual maturities of long-term debt obligations (based on final maturity dates) as of December 31, 2009, follow.

(in millions)	Parent	Company
2010	$ 21,292	40,495
2011	22,466	37,699
2012	15,460	27,027
2013	9,871	19,716
2014	7,575	11,063
Thereafter	42,689	67,861
Total	$119,353	203,861

The interest rates on floating-rate notes are determined periodically by formulas based on certain money market rates, subject, on certain notes, to minimum or maximum interest rates.

As part of our long-term and short-term borrowing arrangements, we are subject to various financial and operational covenants. Some of the agreements under which debt has been issued have provisions that may limit the merger or sale of certain subsidiary banks and the issuance of capital stock or convertible securities by certain subsidiary banks. At December 31, 2009, we were in compliance with all the covenants.

Note 14: Guarantees and Legal Actions

Guarantees

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

						December 31,
			2009			2008
(in millions)	**Carrying value**	**Maximum exposure to loss**	**Non-investment grade**	Carrying value	Maximum exposure to loss	Non-investment grade
Standby letters of credit	**$ 148**	**49,997**	**21,112**	130	47,191	17,293
Securities lending and other indemnifications	**51**	**20,002**	**2,512**	—	30,120	1,907
Liquidity agreements (1)	**66**	**7,744**	**—**	30	17,602	—
Written put options (1)(2)	**803**	**8,392**	**3,674**	1,376	10,182	5,314
Loans sold with recourse	**96**	**5,049**	**2,400**	53	6,126	2,038
Residual value guarantees	**8**	**197**	**—**	—	1,121	—
Contingent consideration	**11**	**145**	**102**	11	187	—
Other guarantees	**—**	**55**	**2**	—	38	—
Total guarantees	**$1,183**	**91,581**	**29,802**	1,600	112,567	26,552

(1) Certain of these agreements included in this table are related to off-balance sheet entities and, accordingly, are also disclosed in Note 8 in this Report.
(2) Written put options, which are in the form of derivatives, are also included in the derivative disclosures in Note 15 in this Report.

"Maximum exposure to loss" and "Non-investment grade" are required disclosures under GAAP. Non-investment grade represents those guarantees on which we have a higher risk of being required to perform under the terms of the guarantee. If the underlying assets under the guarantee are non-investment grade (that is, an external rating that is below investment grade or an internal credit default grade that is equivalent to a below investment grade external rating), we consider the risk of performance to be high. Internal credit default grades are determined based upon the same credit policies that we use to evaluate the risk of payment or performance when making loans and other extensions of credit. These credit policies are more fully described in Note 6 in this Report.

Maximum exposure to loss represents the estimated loss that would be incurred under an assumed hypothetical circumstance, despite what we believe is its extremely remote possibility, where the value of our interests and any associated

collateral declines to zero, without any consideration of recovery or offset from any economic hedges. Accordingly, this required disclosure is not an indication of expected loss. We believe the carrying value, which is either fair value or cost adjusted for incurred credit losses, is more representative of our exposure to loss than maximum exposure to loss.

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

As a securities lending agent, we loan client securities, on a fully collateralized basis, to third party borrowers. We indemnify our clients against borrower default of a return of those securities and, in certain cases, against collateral losses. We support these guarantees with collateral, generally in the form of cash or highly liquid securities that is marked to market daily. There was $20.7 billion at December 31, 2009, and $31.0 billion at December 31, 2008, in collateral supporting loaned securities with values of $20.0 billion and $30.1 billion, respectively.

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

We provide liquidity facilities on all commercial paper issued by the conduit we administer. We also provide liquidity to certain off-balance sheet entities that hold securitized fixed-rate municipal bonds and consumer or commercial assets that are partially funded with the issuance of money market and other short-term notes. See Note 8 in this Report for additional information on these arrangements.

Written put options are contracts that give the counterparty the right to sell to us an underlying instrument held by the counterparty at a specified price, and include options, floors, caps and credit default swaps. These written put option contracts generally permit net settlement. While these derivative transactions expose us to risk in the event the option is exercised, we manage this risk by entering into offsetting trades or by taking short positions in the underlying instrument. We offset substantially all put options written to customers with purchased options. Additionally, for certain of these contracts, we require the counterparty to pledge the underlying instrument as collateral for the transaction. Our ultimate obligation under written put options is based on future market conditions and is only quantifiable at settlement. See Note 8 in this Report for additional information regarding transactions with VIEs and Note 15 in this Report for additional information regarding written derivative contracts.

In certain loan sales or securitizations, we provide recourse to the buyer whereby we are required to repurchase loans at par value plus accrued interest on the occurrence of certain credit-related events within a certain period of time. The maximum exposure to loss represents the outstanding principal balance of the loans sold or securitized that are subject to recourse provisions, but the likelihood of the repurchase of the entire balance is remote and amounts paid can be recovered in whole or in part from the sale of collateral. In 2009, we did not repurchase a significant amount of loans associated with these agreements.

We have provided residual value guarantees as part of certain leasing transactions of corporate assets. At December 31, 2009, the only remaining residual value guarantee related to a leasing transaction on certain corporate buildings. At December 31, 2008, the residual value guarantees also included leasing transactions related to railcars, which were unwound in first quarter 2009. The lessors in these leases are generally large financial institutions or their leasing subsidiaries. These guarantees protect the lessor from loss on sale of the related asset at the end of the lease term. To the extent that a sale of the leased assets results in proceeds less than a stated percent (generally 80% to 89%) of the asset's cost less depreciation, we would be required to reimburse the lessor under our guarantee.

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

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

Legal Actions

Wells Fargo and certain of our subsidiaries are involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising from the conduct of our business activities. These proceedings include actions brought against Wells Fargo and/or our subsidiaries with respect to corporate related matters and transactions in which Wells Fargo and/or our subsidiaries were involved. In addition, Wells Fargo and our subsidiaries may be requested to provide information or otherwise cooperate with governmental authorities in the conduct of investigations of other persons or industry groups.

Although there can be no assurance as to the ultimate outcome, Wells Fargo and/or our subsidiaries have generally denied, or believe we have a meritorious defense and will deny, liability in all significant litigation pending against us, including the matters described below, and we intend to defend vigorously each case, other than matters we describe

as having or being settled. Reserves are established for legal claims when it becomes probable that a loss will be incurred at the date of the financial statements and the amount of loss can be reasonably estimated. The actual costs of resolving legal claims may be substantially higher or lower than the amounts reserved for those claims.

ADELPHIA LITIGATION Wachovia Bank, N.A. and Wachovia Capital Markets, LLC, are defendants in an adversary proceeding previously pending in the United States Bankruptcy Court for the Southern District of New York related to the bankruptcy of Adelphia Communications Corporation (Adelphia). The Official Committee of Unsecured Creditors in Adelphia's bankruptcy case filed the claims; the current plaintiff is the Adelphia Recovery Trust, which was substituted as the plaintiff pursuant to Adelphia's confirmed plan of reorganization. In February 2006, an order was entered moving the case to the United States District Court for the Southern District of New York. The complaint asserts claims against the defendants under state law, bankruptcy law and the Bank Holding Company Act and seeks equitable relief and an unspecified amount of compensatory and punitive damages. After rulings on various motions to dismiss, the remaining claims essentially allege the banks should be liable to Adelphia on theories of aiding and abetting a breach of fiduciary duty and violation of the Bank Holding Company Act. The case is scheduled to go to trial on September 13, 2010.

AUCTION RATE SECURITIES On November 20, 2008, the State of Washington Department of Financial Institutions filed a proceeding entitled *In the Matter of determining whether there has been a violation of the Securities Act of Washington by: Wells Fargo Investments, LLC; Wells Fargo Brokerage Services, LLC; and Wells Fargo Institutional Securities, LLC*. The action sought a cease and desist order against violations of the anti-fraud and suitability provisions of the Washington Securities Act. On April 23, 2009, the Attorney General of the State of California filed a complaint in the Superior Court of the State of California for the County of San Francisco alleging that certain Wells Fargo affiliates improperly sold ARS to customers. The Attorney General sought an injunction against those affiliates, enjoining them from violating certain California statutes, civil penalties, disgorgement of profits, restitution and damages. On November 18, 2009, Wells Fargo announced separate settlement agreements with the State of California Attorney General's office and the North American Securities Administrators Association. The agreements resolve the above-referenced enforcement actions and all active regulatory investigations concerning Wells Fargo's participation in the ARS market. In conjunction with the settlement agreements, Wells Fargo announced it would buy back ARS from eligible investors.

In addition, the purported civil class actions relating to the sale of ARS are no longer pending against various Wells Fargo affiliated defendants. On January 26, 2010, two of the pending civil class actions were dismissed in their entirety. The remaining cases have been settled or conditionally dismissed.

CASA DE CAMBIO INVESTIGATION An investigation is being conducted by the U.S. Attorney's Office for the Southern District of Florida, in conjunction with certain regulators, into, among other matters, Wachovia Bank, N.A.'s prior correspondent banking relationship with certain non-domestic exchange houses and Wachovia Bank, N.A.'s compliance with Bank Secrecy Act and anti-money laundering requirements. Wachovia Bank, N.A. has cooperated fully with the regulators and with the U.S. Attorney's Office's investigation, and is engaged in discussions to resolve this matter by paying penalties and entering into agreements concerning future conduct.

DATA TREASURY LITIGATION Wells Fargo & Company, Wells Fargo Bank, N.A., Wachovia Bank, N.A. and Wachovia Corporation are among over 55 defendants originally named in two actions asserting patent infringement claims filed by Data Treasury Corporation in the U.S. District Court for the Eastern District of Texas. Data Treasury seeks a declaration that its patents are valid and have been infringed, and seeks damages and permanent injunctive relief. A trial on two of the patents is scheduled to be held on August 1, 2010. A second trial on the remaining patents has not been scheduled.

ELAVON LITIGATION On January 16, 2009, Elavon, Inc. (Elavon), a provider of merchant processing services, filed a complaint in the U.S. District Court for the Northern District of Georgia against Wachovia Corporation, Wachovia Bank, N.A., Wells Fargo & Company, and Wells Fargo Bank, N.A. The complaint seeks equitable relief, including specific performance, and damages for Wachovia Bank's allegedly wrongful termination of its merchant referral contract with Elavon. The complaint also sought damages, including punitive damages, against the Wells Fargo entities for tortious interference with contractual relations; this claim was dismissed by the court on October 13, 2009. On September 29, 2009, Elavon filed an amended complaint adding a party not affiliated with Wells Fargo to the litigation. The case is currently in discovery.

ERISA LITIGATION Seven purported class actions have been filed against Wachovia Corporation (Wachovia), its board of directors and certain senior officers in the U.S. District Court for the Southern District of New York on behalf of employees of Wachovia and its affiliates who held shares of Wachovia common stock in their Wachovia Savings Plan accounts. On June 18, 2009, the U.S. District Court for the Southern District of New York entered a Memorandum and Order transferring these consolidated cases to the U.S. District Court for the Western District of North Carolina. The plaintiffs allege breach of fiduciary duty under the Employee Retirement Income Security Act (ERISA) claiming, among other things, that the defendants should not have permitted Wachovia common stock to remain an investment option in the Wachovia Savings Plan because alleged misleading disclosures relating to the Golden West mortgage portfolio, exposure to CDOs and other problem loans, and other alleged misstatements made its stock a risky and imprudent investment for employee retirement accounts. Wachovia has filed a motion to dismiss which is currently pending.

GOLDEN WEST AND RELATED LITIGATION A purported securities class action, *Lipetz v. Wachovia Corporation, et al.*, was filed on July 7, 2008, in the U.S. District Court for the Southern District of New York alleging violations of Sections 10 and 20 of the Securities Exchange Act of 1934. An amended complaint was filed on December 15, 2008. Among other allegations, plaintiffs allege Wachovia Corporation's common stock price was artificially inflated as a result of allegedly misleading disclosures relating to the Golden West Financial Corp. (Golden West) mortgage portfolio, Wachovia Corporation's exposure to other mortgage related products such as CDOs, control issues and ARS. On March 19, 2009, the defendants filed a motion to dismiss the amended class action complaint in the *Lipetz* case, which has now been re-captioned as *In re Wachovia Equity Securities Litigation*. There are four additional cases (not class actions) containing allegations similar to the allegations in the *In re Wachovia Equity Securities Litigation* captioned *Stichting Pensioenfonds ABP v. Wachovia Corp. et al., FC Holdings AB, et al. v. Wachovia Corp., et al., Deka Investment GmbH v. Wachovia Corp. et al.* and *Forsta AP-Fonden v. Wachovia Corp., et al.*, respectively, which were filed in the U.S. District Court for the Southern District of New York, and there are a number of other similar actions filed in state courts in North Carolina and South Carolina by individual shareholders.

After a number of procedural motions, three purported class action cases alleging violations of Sections 11, 12, and 15 of the Securities Act of 1933 as a result of allegedly misleading disclosures relating to the Golden West mortgage portfolio in connection with Wachovia's issuance of various preferred securities and bonds were transferred to the U.S. District Court for the Southern District of New York. A consolidated class action complaint was filed on September 4, 2009, and the matter is now captioned *In Re Wachovia Preferred Securities and Bond/Notes Litigation*. On September 29, 2009, a non-class action case containing allegations similar to the allegations in the *In re Wachovia Preferred Securities and Bond/Notes litigation*, and captioned *City of Livonia Employees' Retirement System v. Wachovia Corp et al.*, was filed in the Southern District of New York.

Motions to dismiss all of these cases are pending.

Several government agencies are investigating matters similar to the issues raised in this litigation. Wells Fargo and its affiliates are cooperating fully.

ILLINOIS ATTORNEY GENERAL LITIGATION On July 31, 2009, the Attorney General for the State of Illinois filed a civil lawsuit against Wells Fargo & Company, Wells Fargo Bank, N.A. and Wells Fargo Financial Illinois, Inc. in the Circuit Court for Cook County, Illinois. The Illinois Attorney General alleges that the Wells Fargo defendants engaged in illegal discrimination by "reverse redlining" and by steering African-American and Latino customers into high cost, subprime mortgage loans while other borrowers with similar incomes received lower cost mortgages. Illinois also alleges that Wells Fargo Financial Illinois, Inc. misled Illinois customers about the terms of mortgage loans. Illinois' complaint against all Wells Fargo defendants is based on alleged violation of the Illinois Human Rights Act and the Illinois Fairness in Lending Act. The complaint also alleges that Wells Fargo Financial Illinois, Inc. violated the Illinois Consumer Fraud and Deceptive Business Practices Act and the Illinois Uniform Deceptive Trade Practices Act. Illinois' complaint seeks an injunction against the defendants' alleged violation of these Illinois statutes, restitution to consumers and civil money penalties. On October 9, 2009, the Company filed a motion to dismiss Illinois' complaint.

INTERCHANGE LITIGATION Wells Fargo Bank, N.A., Wells Fargo & Company, Wachovia Bank, N.A. and Wachovia Corporation are named as defendants, separately or in combination, in putative class actions filed on behalf of a plaintiff class of merchants and in individual actions brought by individual merchants with regard to the interchange fees associated with Visa and MasterCard payment card transactions. These actions have been consolidated in the United States District Court for the Eastern District of New York. Visa, MasterCard and several banks and bank holding companies are named as defendants in various of these actions. The amended and consolidated complaint asserts claims against defendants based on alleged violations of federal and state antitrust laws and seeks damages, as well as injunctive relief. Plaintiff merchants allege that Visa, MasterCard and their member banks unlawfully colluded to set interchange rates. Plaintiffs also allege that enforcement of certain Visa and MasterCard rules and alleged tying and bundling of services offered to merchants are anticompetitive. Wells Fargo and Wachovia, along with other members of Visa, are parties to Loss and Judgment Sharing Agreements (the Agreements), which provide that they, along with other member banks of Visa, will share, based on a formula, in any losses from certain litigation specified in the Agreements, including the Interchange Litigation.

LE-NATURE'S INC. Wachovia Bank, N.A. is the administrative agent on a $285 million credit facility extended to Le-Nature's, Inc. (Le-Nature's) in September 2006, of which approximately $270 million was syndicated to other lenders by Wachovia Capital Markets, LLC. Le-Nature's was the subject of a Chapter 7 bankruptcy petition which was converted to a Chapter 11 bankruptcy petition in November 2006 in the U.S. Bankruptcy Court for the Western District of Pennsylvania. The filing was precipitated by an apparent fraud relating to Le-Nature's financial condition.

On March 14, 2007, the two Wachovia entities filed an action against several hedge funds in the Superior Court for the State of North Carolina, Mecklenburg County, alleging that the hedge fund defendants had acquired a significant quantity of the outstanding debt with full knowledge of Le-Nature's fraud and with the intention of pursuing alleged fraud and other tort claims against the two Wachovia entities purportedly related to their role in Le-Nature's credit facility. A preliminary injunction was entered by the Court that, among other things, prohibited defendants from asserting any such claims in any other forum. On March 13, 2008, the North Carolina judge granted Defendants' motion to stay

the North Carolina action and modified the injunction to allow the Defendants to attempt to assert claims in a Federal Court action in New York, the dismissal of which has been affirmed by the Second Circuit. The Wachovia entities' appeal was denied by the North Carolina Court of Appeals on December 22, 2009, and the matter is back before the Superior Court. Plaintiffs in the dismissed Federal Court action have filed an additional case in the New York State Supreme Court for the County of Manhattan seeking to recover from Wachovia on various theories of liability.

On April 28, 2008, holders of Le-Nature's Senior Subordinated Notes, an offering which was underwritten by Wachovia Capital Markets in June 2003, sued alleging various fraud claims. This case, captioned *California Public Employees Retirement System, et al. v. Wachovia Capital Markets, LLC* is pending in the U.S. District Court for the Western District of Pennsylvania. On April 3, 2009, after a number of procedural motions in various courts, the case was remanded to the Superior Court of the State of California for the County of Los Angeles. On January 14, 2010, the case was dismissed with plaintiffs granted the right to replead. On August 1, 2009, the trustee under the indenture for Le-Nature's Senior Subordinated Notes also filed claims against Wachovia Capital Markets seeking recovery for the bondholders under a variety of theories.

On October 30, 2008, the liquidation trust created in Le-Nature's bankruptcy filed suit against a number of individuals and entities, including Wachovia Capital Markets, LLC, and Wachovia Bank, N.A., in the U.S. District Court for the Western District of Pennsylvania, asserting a variety of claims on behalf of the estate. On March 2, 2009, the Wachovia defendants moved to dismiss the case filed by the liquidation trust. On September 16, 2009, the Court dismissed a cause of action for breach of fiduciary duty but denied the remainder of Wachovia's motion to dismiss.

MERGER RELATED LITIGATION On October 4, 2008, Citigroup, Inc. (Citigroup) purported to commence an action in the Supreme Court of the State of New York for the County of Manhattan, captioned *Citigroup, Inc. v. Wachovia Corp., et al.*, naming as defendants Wachovia Corporation (Wachovia), Wells Fargo & Company (Wells Fargo), and the directors of both companies. The complaint alleged that Wachovia breached an exclusivity agreement with Citigroup, which by its terms was to expire on October 6, 2008, by entering into negotiations and an eventual acquisition agreement with Wells Fargo, and that Wells Fargo and the individual defendants had tortiously interfered with the same contract.

On October 4, 2008, Wachovia filed a complaint in the U.S. District Court for the Southern District of New York, captioned *Wachovia Corp. v. Citigroup, Inc*. On October 14, 2008, Wells Fargo filed a related complaint in the U.S. District Court for the Southern District of New York, captioned *Wells Fargo v. Citigroup, Inc*. Both complaints seek declaratory and injunctive relief, stating that the Wells Fargo merger agreement is valid, proper, and not prohibited by the exclusivity agreement. On March 20, 2009, the U.S. District Court for the Southern District of New York remanded the *Citigroup, Inc. v. Wachovia Corp., et al.* case to the Supreme Court of the State of New York for the County of Manhattan, but retained jurisdiction over the *Wachovia v. Citigroup* and *Wells Fargo v. Citigroup* cases. On July 13, 2009, the U.S. District Court for the Southern District of New York issued an Opinion and Order denying Citigroup's motion for partial judgment on the pleadings in the *Wachovia Corp. v. Citigroup, Inc.* case. The Court held that the Exclusivity Agreement, entered into between Citigroup and Wachovia on September 29, 2008, and which formed the basis for a substantial portion of the allegations of Citigroup's complaint against Wachovia and Wells Fargo, was void as against public policy by enactment of Section 126(c) of the Emergency Economic Stabilization Act on October 3, 2008. These cases are currently in discovery in both courts.

MUNICIPAL DERIVATIVES BID PRACTICES INVESTIGATION The Department of Justice (DOJ) and the SEC, beginning in November 2006, have been requesting information from a number of financial institutions, including Wachovia Bank, N.A.'s municipal derivatives group, generally with regard to competitive bid practices in the municipal derivative markets. In connection with these inquiries, Wachovia Bank, N.A. has received subpoenas from both the DOJ and SEC as well as requests from the OCC and several states seeking documents and information. The DOJ and the SEC have advised Wachovia Bank, N.A. that they believe certain of its employees engaged in improper conduct in conjunction with certain competitively bid transactions and, in November 2007, the DOJ notified two Wachovia Bank, N.A. employees, both of whom have since been terminated, that they are regarded as targets of the DOJ's investigation. Wachovia Bank, N.A. has been cooperating and continues to fully cooperate with the government investigations.

Wachovia Bank, N.A., along with a number of other banks and financial services companies, has also been named as a defendant in a number of substantially identical purported class actions, filed in various state and federal courts by various municipalities alleging they have been damaged by the activity which is the subject of the governmental investigations. On April 30, 2009, the Court granted a motion filed by Wachovia Bank, N.A. and certain other defendants to dismiss the Consolidated Class Action Complaint and dismissed all claims against Wachovia Bank, N.A., with leave to replead. A Second Consolidated Amended Complaint was filed on June 18, 2009, and a motion to dismiss this complaint has been filed and briefed. A number of putative class and individual actions have been brought in California, including five non-class complaints which were amended with new allegations and the addition of Wells Fargo & Company as a defendant. All of the cases are being coordinated in the Southern District of New York.

PAYMENT PROCESSING CENTER On February 17, 2006, the U.S. Attorney's Office for the Eastern District of Pennsylvania filed a civil fraud complaint against a former Wachovia Bank, N.A. customer, Payment Processing Center (PPC). PPC was a third party payment processor for telemarketing and catalogue companies. On April 24, 2008, Wachovia Bank, N.A. and the

OCC entered into an Agreement to resolve the OCC's investigation into Wachovia Bank, N.A.'s relationship with PPC and three other companies. The Agreement provides, among other things, that (i) Wachovia Bank, N.A. will provide restitution to consumers, (ii) will create a segregated account in the amount of $125 million to cover the estimated maximum cost of the restitution, (iii) will fund organizations that provide education for consumers over a two year period in the amount of $8.9 million, (iv) will make various changes to its policies and procedures related to customers that use remotely created checks and (v) will appoint a special Compliance Committee to oversee compliance with the Agreement. Wachovia Bank, N.A. and the OCC also entered into a Consent Order for Payment of a Civil Money Penalty whereby Wachovia Bank, N.A., without admitting or denying the allegations contained therein, agreed to payment of a $10 million civil money penalty. The OCC Agreement was amended on December 8, 2008, to provide for direct restitution payments and those payments were mailed to consumers on December 11, 2008. Wachovia Bank, N.A. is cooperating with government officials to administer the OCC settlement and in their continued investigation of this matter.

OUTLOOK Based on information currently available, advice of counsel, available insurance coverage and established reserves, Wells Fargo believes that the eventual outcome of the actions against Wells Fargo and/or its subsidiaries, including the matters described above, will not, individually or in the aggregate, have a material adverse effect on Wells Fargo's consolidated financial position or results of operations. However, in the event of unexpected future developments, it is possible that the ultimate resolution of those matters, if unfavorable, may be material to Wells Fargo's results of operations for any particular period.

Note 15: Derivatives

We use derivatives to manage exposure to market risk, interest rate risk, credit risk and foreign currency risk, to generate profits from proprietary trading and to assist customers with their risk management objectives. Derivative transactions are measured in terms of the notional amount, but this amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments. The notional amount is generally not exchanged, but is used only as the basis on which interest and other payments are determined.

Our approach to managing interest rate risk includes the use of derivatives. This helps minimize significant, unplanned fluctuations in earnings, fair values of assets and liabilities, and cash flows caused by interest rate volatility. This approach involves modifying the repricing characteristics of certain assets and liabilities so that changes in interest rates do not have a significant adverse effect on the net interest margin and cash flows. As a result of interest rate fluctuations, hedged assets and liabilities will gain or lose market value. In a fair value hedging strategy, the effect of this unrealized gain or loss will generally be offset by the gain or loss on the derivatives linked to the hedged assets and liabilities. In a cash flow hedging strategy, we manage the variability of cash payments due to interest rate fluctuations by the effective use of derivatives linked to hedged assets and liabilities.

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

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

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

(in millions)	December 31, 2009 Notional or contractual amount	December 31, 2009 Fair value Asset derivatives	December 31, 2009 Fair value Liability derivatives	December 31, 2008 Notional or contractual amount	December 31, 2008 Fair value Asset derivatives	December 31, 2008 Fair value Liability derivatives
Qualifying hedge contracts (1)						
Interest rate contracts (2)	$ 119,966	6,425	1,302	191,972	11,511	3,287
Foreign exchange contracts	30,212	1,553	811	38,386	1,138	1,198
Total derivatives designated as qualifying hedging instruments		7,978	2,113		12,649	4,485
Derivatives not designated as hedging instruments						
Free-standing derivatives (economic hedges) (1):						
Interest rate contracts (3)	633,734	4,441	4,873	750,728	12,635	9,708
Equity contracts	300	—	2	—	—	—
Foreign exchange contracts	7,019	233	29	4,208	150	325
Credit contracts – protection purchased	577	261	—	644	528	—
Other derivatives	4,583	—	40	4,458	108	71
Subtotal		4,935	4,944		13,421	10,104
Customer accommodation, trading and other free-standing derivatives (4):						
Interest rate contracts	2,734,664	54,687	53,905	3,752,656	142,739	141,508
Commodity contracts	92,182	5,400	5,182	86,360	6,117	6,068
Equity contracts	27,123	2,434	2,977	37,136	3,088	2,678
Foreign exchange contracts	172,018	3,084	2,737	273,437	7,562	7,419
Credit contracts – protection sold	76,693	979	9,577	137,113	349	20,880
Credit contracts – protection purchased	81,357	9,349	1,089	140,442	22,100	1,281
Other derivatives	8,717	638	389	1,490	28	150
Subtotal		76,571	75,856		181,983	179,984
Total derivatives not designated as hedging instruments		81,506	80,800		195,404	190,088
Total derivatives before netting		89,484	82,913		208,053	194,573
Netting (5)		(65,926)	(73,303)		(168,690)	(182,435)
Total		$ 23,558	9,610		39,363	12,138

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

(2) Notional amounts presented exclude $20.9 billion of basis swaps that are combined with receive fixed-rate/pay floating-rate swaps and designated as one hedging instrument.

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

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

(5) Represents netting of derivative asset and liability balances, and related cash collateral, with the same counterparty subject to master netting arrangements under the accounting guidance covering the offsetting of amounts related to certain contracts. The amount of cash collateral netted against derivative assets and liabilities was $5.3 billion and $14.1 billion, respectively, at December 31, 2009, and $17.7 billion and $22.2 billion, respectively, at December 31, 2008.

Fair Value Hedges

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

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

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

	Year ended December 31, 2009				
	Interest rate contracts hedging		Foreign exchange contracts hedging		
(in millions)	Securities available for sale	Long-term debt	Securities available for sale	Short-term borrowings	Long-term debt
Gains (losses) recorded in net interest income	$(289)	1,677 (1)	(56)	27	349
Gains (losses) recorded in noninterest income					
Recognized on derivatives	954	(3,270)	(713)	217	2,612
Recognized on hedged item	(936)	3,132	713	(217)	(2,626)
Recognized on fair value hedges (ineffective portion)	$ 18	(138)	—	—	(14)

(1) Includes approximately $10 million of losses on forward derivatives hedging foreign-currency securities available for sale, short-term borrowings and long-term debt, representing the portion of derivative gain or loss excluded from assessment of hedge effectiveness (time value).

Cash Flow Hedges

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

We expect that $284 million of deferred net gains on derivatives in OCI at December 31, 2009, will be reclassified as earnings during the next twelve months, compared with $60 million of net deferred losses at December 31, 2008. We are hedging our exposure to the variability of future cash flows for all forecasted transactions for a maximum of 17 years for both hedges of floating-rate debt and floating-rate commercial loans.

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

(in millions)	Year ended December 31, 2009
Gains (after tax) recognized in OCI on derivatives (effective portion)	$107
Gains (pre tax) reclassified from cumulative OCI into net interest income (effective portion)	531
Gains (pre tax) recognized in noninterest income on derivatives (ineffective portion) (1)	42

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

Free-Standing Derivatives

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

The derivatives used to hedge residential MSRs, which include swaps, swaptions, forwards, Eurodollar and Treasury futures and options contracts, resulted in net derivative gains of $6.8 billion in 2009 and net derivative gains of $3.1 billion in 2008 from economic hedges related to our mortgage servicing activities and are included in mortgage banking noninterest income. The aggregate fair value of these derivatives used as economic hedges was a net liability of $961 million at December 31, 2009, and a net asset of $3.6 billion at December 31, 2008. Changes in fair value of debt securities available for sale (unrealized gains and losses) are not included in servicing income, but are reported in cumulative OCI (net of tax) or, upon sale, are reported in net gains (losses) on debt securities available for sale.

Interest rate lock commitments for residential mortgage loans that we intend to sell are considered free-standing derivatives. Our interest rate exposure on these derivative loan commitments, as well as most new prime residential MHFS for which we have elected the fair value option, is hedged with free-standing derivatives (economic hedges) such as forwards and options, Eurodollar futures and options, and Treasury futures, forwards and options contracts. The commitments, free-standing derivatives and residential MHFS are carried at fair value with changes in fair value included in mortgage banking noninterest income. For interest rate lock commitments we include, at inception and during the life of the loan commitment, the expected net future cash flows related to the associated servicing of the loan as part of the fair value measurement of derivative loan commitments. Changes subsequent to inception are based on changes in fair value of the underlying loan resulting from the exercise of the commitment and changes in the probability that the loan will not fund within the terms of the commitment (referred to as a fall-out factor). The value of the underlying loan is affected primarily by changes in interest rates and the passage of time. However, changes in investor demand, such as concerns about credit risk, can also cause changes in the spread relationships between underlying loan value and the derivative financial instruments that cannot be hedged. The aggregate fair value of derivative loan commitments in the balance sheet was a net liability of $312 million and a net asset of $125 million at December 31, 2009, and 2008, respectively, and is included in the caption "Interest rate contracts" under "Customer accommodation, trading and other free standing derivatives" in the table on page 147.

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

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

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

(in millions)	Year ended December 31, 2009
Gains (losses) recognized on free-standing derivatives (economic hedges)	
Interest rate contracts (1)	
Recognized in noninterest income:	
Mortgage banking	$5,582
Other	(15)
Foreign exchange contracts	133
Credit contracts	(269)
Subtotal	5,431
Gains (losses) recognized on customer accommodation, trading and other free-standing derivatives	
Interest rate contracts (2)	
Recognized in noninterest income:	
Mortgage banking	2,035
Other	1,139
Commodity contracts	29
Equity contracts	(275)
Foreign exchange contracts	607
Credit contracts	(621)
Other	(187)
Subtotal	2,727
Net gains recognized related to derivatives not designated as hedging instruments	$8,158

(1) Predominantly mortgage banking noninterest income including gains (losses) on the derivatives used as economic hedges of MSRs, interest rate lock commitments, loans held for sale and mortgages held for sale.
(2) Predominantly mortgage banking noninterest income including gains (losses) on interest rate lock commitments.

Credit Derivatives

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

The following table provides details of sold and purchased credit derivatives. In 2009, we exited the legacy Wachovia market making activity of credit correlation trading resulting in a significant reduction in our credit derivative and counterparty credit exposures from December 31, 2008.

(in millions)	Fair value liability	Notional amount: Protection sold (A)	Protection sold – non-investment grade	Protection purchased with identical underlyings (B)	Net protection sold (A)-(B)	Other protection purchased	Range of maturities
December 31, 2008							
Credit default swaps on:							
Corporate bonds	$ 9,643	83,446	39,987	31,413	52,033	50,585	2009-2018
Structured products	4,940	7,451	5,824	5,061	2,390	6,559	2009-2056
Credit protection on:							
Credit default swap index	2,611	35,943	6,364	4,606	31,337	31,410	2009-2017
Commercial mortgage-backed securities index	2,231	7,291	2,938	1,521	5,770	3,919	2009-2052
Asset-backed securities index	1,331	1,526	1,116	235	1,291	803	2037-2046
Loan deliverable credit default swaps	106	611	592	281	330	1,033	2009-2014
Other	18	845	150	21	824	—	2009-2020
Total credit derivatives	$20,880	137,113	56,971	43,138	93,975	94,309	
December 31, 2009							
Credit default swaps on:							
Corporate bonds	**$ 2,419**	**55,511**	**23,815**	**44,159**	**11,352**	**12,634**	**2010-2018**
Structured products	**4,498**	**6,627**	**5,084**	**4,999**	**1,628**	**3,018**	**2014-2056**
Credit protection on:							
Default swap index	**23**	**6,611**	**2,765**	**4,202**	**2,409**	**2,510**	**2010-2017**
Commercial mortgage-backed securities index	**1,987**	**5,188**	**453**	**4,749**	**439**	**189**	**2049-2052**
Asset-backed securities index	**637**	**830**	**660**	**696**	**134**	**189**	**2037-2046**
Loan deliverable credit default swaps	**12**	**510**	**494**	**423**	**87**	**287**	**2010-2014**
Other	**1**	**1,416**	**809**	**32**	**1,384**	**100**	**2010-2020**
Total credit derivatives	**$ 9,577**	**76,693**	**34,080**	**59,260**	**17,433**	**18,927**	

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

Credit-Risk Contingent Features

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

Counterparty Credit Risk

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

Note 16: Fair Values of Assets and Liabilities

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

We adopted new guidance on fair value measurements effective January 1, 2009, which addresses measuring fair value in situations where markets are inactive and transactions are not orderly. In accordance with fair value accounting provisions, transaction or quoted prices for assets or liabilities in inactive markets may require adjustment due to the uncertainty of whether the underlying transactions are orderly. Prior to our adoption of the new provisions for measuring fair value, we primarily used unadjusted independent vendor or broker quoted prices to measure fair value for substantially all securities available for sale. In connection with the change in guidance for fair value measurement, we developed policies and procedures to determine when the level and volume of activity for our assets and liabilities requiring fair value measurements has significantly declined relative to normal conditions. For such items that use price quotes, such as certain security classes within securities available for sale, the degree of market inactivity and distressed transactions was analyzed to determine the appropriate adjustment to the price quotes. The security classes where we considered the market to be less orderly included non-agency residential MBS, commercial MBS, CDOs, home equity asset-backed securities, auto asset-backed securities and credit card-backed securities. The methodology used to adjust the quotes involved weighting the price quotes and results of internal pricing techniques such as the net present value of future expected cash flows (with observable inputs, where available) discounted at a rate of return market participants require. The significant inputs utilized in the internal pricing techniques, which were estimated by type of underlying collateral, included credit loss assumptions, estimated prepayment speeds and appropriate discount rates. The more active and orderly markets for particular security classes were determined to be, the more weighting assigned to price quotes. The less active and orderly markets were determined to be, the less weighting assigned to price quotes. For the impact of the new fair value measurement provisions, see Note 1 in this Report.

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

Fair Value Hierarchy

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

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

In the determination of the classification of financial instruments in Level 2 or Level 3 of the fair value hierarchy, we consider all available information, including observable market data, indications of market liquidity and orderliness, and our understanding of the valuation techniques and significant inputs used. For securities in inactive markets, we use a predetermined percentage to evaluate the impact of fair value adjustments derived from weighting both external and internal indications of value to determine if the instrument is classified as Level 2 or Level 3. Based upon the specific facts and circumstances of each instrument or instrument category, judgments are made regarding the significance of the Level 3 inputs to the instruments' fair value measurement in its entirety. If Level 3 inputs are considered significant, the instrument is classified as Level 3.

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

Determination of Fair Value

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

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

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

As required by FASB ASC 825-10, *Financial Instruments*, following are descriptions of the valuation methodologies used for assets and liabilities recorded at fair value and for estimating fair value for financial instruments not recorded at fair value.

Assets

SHORT-TERM FINANCIAL ASSETS Short-term financial assets include cash and due from banks, federal funds sold and securities purchased under resale agreements and due from customers on acceptances. These assets are carried at historical cost. The carrying amount is a reasonable estimate of fair value because of the relatively short time between the origination of the instrument and its expected realization.

TRADING ASSETS (EXCLUDING DERIVATIVES) AND SECURITIES AVAILABLE FOR SALE Trading assets and securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices in active markets, if available. Such instruments are classified within Level 1 of the fair value hierarchy. Examples include exchange-traded equity securities and some highly liquid government securities such as U.S. Treasuries. When instruments are traded in secondary markets and quoted market prices do not exist for such securities, we generally rely on internal valuation techniques or on prices obtained from independent pricing services or brokers (collectively, vendors) or combination thereof.

Trading securities are mostly valued using trader prices that are subject to independent price verification procedures. The majority of fair values derived using internal valuation techniques are verified against multiple pricing sources, including prices obtained from independent vendors. Vendors compile prices from various sources and often apply matrix pricing for similar securities when no price is observable. We review pricing methodologies provided by the vendors in order to determine if observable market information is being used, versus unobservable inputs. When evaluating the appropriateness of an internal trader price compared with vendor prices, considerations include the range and quality of vendor prices. Vendor prices are used to ensure the reasonableness of a trader price; however valuing financial instruments involves judgments acquired from knowledge of a particular market and is not perfunctory. If a trader asserts that a vendor price is not reflective of market value, justification for using the trader price, including recent sales activity where possible, must be provided to and approved by the appropriate levels of management.

Similarly, while securities available for sale traded in secondary markets are typically valued using unadjusted vendor prices or vendor prices adjusted by weighting them with internal discounted cash flow techniques, these prices are reviewed and, if deemed inappropriate by a trader who has the most knowledge of a particular market, can be adjusted. Securities measured with these internal valuation techniques are generally classified as Level 2 of the hierarchy and often involve using quoted market prices for similar securities, pricing models, discounted cash flow analyses using significant inputs observable in the market where available or combination of multiple valuation techniques. Examples include certain residential and commercial MBS, municipal bonds, U.S. government and agency MBS, and corporate debt securities.

Security fair value measurements using significant inputs that are unobservable in the market due to limited activity or a less liquid market are classified as Level 3 in the fair value hierarchy. Such measurements include securities valued using internal models or combination of multiple valuation techniques such as weighting of internal models and vendor or broker pricing, where the unobservable inputs are significant to the overall fair value measurement. Securities classified as Level 3 include certain residential and commercial MBS, asset-backed securities collateralized by auto leases or loans and cash reserves, CDOs and CLOs, and certain residual and retained interests in residential mortgage loan securitizations. CDOs are valued using the prices of similar instruments, the pricing of completed or pending third party transactions or the pricing of the underlying collateral within the CDO. Where vendor or broker prices are not readily available, management's best estimate is used.

MORTGAGES HELD FOR SALE (MHFS) We elected to carry our new prime residential MHFS portfolio at fair value in accordance with fair value option accounting guidance. The remaining MHFS are carried at the lower of cost or market value. Fair value is based on independent quoted market prices, where available, or the prices for other mortgage whole loans with similar characteristics. As necessary, these prices are adjusted for typical securitization activities, including servicing value, portfolio composition, market conditions and liquidity. Most of our MHFS are classified as Level 2. For the portion where market pricing data is not available, we use a discounted cash flow model to estimate fair value and, accordingly, classify as Level 3.

LOANS HELD FOR SALE (LHFS) LHFS are carried at the lower of cost or market value, or at fair value for certain portfolios that we intend to hold for trading purposes. The fair value of LHFS is based on what secondary markets are currently offering for portfolios with similar characteristics. As such, we classify those loans subjected to nonrecurring fair value adjustments as Level 2.

LOANS For the carrying value of loans, including PCI loans, see Note 1 (Summary of Significant Accounting Policies – Loans) in this Report. We do not record loans at fair value on a recurring basis. As such, valuation techniques discussed herein for loans are primarily for estimating fair value for financial instruments in accordance with accounting guidance on financial instruments. However, from time to time, we record nonrecurring fair value adjustments to loans to reflect (1) partial write-downs that are based on the observable market price or current appraised value of the collateral, or (2) the full charge-off of the loan carrying value.

The fair value estimates for financial instruments differentiate loans based on their financial characteristics, such as product classification, loan category, pricing features and remaining maturity. Prepayment and credit loss estimates are evaluated by product and loan rate.

The fair value of commercial and CRE and foreign loans is calculated by discounting contractual cash flows, adjusted for credit loss estimates, using discount rates that reflect our current pricing for loans with similar characteristics and remaining maturity.

For real estate 1-4 family first and junior lien mortgages, fair value is calculated by discounting contractual cash flows, adjusted for prepayment and credit loss estimates, using discount rates based on current industry pricing (where readily available) or our own estimate of an appropriate risk-adjusted discount rate for loans of similar size, type, remaining maturity and repricing characteristics.

For credit card loans, the portfolio's yield is equal to our current pricing and, therefore, the fair value is equal to book value adjusted for estimates of credit losses inherent in the portfolio at the balance sheet date.

For all other consumer loans, the fair value is generally calculated by discounting the contractual cash flows, adjusted for prepayment and credit loss estimates, based on the current rates we offer for loans with similar characteristics.

Loan commitments, standby letters of credit and commercial and similar letters of credit are not included in the table on page 160. These instruments generate ongoing fees at our current pricing levels, which are recognized over the term of the commitment period. In situations where the credit quality of the counterparty to a commitment has declined, we record a reserve. A reasonable estimate of the fair value of these instruments is the carrying value of deferred fees plus the related reserve. This amounted to $725 million at December 31, 2009, and $719 million at December 31, 2008. Certain letters of credit that are hedged with derivative instruments are carried at fair value in trading assets or liabilities. For those letters of credit fair value is calculated based on readily quotable credit default spreads, using a market risk credit default swap model.

DERIVATIVES Quoted market prices are available and used for our exchange-traded derivatives, such as certain interest rate futures and option contracts, which we classify as Level 1. However, substantially all of our derivatives are traded in over-the-counter (OTC) markets where quoted market prices are not readily available. OTC derivatives are valued using internal valuation techniques. Valuation techniques and inputs to internally-developed models depend on the type of derivative and nature of the underlying rate, price or index upon which the derivative's value is based. Key inputs can include yield curves, credit curves, foreign-exchange rates, prepayment rates, volatility measurements and correlation of such inputs. Where model inputs can be observed in a liquid market and the model does not require significant judgment, such derivatives are typically classified as Level 2 of the fair value hierarchy. Examples of derivatives classified as Level 2 include generic interest rate swaps, foreign currency swaps, commodity swaps, and certain option and forward contracts. When instruments are traded in less liquid markets and significant inputs are unobservable, such derivatives are classified as Level 3. Examples of derivatives classified as Level 3 include complex and highly structured derivatives, credit default swaps, interest rate lock commitments written

for our residential mortgage loans that we intend to sell and long dated equity options where volatility is not observable. Additionally, significant judgments are required when classifying financial instruments within the fair value hierarchy, particularly between Level 2 and 3, as is the case for certain derivatives.

MORTGAGE SERVICING RIGHTS (MSRs) AND CERTAIN OTHER INTERESTS HELD IN SECURITIZATIONS MSRs and certain other interests held in securitizations (e.g., interest-only strips) do not trade in an active market with readily observable prices. Accordingly, we determine the fair value of MSRs using a valuation model that calculates the present value of estimated future net servicing income. The model incorporates assumptions that market participants use in estimating future net servicing income, including estimates of prepayment speeds (including housing price volatility), discount rate, cost to service (including delinquency and foreclosure costs), escrow account earnings, contractual servicing fee income, ancillary income and late fees. Commercial MSRs are carried at lower of cost or market value, and therefore can be subject to fair value measurements on a nonrecurring basis. For other interests held in securitizations (such as interest-only strips) we use a valuation model that calculates the present value of estimated future cash flows. The model incorporates our own estimates of assumptions market participants use in determining the fair value, including estimates of prepayment speeds, discount rates, defaults and contractual fee income. Interest-only strips are recorded as trading assets. Fair value measurements of our MSRs and interest-only strips use significant unobservable inputs and, accordingly, we classify as Level 3.

FORECLOSED ASSETS Foreclosed assets include foreclosed properties securing residential, auto and GNMA loans. Foreclosed assets are adjusted to fair value less costs to sell upon transfer of the loans to foreclosed assets. Subsequently, foreclosed assets are carried at the lower of carrying value or fair value less costs to sell. Fair value is generally based upon independent market prices or appraised values of the collateral and, accordingly, we classify foreclosed assets as Level 2.

NONMARKETABLE EQUITY INVESTMENTS Nonmarketable equity investments are recorded under the cost or equity method of accounting. Nonmarketable equity securities that fall within the scope of the AICPA Investment Company Audit Guide are carried at fair value (principal investments). There are generally restrictions on the sale and/or liquidation of these investments, including federal bank stock. Federal bank stock carrying value approximates fair value. We use facts and circumstances available to estimate the fair value of our nonmarketable equity investments. We typically consider our access to and need for capital (including recent or projected financing activity), qualitative assessments of the viability of the investee, evaluation of the financial statements of the investee and prospects for its future. Principal investments, including certain public equity and non-public securities and certain investments in private equity funds, are recorded at fair value with realized and unrealized gains and losses included in gains and losses on equity investments in the income statement, and are included in other assets in the balance sheet. Public equity investments are valued using quoted market prices and discounts are only applied when there are trading restrictions that are an attribute of the investment. Investments in non-public securities are recorded at our estimate of fair value using metrics such as security prices of comparable public companies, acquisition prices for similar companies and original investment purchase price multiples, while also incorporating a portfolio company's financial performance and specific factors. For investments in private equity funds, we use the NAV provided by the fund sponsor as an appropriate measure of fair value. In some cases, such NAVs require adjustments based on certain unobservable inputs.

Liabilities

DEPOSIT LIABILITIES Deposit liabilities are carried at historical cost. The Financial Instruments topic of the Codification states that the fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, interest-bearing checking, and market rate and other savings, is equal to the amount payable on demand at the measurement date. The fair value of other time deposits is calculated based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for like wholesale deposits with similar remaining maturities.

SHORT-TERM FINANCIAL LIABILITIES Short-term financial liabilities are carried at historical cost and include federal funds purchased and securities sold under repurchase agreements, commercial paper and other short-term borrowings. The carrying amount is a reasonable estimate of fair value because of the relatively short time between the origination of the instrument and its expected realization.

OTHER LIABILITIES Other liabilities recorded at fair value on a recurring basis, excluding derivative liabilities (see the "*Derivatives*" section for derivative liabilities), includes short sale liabilities and repurchase obligations (due to standard representations and warranties) under our residential mortgage loan contracts. Short sale liabilities are classified as either Level 1 or Level 2, generally dependent upon whether the underlying securities have readily obtained quoted prices in active exchange markets. The value of the repurchase obligations is determined using a cash flow valuation technique consistent with what market participants would use in estimating the fair value. Key assumptions in the valuation process are estimates for repurchase demands and losses subsequent to repurchase. Such assumptions are unobservable and, accordingly, we classify repurchase obligations as Level 3.

LONG-TERM DEBT Long-term debt is carried at amortized cost. However, we are required to estimate the fair value of long-term debt in accordance with accounting guidance on financial instruments. Generally, the discounted cash flow method is used to estimate the fair value of our long-term debt. Contractual cash flows are discounted using rates currently offered for new notes with similar remaining maturities and, as such, these discount rates include our current spread levels.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

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

(in millions)	Level 1	Level 2	Level 3	Netting [1]	Total
Balance at December 31, 2008					
Trading assets (excluding derivatives) [2]	$ 911	16,045	3,495	—	20,451
Derivatives (trading assets)	331	174,355	7,897	(148,150)	34,433
Securities of U.S. Treasury and federal agencies	3,177	72	—	—	3,249
Securities of U.S. states and political subdivisions	1	11,754	903	—	12,658
Mortgage-backed securities:					
Federal agencies	—	66,430	4	—	66,434
Residential	—	21,320	3,510	—	24,830
Commercial	—	8,192	286	—	8,478
Total mortgage-backed securities	—	95,942	3,800	—	99,742
Corporate debt securities	—	6,642	282	—	6,924
Collateralized debt obligations	—	2	2,083	—	2,085
Other	—	7,976	12,799	—	20,775
Total debt securities	3,178	122,388	19,867	—	145,433
Marketable equity securities:					
Perpetual preferred securities	886	1,065	2,775	—	4,726
Other marketable equity securities	1,099	261	50	—	1,410
Total marketable equity securities	1,985	1,326	2,825	—	6,136
Total securities available for sale	5,163	123,714	22,692	—	151,569
Mortgages held for sale	—	14,036	4,718	—	18,754
Loans held for sale	—	398	—	—	398
Mortgage servicing rights (residential)	—	—	14,714	—	14,714
Other assets [3]	3,975	21,751	2,041	(20,540)	7,227
Total	$10,380	350,299	55,557	(168,690)	247,546
Other liabilities [4]	$ (4,815)	(187,098)	(9,308)	182,435	(18,786)
Balance at December 31, 2009					
Trading assets (excluding derivatives) [2]	**$ 2,386**	**20,497**	**2,311**	**—**	**25,194**
Derivatives (trading assets)	**340**	**70,938**	**5,682**	**(59,115)**	**17,845**
Securities of U.S. Treasury and federal agencies	**1,094**	**1,186**	**—**	**—**	**2,280**
Securities of U.S. states and political subdivisions	**4**	**12,708**	**818**	**—**	**13,530**
Mortgage-backed securities:					
Federal agencies	**—**	**82,818**	**—**	**—**	**82,818**
Residential	**—**	**27,506**	**1,084**	**—**	**28,590**
Commercial	**—**	**9,162**	**1,799**	**—**	**10,961**
Total mortgage-backed securities	**—**	**119,486**	**2,883**	**—**	**122,369**
Corporate debt securities	**—**	**8,968**	**367**	**—**	**9,335**
Collateralized debt obligations	**—**	**—**	**3,725**	**—**	**3,725**
Other	**—**	**3,292**	**12,587**	**—**	**15,879**
Total debt securities	**1,098**	**145,640**	**20,380**	**—**	**167,118**
Marketable equity securities:					
Perpetual preferred securities	**736**	**834**	**2,305**	**—**	**3,875**
Other marketable equity securities	**1,279**	**350**	**88**	**—**	**1,717**
Total marketable equity securities	**2,015**	**1,184**	**2,393**	**—**	**5,592**
Total securities available for sale	**3,113**	**146,824**	**22,773**	**—**	**172,710**
Mortgages held for sale	**—**	**33,439**	**3,523**	**—**	**36,962**
Loans held for sale	**—**	**149**	**—**	**—**	**149**
Mortgage servicing rights (residential)	**—**	**—**	**16,004**	**—**	**16,004**
Other assets [3]	**1,932**	**11,720**	**1,690**	**(6,812)**	**8,530**
Total	**$ 7,771**	**283,567**	**51,983**	**(65,927)**	**277,394**
Other liabilities [4]	**$ (6,527)**	**(81,613)**	**(7,942)**	**73,299**	**(22,783)**

(1) Derivatives are reported net of cash collateral received and paid and, to the extent that the criteria of the accounting guidance covering the offsetting of amounts related to certain contracts are met, positions with the same counterparty are netted as part of a legally enforceable master netting agreement.

(2) Includes trading securities of $24.0 billion and $19.5 billion at December 31, 2009 and 2008, respectively.

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

(4) Derivative liabilities are included in this category.

Note 16: Fair Values of Assets and Liabilities (*continued*)

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

(in millions)	Balance, beginning of year	Total net gains (losses) included in: Net income	Total net gains (losses) included in: Other comprehensive income	Purchases, sales, issuances and settlements, net	Net transfers into and/ or out of Level 3[1]	Balance, end of year	Net unrealized gains (losses) included in net income related to assets and liabilities held at period end[2]
Year ended December 31, 2007							
Trading assets (excluding derivatives)	$ 360	(151)	—	207	2	418	(86)[3]
Securities available for sale:							
Securities of U.S. states and political subdivisions	134	—	(8)	42	—	168	—
Mortgage-backed securities:							
Federal agencies	—	—	—	—	—	—	—
Residential	—	(33)	(5)	524	—	486	(31)
Commercial	—	—	—	—	—	—	—
Total mortgage-backed securities	—	(33)	(5)	524	—	486	(31)
Corporate debt securities	—	—	—	—	—	—	—
Collateralized debt obligations	—	—	—	—	—	—	—
Other	3,313	—	—	1,413	—	4,726	—
Total debt securities	3,447	(33)	(13)	1,979	—	5,380	(31)
Marketable equity securities:							
Perpetual preferred securities	—	—	—	—	—	—	—
Other marketable equity securities	—	—	1	—	—	1	—
Total marketable equity securities	—	—	1	—	—	1	—
Total securities available for sale	$ 3,447	(33)	(12)	1,979	—	5,381	(31)
Mortgages held for sale	$ —	1	—	30	115	146	1[4]
Mortgage servicing rights (residential)	17,591	(3,597)	—	2,769	—	16,763	(594)[4][5]
Net derivative assets and liabilities	(68)	(108)	—	178	4	6	6[4]
Other assets (excluding derivatives)	—	—	—	—	—	—	—
Other liabilities (excluding derivatives)	(282)	(97)	—	99	—	(280)	(98)
Year ended December 31, 2008							
Trading assets (excluding derivatives)	$ 418	(120)	—	3,197	—	3,495	(23)[3]
Securities available for sale:							
Securities of U.S. states and political subdivisions	168	—	(81)	538	278	903	—
Mortgage-backed securities:							
Federal agencies	—	—	—	—	4	4	—
Residential	486	(180)	(302)	3,307	199	3,510	(150)
Commercial	—	(10)	(210)	163	343	286	—
Total mortgage-backed securities	486	(190)	(512)	3,470	546	3,800	(150)
Corporate debt securities	—	—	(44)	326	—	282	—
Collateralized debt obligations	—	(152)	(280)	1,679	836	2,083	—
Other	4,726	(15)	(572)	8,379	281	12,799	—
Total debt securities	5,380	(357)	(1,489)	14,392	1,941	19,867	(150)
Marketable equity securities:							
Perpetual preferred securities	—	—	—	2,775	—	2,775	—
Other marketable equity securities	1	—	—	49	—	50	—
Total marketable equity securities	1	—	—	2,824	—	2,825	—
Total securities available for sale	$ 5,381	(357)	(1,489)	17,216	1,941	22,692	(150)
Mortgages held for sale	$ 146	(280)	—	561	4,291	4,718	(268)[4]
Mortgage servicing rights (residential)	16,763	(5,927)	—	3,878	—	14,714	(3,333)[4][5]
Net derivative assets and liabilities	6	(275)	1	303	2	37	93[4]
Other assets (excluding derivatives)	—	—	—	1,231	—	1,231	—
Other liabilities (excluding derivatives)	(280)	(228)	—	(130)	—	(638)	(228)

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(in millions)	Balance, beginning of year	Total net gains (losses) included in Net income	Total net gains (losses) included in Other comprehensive income	Purchases, sales, issuances and settlements, net	Net transfers into and/ or out of Level 3 (1)	Balance, end of year	Net unrealized gains (losses) included in net income related to assets and liabilities held at period end (2)
Year ended December 31, 2009							
Trading assets (excluding derivatives)	**$ 3,495**	**202**	**2**	**(1,749)**	**361**	**2,311**	**276** (3)
Securities available for sale:							
Securities of U.S. states and political subdivisions	**903**	**23**	**—**	**25**	**(133)**	**818**	**(8)**
Mortgage-backed securities:							
Federal agencies	**4**	**—**	**—**	**—**	**(4)**	**—**	**—**
Residential	**3,510**	**(74)**	**1,092**	**(759)**	**(2,685)**	**1,084**	**(227)**
Commercial	**286**	**(220)**	**894**	**41**	**798**	**1,799**	**(112)**
Total mortgage-backed securities	**3,800**	**(294)**	**1,986**	**(718)**	**(1,891)**	**2,883**	**(339)**
Corporate debt securities	**282**	**3**	**61**	**(7)**	**28**	**367**	**—**
Collateralized debt obligations	**2,083**	**125**	**577**	**623**	**317**	**3,725**	**(84)**
Other	**12,799**	**136**	**1,368**	**584**	**(2,300)**	**12,587**	**(94)**
Total debt securities	**19,867**	**(7)**	**3,992**	**507**	**(3,979)**	**20,380**	**(525)**
Marketable equity securities:							
Perpetual preferred securities	**2,775**	**104**	**144**	**(723)**	**5**	**2,305**	**(1)**
Other marketable equity securities	**50**	**—**	**(2)**	**63**	**(23)**	**88**	**—**
Total marketable equity securities	**2,825**	**104**	**142**	**(660)**	**(18)**	**2,393**	**(1)**
Total securities available for sale	**$22,692**	**97**	**4,134**	**(153)**	**(3,997)**	**22,773**	**(526)**
Mortgages held for sale	**$ 4,718**	**(96)**	**—**	**(921)**	**(178)**	**3,523**	**(109)** (4)
Mortgage servicing rights (residential)	**14,714**	**(4,970)**	**—**	**6,260**	**—**	**16,004**	**(1,534)** (4)
Net derivative assets and liabilities	**37**	**1,439**	**—**	**(2,291)**	**(17)**	**(832)**	**(799)** (6)
Other assets (excluding derivatives)	**1,231**	**10**	**—**	**132**	**—**	**1,373**	**12**
Other liabilities (excluding derivatives)	**(638)**	**(630)**	**—**	**168**	**(10)**	**(1,110)**	**(606)**

(1) The amounts presented as transfers into and out of Level 3 represent fair value as of the beginning of the quarter in which each transfer occurred.
(2) Represents only net gains (losses) that are due to changes in economic conditions and management's estimates of fair value and excludes changes due to the collection/realization of cash flows over time.
(3) Included in other noninterest income in the income statement.
(4) Included in mortgage banking in the income statement.
(5) Represents total unrealized losses of $3.3 billion and $571 million, net of losses of $8 million and gains of $23 million related to sales, in 2008 and 2007, respectively.
(6) Included in mortgage banking, trading activities and other noninterest income in the income statement.

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

	Fair value measurements from:					
	Independent brokers			Third party pricing services		
(in millions)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
December 31, 2008						
Trading assets (excluding derivatives)	$ 190	3,272	12	917	1,944	110
Derivatives (trading and other assets)	3,419	106	106	605	4,635	—
Securities available for sale	181	8,916	1,681	3,944	109,170	8
Loans held for sale	—	1	—	—	353	—
Other liabilities	1,105	175	128	2,208	5,171	1
December 31, 2009						
Trading assets (excluding derivatives)	**$ —**	**4,208**	**—**	**30**	**1,712**	**81**
Derivatives (trading and other assets)	**—**	**8**	**42**	**—**	**2,926**	**9**
Securities available for sale	**85**	**1,870**	**548**	**1,467**	**120,688**	**1,864**
Loans held for sale	**—**	**—**	**—**	**—**	**2**	**—**
Derivatives (liabilities)	**—**	**—**	**70**	**—**	**2,949**	**4**
Other liabilities	**—**	**—**	**—**	**10**	**3,916**	**26**

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

We may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from application of lower-of-cost-or-market accounting or write-downs of individual assets. For assets measured at fair value on a nonrecurring basis in 2009 and 2008 that were still held in the balance sheet at each respective year end, the following table provides the fair value hierarchy and the carrying value of the related individual assets or portfolios at year end.

	Carrying value at year end			
(in millions)	Level 1	Level 2	Level 3	Total
December 31, 2008				
Mortgages held for sale	$ —	521	534	1,055
Loans held for sale	—	338	—	338
Loans [(1)]	—	1,487	107	1,594
Private equity investments	134	—	18	152
Foreclosed assets [(2)]	—	274	55	329
Operating lease assets	—	186	—	186
December 31, 2009				
Mortgages held for sale	**$ —**	**1,105**	**711**	**1,816**
Loans held for sale	**—**	**444**	**—**	**444**
Loans [(1)]	**—**	**6,177**	**134**	**6,311**
Private equity investments	**—**	**—**	**52**	**52**
Foreclosed assets [(2)]	**—**	**199**	**38**	**237**
Operating lease assets	**—**	**90**	**29**	**119**

(1) Represents carrying value of loans for which adjustments are based on the appraised value of the collateral. The carrying value of loans fully charged-off, which includes unsecured lines and loans, is zero.

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

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

	Year ended December 31,	
(in millions)	**2009**	2008
Mortgages held for sale	**$ (22)**	(28)
Loans held for sale	**158**	(105)
Loans [(1)]	**(13,083)**	(6,400)
Private equity investments	**(112)**	(81)
Foreclosed assets [(2)]	**(91)**	(165)
Operating lease assets	**(14)**	(28)
Total	**$(13,164)**	(6,807)

(1) Represents write-downs of loans based on the appraised value of the collateral.

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

Fair Value Option

The following table reflects the differences between fair value carrying amount of MHFS and LHFS for which we have elected the fair value option and the aggregate unpaid principal amount we are contractually entitled to receive at maturity.

						December 31,
			2009			2008
(in millions)	**Fair value carrying amount**	**Aggregate unpaid principal**	**Fair value carrying amount less aggregate unpaid principal**	Fair value carrying amount	Aggregate unpaid principal	Fair value carrying amount less aggregate unpaid principal
Mortgages held for sale reported at fair value:						
Total loans	**$36,962**	**37,072**	**(110)**[1]	18,754	18,862	(108)[1]
Nonaccrual loans	**268**	**560**	**(292)**	152	344	(192)
Loans 90 days or more past due and still accruing	**49**	**63**	**(14)**	58	63	(5)
Loans held for sale reported at fair value:						
Total loans	**149**	**159**	**(10)**	398	760	(362)
Nonaccrual loans	**5**	**2**	**3**	1	17	(16)

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

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

					Year ended December 31,
			2009		2008
(in millions)	**Mortgages held for sale**	**Loans held for sale**	**Other interests held**	Mortgages held for sale	Other interests held
Mortgage banking noninterest income:					
Net gains on mortgage loan origination/sales activities [1]	**$4,891**	**—**	**—**	2,111	—
Other noninterest income	**—**	**99**	**117**	—	(109)

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

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

For MHFS that are accounted for under the fair value option, the estimated amount of losses included in earnings attributable to instrument-specific credit risk was $277 million and $648 million for the year ended December 31, 2009 and 2008, respectively. For performing loans, instrument-specific credit risk gains or losses were derived principally by determining the change in fair value of the loans due to changes in the observable or implied credit spread. Credit spread is the market yield on the loans less the relevant risk-free benchmark interest rate. Since the second half of 2007, spreads have been significantly impacted by the lack of liquidity in the secondary market for mortgage loans. For nonperforming loans, we attribute all changes in fair value to instrument-specific credit risk.

Disclosures about Fair Value of Financial Instruments

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

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

The carrying amount of loans at December 31, 2008, in the table below includes $443.5 billion acquired from Wachovia. Under the purchase method of accounting, these loans were recorded at fair value upon acquisition, and accordingly, the carrying value and fair value at December 31, 2008 were the same.

				Year ended December 31,
		2009		2008
(in millions)	**Carrying amount**	**Estimated fair value**	Carrying amount	Estimated fair value
Financial assets				
Mortgages held for sale (1)	**$ 2,132**	**2,132**	1,334	1,333
Loans held for sale (2)	**5,584**	**5,719**	5,830	5,876
Loans, net (3)	**744,225**	**717,798**	828,123	813,950
Nonmarketable equity investments (cost method)	**9,793**	**9,889**	9,146	9,262
Financial liabilities				
Deposits	**824,018**	**824,678**	781,402	781,964
Long-term debt (4)	**203,784**	**205,752**	267,055	266,023

(1) Balance excludes mortgages held for sale for which the fair value option under ASC 825-10 was elected, and therefore includes nonprime residential and commercial mortgages held for sale.
(2) Balance excludes loans held for sale for which the fair value option under ASC 825-10 was elected.
(3) Balance excludes lease financing with a carrying amount of $14.2 billion at December 31, 2009, and $15.8 billion at December 31, 2008.
(4) The carrying amount and fair value exclude obligations under capital leases of $77 million at December 31, 2009, and $103 million at December 31, 2008.

Alternative Investments

The following table summarizes our investments in various types of funds. We use the funds' NAVs per share as a practical expedient to measure fair value on recurring and nonrecurring bases. The fair values presented in the table are based upon the funds' NAVs or an equivalent measure.

				December 31, 2009
(in millions)	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Offshore funds (1)	$1,270	—	Daily-Quarterly	1-90 days
Funds of funds (2)	69	—	Monthly-Annually	10-120 days
Hedge funds (3)	35	—	Monthly-Annually	30-180 days
Private equity funds (4)	901	340	N/A	N/A
Venture capital funds (5)	93	47	N/A	N/A
Total	$2,368	387		

N/A – Not applicable.
(1) Includes investments in funds that invest primarily in investment grade European fixed-income securities. Redemption restrictions are in place for investments with a fair value of $76 million due to a lock-up provision that will remain in effect until November 2012.
(2) Represents funds that invest principally in publicly listed equity securities. For one investment valued at $3 million, a gate provision has been imposed by the fund manager, and no redemptions are currently allowed. This redemption restriction will remain in effect until January 2012.
(3) Consists of investments in equity, multi-strategy, and event driven hedge funds. Redemption restrictions are in place for investments with a fair value of $10 million primarily because the funds are subject to lock-up provisions or are in the process of liquidating. The redemption restrictions are expected to remain in effect until January 2012.
(4) Includes private equity funds that invest in equity and debt securities issued by private and publicly-held companies in connection with leveraged buy-outs, recapitalizations, and expansion opportunities. Substantially all of these investments do not allow redemptions. Alternatively, we receive distributions as the underlying assets of the funds liquidate, which we expect to occur over the next 10 years. We have begun withdrawal proceedings for investments with a fair value of $63 million and a 90-day redemption notice period. We expect to receive most of these funds by March 31, 2013.
(5) Represents investments in funds that invest in domestic and foreign companies in a variety of industries, including information technology, financial services, and healthcare. These investments can never be redeemed with the funds. Instead, we receive distributions as the underlying assets of the fund liquidate, which we expect to occur over the next 7 years.

Note 17: Preferred Stock

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

The following table provides detail of preferred stock.

	December 31, 2009				December 31, 2008	
(in millions, except shares)	Shares issued and outstanding	Par value	Carrying value	Discount	Carrying value	Discount
Series D [1]						
Fixed Rate Cumulative Perpetual Preferred Stock, Series D, $1,000,000 liquidation preference per share, 25,000 shares authorized	—	$ —	—	—	22,741	2,259
DEP Shares						
Dividend Equalization Preferred Shares, $10 liquidation preference per share, 97,000 shares authorized	**96,546**	—	—	—	—	—
Series J [1][2]						
8.00% Non-Cumulative Perpetual Class A Preferred Stock, Series J, $1,000 liquidation preference per share, 2,300,000 shares authorized	**2,150,375**	**2,150**	**1,995**	**155**	1,995	155
Series K [1][2]						
7.98% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock, Series K, $1,000 liquidation preference per share, 3,500,000 shares authorized	**3,352,000**	**3,352**	**2,876**	**476**	2,876	476
Series L [1][2]						
7.50% Non-Cumulative Perpetual Convertible Class A Preferred Stock, Series L, $1,000 liquidation preference per share, 4,025,000 shares authorized	**3,968,000**	**3,968**	**3,200**	**768**	3,200	768
Total	**9,566,921**	**$9,470**	**8,071**	**1,399**	30,812	3,658

(1) Series J, K and L preferred shares qualify as Tier 1 capital.

(2) In conjunction with the acquisition of Wachovia, at December 31, 2008, shares of Series J, K and L perpetual preferred stock were converted into shares of a corresponding series of Wells Fargo preferred stock having substantially the same rights and preferences. The carrying value is par value adjusted to fair value in purchase accounting.

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

- Series A – Non-Cumulative Perpetual Preferred Stock, Series A, $100,000 liquidation preference per share, 25,001 shares authorized
- Series B – Non-Cumulative Perpetual Preferred Stock, Series B, $100,000 liquidation preference per share, 17,501 shares authorized
- Series G – 7.25% Class A Preferred Stock, Series G, $15,000 liquidation preference per share, 50,000 shares authorized
- Series H – Floating Class A Preferred Stock, Series H, $20,000 liquidation preference per share, 50,000 shares authorized
- Series I – 5.80% Fixed to Floating Class A Preferred Stock, Series I, $100,000 liquidation preference per share, 25,010 shares authorized

PREFERRED STOCK ISSUED TO THE DEPARTMENT OF THE TREASURY On October 28, 2008, we issued to the United States Department of the Treasury 25,000 shares of our Fixed Rate Cumulative Perpetual Preferred Stock, Series D without par value, having a liquidation preference per share equal to $1,000,000. Under its terms, the Series D Preferred Stock paid cumulative dividends at a rate of 5% per year for the first five years. After obtaining the applicable regulatory approvals, on December 23, 2009, we redeemed the Series D Preferred Stock by paying the Treasury $25.13 billion, equal to the liquidation preference plus accrued but unpaid dividends to the date of redemption. In connection with the Series D Preferred Stock redemption, in the fourth quarter of 2009, we fully accreted the remaining discount at the time of redemption, or approximately $1.9 billion.

Note 17: Preferred Stock *(continued)*

As part of the preferred stock issuance in 2008, Treasury received a warrant to purchase approximately 110.3 million shares of Wells Fargo common stock at an initial exercise price of $34.01. The preferred stock proceeds from Treasury were allocated based on the relative fair value of the warrant as compared with the fair value of the preferred stock. The fair value of the warrant was determined using a third party proprietary pricing model that produces results similar to the Black-Scholes model and incorporates a valuation model that incorporates assumptions including our common stock price, dividend yield, stock price volatility and the risk-free interest rate. We determined the fair value of the preferred stock based on assumptions regarding the discount rate (market rate) on the preferred stock which was estimated to be approximately 13% at the date of issuance. Prior to the December 23, 2009 redemption, the discount on the preferred stock was being accreted to par value using a constant effective yield of 7.2% over a five-year term, which was the expected life of the preferred stock.

ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK All shares of our ESOP (Employee Stock Ownership Plan) Cumulative Convertible Preferred Stock (ESOP Preferred Stock) were issued to a trustee acting on behalf of the Wells Fargo & Company 401(k) Plan (the 401(k) Plan). Dividends on the ESOP Preferred Stock are cumulative from the date of initial issuance and are payable quarterly at annual rates ranging from 8.50% to 12.50%, depending upon the year of issuance. Each share of ESOP Preferred Stock released from the unallocated reserve of the 401(k) Plan is converted into shares of our common stock based on the stated value of the ESOP Preferred Stock and the then current market price of our common stock. The ESOP Preferred Stock is also convertible at the option of the holder at any time, unless previously redeemed. We have the option to redeem the ESOP Preferred Stock at any time, in whole or in part, at a redemption price per share equal to the higher of (a) $1,000 per share plus accrued and unpaid dividends or (b) the fair market value, as defined in the Certificates of Designation for the ESOP Preferred Stock.

	Shares issued and outstanding December 31,		Carrying value December 31,		Adjustable dividend rate	
(in millions, except shares)	**2009**	2008	**2009**	2008	Minimum	Maximum
ESOP Preferred Stock (1)						
2008	**120,289**	156,914	**$ 120**	157	10.50%	11.50
2007	**97,624**	110,159	**98**	110	10.75	11.75
2006	**71,322**	83,249	**71**	83	10.75	11.75
2005	**51,687**	62,484	**52**	63	9.75	10.75
2004	**36,425**	45,950	**37**	46	8.50	9.50
2003	**21,450**	29,218	**21**	29	8.50	9.50
2002	**11,949**	18,889	**12**	19	10.50	11.50
2001	**3,273**	10,393	**3**	10	10.50	11.50
2000	**—**	2,644	**—**	3	11.50	12.50
Total ESOP Preferred Stock	**414,019**	519,900	**$ 414**	520		
Unearned ESOP shares (2)			**$(442)**	(555)		

(1) Liquidation preference $1,000. At December 31, 2009 and December 31, 2008, additional paid-in capital included $28 million and $35 million, respectively, related to preferred stock.

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

Note 18: Common Stock and Stock Plans

Common Stock

The following table presents our reserved, issued and authorized shares of common stock at December 31, 2009.

	Number of shares
Dividend reinvestment and common stock purchase plans	6,085,410
Director plans	957,615
Stock plans (1)	551,231,665
Convertible securities and warrants	176,097,156
Total shares reserved	734,371,846
Shares issued	5,245,971,422
Shares not reserved	19,656,732
Total shares authorized	6,000,000,000

(1) Includes employee option, restricted shares and restricted share rights, 401(k), profit sharing and compensation deferral plans.

Dividend Reinvestment and Common Stock Purchase Plans

Participants in our dividend reinvestment and common stock direct purchase plans may purchase shares of our common stock at fair market value by reinvesting dividends and/or making optional cash payments, under the plan's terms.

Employee Stock Plans

We offer the stock based employee compensation plans described below. We measure the cost of employee services received in exchange for an award of equity instruments, such as stock options, restricted share rights (RSRs) or performance shares, based on the fair value of the award on the grant date. The cost is normally recognized in our income statement over the vesting period of the award; awards with graded vesting are expensed on a straight line method. Awards to retirement eligible employees are subject to immediate expensing upon grant. Total stock option compensation expense was $221 million in 2009, $174 million in 2008 and $129 million in 2007 with a related recognized tax benefit of $83 million, $65 million and $49 million for the same years, respectively. Stock option expense is based on the fair value of the awards at the date of grant.

LONG-TERM INCENTIVE COMPENSATION PLANS Our Long Term Incentive Compensation Plan provides for awards of incentive and nonqualified stock options, stock appreciation rights, restricted shares, RSRs, performance awards and stock awards without restrictions. Options must have an exercise price at or above fair market value (as defined in the plan) of the stock at the date of grant (except for substitute or replacement options granted in connection with mergers or other acquisitions) and a term of no more than 10 years. Except for options granted in 2004 and 2005, which generally vested in full upon grant, options generally become exercisable over three years beginning on the first anniversary of the date of grant. Except as otherwise permitted under the plan, if employment is ended for reasons other than retirement, permanent disability or death, the option exercise period is reduced or the options are canceled.

Options granted prior to 2004 may include the right to acquire a "reload" stock option. If an option contains the reload feature and if a participant pays all or part of the exercise price of the option with shares of stock purchased in the market or held by the participant for at least six months and, in either case, not used in a similar transaction in the last six months, upon exercise of the option, the participant is granted a new option to purchase, at the fair market value of the stock as of the date of the reload, the number of shares of stock equal to the sum of the number of shares used in payment of the exercise price and a number of shares with respect to related statutory minimum withholding taxes. Reload grants are fully vested upon grant and are expensed immediately.

Holders of RSRs are entitled to the related shares of common stock at no cost generally over three to five years after the RSRs were granted. Holders of RSRs may be entitled to receive cash payments or additional RSRs equal to the cash dividends that would have been paid had the RSRs been issued and outstanding shares of common stock. RSRs granted as dividend equivalents are subject to the same vesting schedule and conditions as the underlying RSRs. Except in limited circumstances, RSRs are canceled when employment ends. The compensation expense for RSRs equals the quoted market price of the related stock at the date of grant and is accrued over the vesting period. Total compensation expense for RSRs was not significant in 2009 or 2008.

In 2009, a target amount of 949,000 performance shares were granted with a fair value of $27.09 per share. The holder of each performance share may receive one share of our common stock at vesting in the first quarter of 2013. The final number of performance shares that will be granted is subject to the achievement of specified performance criteria over a three-year period ending December 31, 2012, and has a cap of 150% of the target amount of performance shares. Performance shares continue to vest after retirement according to the original vesting schedule subject to satisfying the performance criteria and other vesting conditions. Total compensation expense for performance shares was $21 million in 2009.

A portion of annual bonus awards recognized during 2009 that are normally paid in cash will be paid in our common stock as part of our agreement with the U.S. Treasury to repay our participation in the TARP Capital Purchase Program (CPP). The fair value of the stock that will be issued is about $50 million and there are no vesting conditions or other restrictions on the stock.

During 2009 the Board of Directors approved salary increases for certain executive officers that were paid, after taxes and other withholdings, in our common stock. About 245,000 shares were issued in 2009 for salary increases at an average fair value of $27.77. There are no longer restrictions on these shares because we repaid the TARP CPP investment in Wells Fargo in December 2009.

For various acquisitions and mergers, we converted employee and director stock options of acquired or merged companies into stock options to purchase our common stock based on the terms of the original stock option plan and the agreed-upon exchange ratio. In addition, we converted restricted stock awards into awards that entitle holders to our stock after the vesting conditions are met. Holders receive cash dividends on outstanding awards if provided in the original award.

The total number of shares of common stock available for grant under the plans at December 31, 2009, was 304 million.

***PARTNERSHARES* PLAN** In 1996, we adopted the *PartnerShares*® Stock Option Plan, a broad-based employee stock option plan. It covers full- and part-time employees who generally were not included in the long-term incentive compensation plan described above. No options have been granted under the plan since 2002, and as a result of action taken by the Board of Directors on January 22, 2008, no future awards will be granted under the plan. All of our *PartnerShares* Plan grants were fully vested as of December 31, 2007.

Director Plan

We grant common stock and options to purchase common stock to non-employee directors elected or re-elected at the annual meeting of stockholders and prorated awards to directors who join the Board at any other time. The stock award vests immediately. Options granted in 2008 or earlier can be exercised after six months through the tenth anniversary of the grant date. Prior to 2009, stock awards and option grants were made to non-employee directors under the Directors Stock Compensation and Deferral Plan. As a result of action taken by the Board of Directors on September 30, 2008, stock awards and options granted in 2009 were made under our Long Term Incentive Compensation Plan. Options granted in 2009 can be exercised after 12 months through the tenth anniversary of the grant date.

The table below summarizes stock option activity and related information. Options assumed in mergers are included in the activity and related information for Incentive Compensation Plans if originally issued under an employee plan, and in the activity and related information for Director Plans if originally issued under a director plan.

	Number	Weighted-average exercise price	Weighted-average remaining contractual term (in yrs.)	Aggregate intrinsic value (in millions)
Incentive compensation plans				
Options outstanding as of December 31, 2008	283,607,257	$45.36		
Granted	80,701,781	13.29		
Canceled or forfeited	(13,296,344)	76.37		
Exercised	(6,641,018)	21.24		
Options outstanding as of December 31, 2009	344,371,676	37.11	5.9	$1,264
As of December 31, 2009:				
Options exercisable and expected to be exercisable (1)	340,601,461	37.31	5.9	1,230
Options exercisable	221,963,884	46.47	4.4	190
***PartnerShares* Plan**				
Options outstanding as of December 31, 2008	17,662,467	24.33		
Canceled or forfeited	(284,177)	24.63		
Exercised	(512,693)	24.08		
Options outstanding as of December 31, 2009	16,865,597	24.33	1.6	45
As of December 31, 2009:				
Options exercisable and expected to be exercisable	16,865,597	24.33	1.6	45
Options exercisable	16,865,597	24.33	1.6	45
Director plans				
Options outstanding as of December 31, 2008	907,109	28.12		
Canceled	(53,476)	21.57		
Options outstanding as of December 31, 2009	853,633	28.53	4.9	1
As of December 31, 2009:				
Options exercisable and expected to be exercisable	853,633	28.53	4.9	1
Options exercisable	853,633	28.53	4.9	1

(1) Adjusted for estimated forfeitures.

As of December 31, 2009, there was $186 million of unrecognized compensation cost related to stock options. That cost is expected to be recognized over a weighted-average period of 1.9 years. The total intrinsic value of options exercised during 2009 and 2008 was $50 million and $348 million, respectively.

Cash received from the exercise of options for 2009 and 2008 was $153 million and $747 million, respectively. The actual tax benefit recognized in stockholders' equity for the tax deductions from the exercise of options totaled $18 million and $123 million, respectively, for 2009 and 2008.

We do not have a specific policy on repurchasing shares to satisfy share option exercises. Rather, we have a general policy on repurchasing shares to meet common stock issuance requirements for our benefit plans (including share option exercises), conversion of our convertible securities, acquisitions and other corporate purposes. 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. These factors can change at any time, and there can be no assurance as to the number of shares we will repurchase or when we will repurchase them.

The fair value of each option award granted on or after January 1, 2006, is estimated using a Black-Scholes valuation model. The expected term of options granted is generally based on the historical exercise behavior of full-term options. Our expected volatilities are based on a combination of the historical volatility of our common stock and implied volatilities for traded options on our common stock. The risk-free rate is based on the U.S. Treasury zero-coupon yield curve in effect at the time of grant. Both expected volatility and the risk-free rates are based on a period commensurate with our expected term. For 2009, the expected dividend is based on a fixed dividend amount. For 2008 and 2007, the expected dividend was based on the current dividend, consideration of our historical pattern of dividend increases and the market price of our stock. We changed our method of estimating the expected dividend assumption from a yield approach to a fixed amount due to our participation in the TARP CPP during 2009, which restricted us from increasing our dividend without approval from the U.S. Treasury. A dividend yield approach models a constant dividend yield, which was considered inappropriate given the restriction on our ability to increase dividends.

The following table presents the weighted-average per share fair value of options granted and the assumptions used, based on a Black-Scholes option valuation model.

	Year ended December 31,		
	2009	2008	2007
Per share fair value of options granted	**$3.29**	4.06	3.84
Expected volatility	**53.9%**	22.4	13.3
Expected dividends (yield)	—	4.1	3.4
Expected dividends	**$0.33**	—	—
Expected term (in years)	**4.5**	4.4	4.2
Risk-free interest rate	**1.8%**	2.7	4.6

At December 31, 2009, there was $22 million of total unrecognized compensation cost related to nonvested RSRs. The cost is expected to be recognized over a weighted-average period of 3.3 years. The total fair value of RSRs that vested during 2009 and 2008 was $2 million and $1 million, respectively.

A summary of the status of our RSRs and restricted share awards at December 31, 2009, and changes during 2009 is in the following table:

	Number	Weighted-average grant-date fair value
Nonvested at January 1, 2009	1,026,166	$29.79
Granted	1,100,241	19.04
Vested	(62,073)	29.79
Canceled or forfeited	(155,379)	29.56
Nonvested at December 31, 2009	1,908,955	23.62

The weighted-average grant date fair value of RSRs granted during 2008 was $29.68.

Note 18: Common Stock and Stock Plans (*continued*)

Employee Stock Ownership Plan

Under the Wells Fargo & Company 401(k) Plan (the 401(k) Plan) and the Wachovia Savings Plan (the Savings Plan), defined contribution plans with an ESOP feature, these plans may borrow money to purchase our preferred or common stock. From 1994 through 2008, we have loaned money to the 401(k) Plan to purchase shares of our ESOP Preferred Stock. As we release and convert ESOP Preferred Stock into common shares, we record compensation expense equal to the current market price of the common shares. Dividends on the common shares allocated as a result of the release and conversion of the ESOP Preferred Stock reduce retained earnings and the shares are considered outstanding for computing earnings per share. Dividends on the unallocated ESOP Preferred Stock do not reduce retained earnings, and the shares are not considered to be common stock equivalents for computing earnings per share. Loan principal and interest payments are made from our contributions to the Wells Fargo 401(k) Plan, along with dividends paid on the ESOP Preferred Stock. With each principal and interest payment, a portion of the ESOP Preferred Stock is released and, after conversion of the ESOP Preferred Stock into common shares, allocated to the Wells Fargo 401(k) Plan participants.

The Savings Plan contains a similar loan option except in the form of ESOP Common Stock. Dividends on the common shares allocated as a result of the release of ESOP Common Stock reduce retained earnings and the shares are considered outstanding for computing earnings per share. Dividends on the unallocated ESOP Common Stock do not reduce retained earnings, and the shares are not considered to be common stock equivalents for computing earnings per share. Loan principal and interest payments are made from our contributions to the Wachovia Savings Plan. With each principal and interest payment, a portion of the ESOP Common Stock is released and allocated to the Wachovia Savings Plan participants.

In October 2009, the Wells Fargo Stock Fund and the Wells Fargo ESOP Fund held in the 401(k) Plan were combined to create a surviving Wells Fargo ESOP Fund. The Savings Plan was merged into the 401(k) Plan on December 31, 2009. Any outstanding ESOP loan previously held by the Savings Plan is now held by the 401(k) Plan.

The balance of ESOP shares, the dividends on allocated shares of common stock and unreleased preferred shares paid to the 401(k) Plan and the fair value of unearned ESOP shares were:

	Shares outstanding December 31,		
(in millions, except shares)	2009	2008	2007
Allocated shares (common)	110,157,999	74,916,583	76,265,880
Unreleased shares (preferred)	414,019	519,900	449,804
Unreleased shares (common)	203,755	244,506	—
Fair value of unearned ESOP Preferred shares	$ 414	520	450
Fair value of unearned ESOP Common shares	5	7	—
	Dividends paid Year ended December 31,		
	2009	2008	2007
Allocated shares (common)	$ 45	100	88
Unreleased shares (preferred)	51	66	57

Deferred Compensation Plan for Independent Sales Agents

WF Deferred Compensation Holdings, Inc. is a wholly-owned subsidiary of the Parent formed solely to sponsor a deferred compensation plan for independent sales agents who provide investment, financial and other qualifying services for or with respect to participating affiliates. The Nonqualified Deferred Compensation Plan for Independent Contractors, which became effective January 1, 2002, allows participants to defer all or part of their eligible compensation payable to them by a participating affiliate. The Parent has fully and unconditionally guaranteed the deferred compensation obligations of WF Deferred Compensation Holdings, Inc. under the plan.

Note 19: Employee Benefits and Other Expenses

Employee Benefits

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

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

Prior to July 1, 2009, eligible employees' cash balance plan accounts were allocated a compensation credit based on a percentage of their qualifying compensation. The compensation credit percentage was based on age and years of credited service. The freeze discontinues the allocation of compensation credit for services after June 30, 2009. Investment credits continue to be allocated to participants based on their accumulated balances. Employees become vested in their Cash Balance Plan accounts after completing three years of vesting service.

Freezing and merging the above plans effective July 1, 2009, resulted in a re-measurement of the pension obligations and plan assets as of April 30, 2009. Freezing and re-measuring decreased the pension obligations by approximately $945 million and decreased cumulative OCI by approximately $725 million pre tax ($456 million after tax) in second quarter 2009. The re-measurement resulted in a decrease in the fair value of plan assets of approximately $150 million. We used a discount rate of 7.75% for the April 30, 2009, re-measurement based on our consistent methodology of determining our discount rate based on an established yield curve developed by our outside actuarial firm. This methodology incorporates a broad group of top quartile Aa or higher rated bonds.

As a result of freezing our pension plans, we revised our amortization life for actuarial gains and losses from 5 years to 13 years to reflect the estimated average remaining participation period.

These actions lowered pension cost by approximately $500 million for 2009, including $67 million of one-time curtailment gains.

We did not make a contribution to our Cash Balance Plan in 2009. We do not expect that we will be required to make a contribution to the Cash Balance Plan in 2010; however, this is dependent on the finalization of the actuarial valuation. Our decision of whether to make a contribution in 2010 will be based on various factors including the actual investment performance of plan assets during 2010. Given these uncertainties, we cannot estimate at this time the amount, if any, that we will contribute in 2010 to the Cash Balance Plan. The total amount contributed for our other pension plans in 2009 was $83 million. For the unfunded nonqualified pension plans and postretirement benefit plans, we will contribute the minimum required amount in 2010, which equals the benefits paid under the plans. In 2009, we paid $167 million in benefits for the postretirement plans, which included $79 million in retiree contributions.

We sponsor defined contribution retirement plans including the Wells Fargo & Company 401(k) Plan (401(k) Plan) and the Wachovia Savings Plan (Savings Plan). We also have a frozen defined contribution plan resulting from a company acquired by Wachovia. No contributions are permitted to that plan. Under the 401(k) Plan, after one month of service, eligible employees may contribute up to 25% of their pre-tax qualifying compensation, although there may be a lower limit for certain highly compensated employees in order to maintain the qualified status of the 401(k) Plan. Eligible employees who complete one year of service are eligible for matching company contributions, which are generally a 100% match up to 6% of an employee's qualifying compensation. Prior to January 1, 2010, matching contributions generally vested over the first four years of an eligible employee's service period. Effective January 1, 2010, prior and future matching contributions will be 100% vested.

Under the Savings Plan, after one month of service, eligible employees may contribute up to 30% of their qualifying compensation on a pre tax, Roth, or after-tax basis, although there may be a lower limit for certain highly compensated employees in order to maintain the qualified status of this Savings Plan. Eligible employees who complete one year of service are eligible for matching company contributions, which are generally a 100% match up to 6% of an employee's qualifying compensation. The matching contributions vest immediately. Effective December 31, 2009, the Savings Plan was merged with the 401(k) Plan.

In 2009, the 401(k) Plan and the Savings Plan were amended to permit us to make discretionary profit sharing contributions. Based on 2009 earnings, we committed to make a contribution in shares of common stock to the plan accounts of eligible employees equaling 1% of qualifying compensation, which resulted in recognizing $150 million of defined contribution retirement plan expense recorded in 2009.

Expenses for defined contribution retirement plans were $862 million, $411 million and $426 million in 2009, 2008 and 2007, respectively.

We provide health care and life insurance benefits for certain retired employees and reserve the right to terminate or amend any of the benefits at any time.

The information set forth in the following tables is based on current actuarial reports using the measurement date of December 31 for our pension and postretirement benefit plans.

Note 19: Employee Benefits and Other Expenses (*continued*)

In conjunction with our adoption of changes in accounting provisions for retirement benefits, we were required to change the measurement date for our pension and postretirement plan assets and benefit obligations from November 30 to December 31 beginning in 2008. To reflect this change, we recorded an $8 million (after tax) adjustment to the 2008 beginning balance of retained earnings.

The changes in the projected benefit obligation of pension benefits and the accumulated benefit obligation of other benefits and the fair value of plan assets during 2009 and 2008, the funded status at December 31, 2009 and 2008, and the amounts recognized in the balance sheet at December 31, 2009 and 2008, were:

						December 31,
			2009			2008
	Pension benefits			Pension benefits		
(in millions)	**Qualified**	**Non-qualified**	**Other benefits**	Qualified	Non-qualified	Other benefits
Change in benefit obligation:						
Benefit obligation at beginning of year	**$ 8,977**	**684**	**1,325**	4,565	366	663
Service cost	**210**	**8**	**13**	291	15	13
Interest cost	**595**	**43**	**83**	276	22	40
Plan participants' contributions	**—**	**—**	**79**	—	—	39
Amendments	**(210)**	**(22)**	**(54)**	—	—	—
Actuarial loss (gain)	**1,063**	**46**	**120**	(197)	(15)	(94)
Benefits paid	**(605)**	**(79)**	**(167)**	(317)	(24)	(65)
Foreign exchange impact	**8**	**1**	**2**	—	—	—
Acquisitions	**—**	**—**	**—**	4,359	317	727
Measurement date adjustment (1)	**—**	**—**	**—**	—	3	2
Benefit obligation at end of year	**10,038**	**681**	**1,401**	8,977	684	1,325
Change in plan assets:						
Fair value of plan assets at beginning of year	**7,863**	**—**	**368**	5,617	—	458
Actual return on plan assets	**1,842**	**—**	**48**	(1,750)	—	(128)
Employer contribution	**4**	**79**	**48**	260	24	22
Plan participants' contributions	**—**	**—**	**79**	—	—	39
Benefits paid	**(605)**	**(79)**	**(167)**	(317)	(24)	(65)
Foreign exchange impact	**8**	**—**	**—**	—	—	—
Acquisitions	**—**	**—**	**—**	4,132	—	46
Measurement date adjustment (1)	**—**	**—**	**—**	(79)	—	(4)
Fair value of plan assets at end of year	**9,112**	**—**	**376**	7,863	—	368
Funded status at end of year	**$ (926)**	**(681)**	**(1,025)**	(1,114)	(684)	(957)
Amounts recognized in the balance sheet at end of year:						
Liabilities	**$ (926)**	**(681)**	**(1,025)**	(1,114)	(684)	(957)

(1) Represents change in benefit obligation and plan assets during December 2007 to reflect an additional month of activity due to the change in measurement date from November 30 to December 31 as required by FASB ASC 715.

Amounts recognized in accumulated OCI (pre tax) for the year ended December 31, 2009 and 2008, consist of:

						December 31,
			2009			2008
	Pension benefits			Pension benefits		
(in millions)	**Qualified**	**Non-qualified**	**Other benefits**	Qualified	Non-qualified	Other benefits
Net actuarial loss	**$1,836**	**70**	**140**	2,349	50	91
Net prior service credit	**1**	**—**	**(34)**	(7)	(37)	(38)
Net transition obligation	**—**	**—**	**2**	—	—	3
Translation adjustments	**1**	**—**	**—**	(2)	—	(2)
Total	**$1,838**	**70**	**108**	2,340	13	54

The net actuarial loss for the defined benefit pension plans that will be amortized from accumulated OCI into net periodic benefit cost in 2010 is $107 million. The net actuarial loss and net prior service credit for the other postretirement plans that will be amortized from accumulated OCI into net periodic benefit cost in 2010 are $1 million and $4 million, respectively.

The weighted-average assumptions used to determine the projected benefit obligation were:

	Year ended December 31,			
	2009		2008	
	Pension benefits (1)	Other benefits	Pension benefits (1)	Other benefits
Discount rate	**5.75%**	**5.75**	6.75	6.75
Rate of compensation increase (2)	**—**	**—**	4.0	—

(1) Includes both qualified and nonqualified benefits.

(2) Due to the freeze of the Wells Fargo qualified and supplemental Cash Balance plans and the Wachovia Corporate Pension Plan, there is no rate of compensation increase at December 31, 2009.

We use a consistent methodology to determine the discount rate that is based on an established yield curve methodology. This methodology incorporates a broad group of top quartile Aa or higher rated bonds consisting of approximately 100-150 bonds. The discount rate is determined by matching this yield curve with the timing and amounts of the expected benefit payments for our plans.

The accumulated benefit obligation for the defined benefit pension plans was $10.7 billion and $9.4 billion at December 31, 2009 and 2008, respectively.

We seek to achieve the expected long-term rate of return with a prudent level of risk given the benefit obligations of the pension plans and their funded status. Our overall investment strategy is designed to provide our Cash Balance Plan with a balance of long-term growth opportunities and short-term benefit strategies while ensuring that risk is mitigated through diversification across numerous asset classes and various investment strategies. We target the asset allocation for our Cash Balance Plan at a target mix range of 35-65% equities, 30-50% fixed income, and approximately 10-15% in real estate, venture capital, private equity and other investments. The target ranges referenced above account for the employment of an asset allocation methodology designed to overweight stocks or bonds when a compelling opportunity exists. The Employee Benefit Review Committee (EBRC), which includes several members of senior management, formally reviews the investment risk and performance of our Cash Balance Plan on a quarterly basis. Annual Plan liability analysis and periodic asset/liability evaluations are also conducted.

The table below provides information for pension plans with benefit obligations in excess of plan assets.

	December 31,	
(in millions)	**2009**	2008
Projected benefit obligation	**$10,719**	9,661
Accumulated benefit obligation	**10,706**	9,423
Fair value of plan assets	**9,112**	7,863

The components of net periodic benefit cost were:

	December 31,								
	2009			2008			2007		
	Pension benefits			Pension benefits			Pension benefits		
(in millions)	**Qualified**	**Non-qualified**	**Other benefits**	Qualified	Non-qualified	Other benefits	Qualified	Non-qualified	Other benefits
Service cost	**$ 210**	**8**	**13**	291	15	13	281	15	15
Interest cost	**595**	**43**	**83**	276	22	40	246	18	41
Expected return on plan assets	**(643)**	**—**	**(29)**	(478)	—	(41)	(452)	—	(36)
Amortization of net actuarial loss	**194**	**2**	**3**	1	13	1	32	13	5
Amortization of prior service cost	**—**	**(1)**	**(3)**	—	(5)	(4)	—	(3)	(4)
Curtailment gain	**(32)**	**(33)**	**—**	—	—	—	—	—	—
Settlement	**—**	**—**	**—**	—	—	—	1	—	—
Net periodic benefit cost	**324**	**19**	**67**	90	45	9	108	43	21
Other changes in plan assets and benefit obligations recognized in other comprehensive income:									
Net actuarial loss (gain)	**(346)**	**25**	**99**	2,102	(16)	79	(213)	16	(126)
Amortization of net actuarial loss	**(194)**	**(2)**	**(3)**	(1)	(13)	(1)	(33)	(13)	(5)
Prior service cost	**—**	**—**	**—**	—	—	—	—	(24)	—
Amortization of prior service cost	**—**	**1**	**3**	—	5	4	—	3	4
Net loss (gain) in curtailment	**32**	**33**	**(54)**	—	—	—	—	—	—
Translation adjustments	**3**	**—**	**2**	(5)	—	(4)	3	—	2
Total recognized in other comprehensive income	**(505)**	**57**	**47**	2,096	(24)	78	(243)	(18)	(125)
Total recognized in net periodic benefit cost and other comprehensive income	**$(181)**	**76**	**114**	2,186	21	87	(135)	25	(104)

Note 19: Employee Benefits and Other Expenses (*continued*)

The weighted-average assumptions used to determine the net periodic benefit cost were:

	December 31,					
	2009		2008		2007	
	Pension benefits (1)	**Other benefits**	Pension benefits (1)	Other benefits	Pension benefits (1)	Other benefits
Discount rate (2)	**7.42%**	**6.75**	6.25	6.25	5.75	5.75
Expected return on plan assets	**8.75**	**8.75**	8.75	8.75	8.75	8.75
Rate of compensation increase	**4.0**	**—**	4.0	—	4.0	—

(1) Includes both qualified and nonqualified pension benefits.

(2) Due to the freeze of the Wells Fargo qualified and supplemental Cash Balance Plans and the Wachovia Corporation Pension Plan, the discount rate for the 2009 Pension benefits was the weighted average of 6.75% from January through April and 7.75% from May through December.

Our determination of the reasonableness of our expected long-term rate of return on plan assets is highly quantitative by nature. We evaluate the current asset allocations and expected returns under two sets of conditions: projected returns using several forward-looking capital market assumptions, and historical returns for the main asset classes dating back to 1970, the earliest period for which historical data was readily available as of a common time frame for the asset classes included. Using data dating back to 1970 allows us to capture multiple economic environments, which we believe is relevant when using historical returns. We place greater emphasis on the forward looking return and risk assumptions than on historical results. We use the resulting projections to derive a base line expected rate of return and risk level for the Cash Balance Plans' prescribed asset mix. We then adjust the baseline projected returns for items not already captured, including the anticipated return differential from active over passive investment management and the estimated impact of an asset allocation methodology that allows for established deviations from the specified target allocations when a compelling opportunity exists.

We evaluate the portfolio based on: (1) the established target asset allocations over short term (one-year) and longer term (ten-year) investment horizons, and (2) the range of potential outcomes over these horizons within specific standard deviations. We perform the above analyses to assess the reasonableness of our expected long-term rate of return on plan assets. We consider the expected rate of return to be a long-term average view of expected returns. The expected rate of return would be assessed for significant long-term changes in economic conditions or in planned portfolio composition.

To account for postretirement health care plans we use health care cost trend rates to recognize the effect of expected changes in future health care costs due to medical inflation, utilization changes, new technology, regulatory requirements and Medicare cost shifting. We assumed average annual increases of approximately 9.5% (before age 65) and 9% (after age 65) for health care costs for 2010. The rates of average annual increases are assumed to trend down 0.5% each year until the trend rates reach an ultimate trend of 5% in 2017 (before age 65) and 2016 (after age 65). Increasing the assumed health care trend by one percentage point in each year would increase the benefit obligation as of December 31, 2009, by $71 million and the total of the interest cost and service cost components of the net periodic benefit cost for 2009 by $5 million. Decreasing the assumed health care trend by one percentage point in each year would decrease the benefit obligation as of December 31, 2009, by $63 million and the total of the interest cost and service cost components of the net periodic benefit cost for 2009 by $4 million.

The investment strategy for assets held in the Retiree Medical Plan Voluntary Employees' Beneficiary Association (VEBA) trust is established separately from the strategy for the assets in the Cash Balance Plan. The general target asset mix is 45-65% equities and 35-55% fixed income. In addition, the strategy for the VEBA trust assets considers the effect of income taxes by utilizing a combination of variable annuity and low turnover investment strategies. Members of the EBRC formally review the investment risk and performance of these assets on a quarterly basis.

Future benefits that we expect to pay under the pension and other benefit plans are presented in the following table.

	Pension benefits		
(in millions)	Qualified	Non-qualified	Other benefits
Year ended December 31,			
2010	$ 818	81	118
2011	796	78	121
2012	778	65	123
2013	779	59	125
2014	772	61	127
2015-2019	3,610	267	627

Other benefits payments are expected to be reduced by prescription drug subsidies from the federal government provided by the Medicare Prescription Drug, Improvement and Modernization Act of 2003, as follows:

(in millions)	Other benefits subsidy receipts
Year ended December 31,	
2010	$17
2011	18
2012	19
2013	20
2014	21
2015-2019	65

Fair Value of Plan Assets

The following table presents the balances of pension plan assets measured at fair value. See Note 16 in this Report for fair value hierarchy level definitions.

	December 31, 2009			
(in millions)	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 52	515	—	567
Intermediate (core) fixed income [(1)]	647	1,457	9	2,113
High-yield fixed income	263	220	—	483
International fixed income	—	376	—	376
Specialty fixed income	—	76	—	76
Domestic large-cap stocks [(2)]	1,046	630	5	1,681
Domestic mid-cap stocks	205	103	—	308
Domestic small-cap stocks [(3)]	867	126	—	993
International stocks [(4)]	354	890	1	1,245
Emerging market stocks	—	653	—	653
Real estate/timber [(5)]	78	—	353	431
Multi-strategy hedge funds [(6)]	—	—	339	339
Private equity	—	1	83	84
Other	—	25	46	71
Total pension plan investments	$3,512	5,072	836	9,420
Payable upon return of securities loaned				(320)
Net receivables				12
Total pension plan assets				$9,112

(1) This category includes assets that are primarily intermediate duration, investment grade bonds held in investment strategies benchmarked to the Barclays Capital U.S. Aggregate Bond Index. Includes U.S. Treasury securities, agency and non-agency asset-backed bonds and corporate bonds.

(2) This category covers a broad range of investment styles, both active and passive approaches, as well as style characteristics of value, core and growth emphasized strategies. Assets in this category are currently diversified across ten unique investment strategies. Approximately 40% of the assets within this category are passively managed to popular mainstream market indexes including the Standard & Poor's 500 Index; excluding the allocation to the S&P 500 Index strategy, no single investment manager represents more than 2% of total plan assets.

(3) This category consists of a highly diversified combination of seven distinct investment management strategies with no single strategy representing more than about 2% of total plan assets. Allocations in this category are primarily spread across actively managed approaches with distinct value and growth emphasized approaches in fairly equal proportions.

(4) This category includes assets diversified across nine unique investment strategies providing exposure to companies based primarily in developed market, non-U.S. countries with no single strategy representing more than 2% of total plan assets.

(5) This category mostly includes investments in private and public real estate, as well as timber specific limited partnerships; real estate holdings are diversified by geographic location and sector (e.g., retail, office, apartments).

(6) This category consists of several investment strategies managed by over 30 hedge fund managers. Single manager allocation exposure is limited to 0.15% (15 basis points) of total plan assets.

The changes in Level 3 pension plan assets measured at fair value are summarized as follows:

(in millions)	December 31, 2008	Gains (losses) Realized	Gains (losses) Unrealized [(1)]	Purchases, sales, issuances and settlements (net)	December 31, 2009
Intermediate (core) fixed income	$ 5	—	1	3	9
High-yield fixed income	6	(5)	—	(1)	—
Domestic large-cap stocks	1	—	1	3	5
International stocks	—	—	—	1	1
Real estate/timber	433	1	(161)	80	353
Multi-strategy hedge funds	310	1	36	(8)	339
Private equity	88	—	(2)	(3)	83
Other	41	—	(5)	10	46
	$884	(3)	(130)	85	836

(1) All unrealized gains (losses) relate to instruments held at period end.

Other benefits plan assets include assets held in a 401(h) trust, which are invested using the same asset allocation targets as the Cash Balance Plan, and assets held in a VEBA trust. The table below presents the balances of other benefits plan assets measured at fair value.

				December 31, 2009
(in millions)	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 2	38	—	40
Intermediate (core) fixed income [1]	21	83	—	104
High-yield fixed income	8	4	—	12
International fixed income	—	3	—	3
Specialty fixed income	—	2	—	2
Domestic large-cap stocks [2]	40	30	—	70
Domestic mid-cap stocks	7	16	—	23
Domestic small-cap stocks	18	16	—	34
International stocks [3]	11	39	—	50
Emerging market stocks	—	14	—	14
Real estate/timber	2	—	4	6
Multi-strategy hedge funds	—	—	5	5
Private equity	—	—	2	2
Other	—	—	21	21
Total other benefits plan investments	$109	245	32	386
Payable upon return of securities loaned				(10)
Total other benefits plan assets				$376

(1) This category includes assets that are primarily intermediate duration, investment grade bonds held in investment strategies benchmarked to the Barclays Capital U.S. Aggregate Bond Index. Includes U.S. Treasury securities, agency and non-agency asset-backed bonds and corporate bonds.

(2) This category covers a broad range of investment styles, both active and passive approaches, as well as style characteristics of value, core and growth emphasized strategies. The majority of the assets are passively managed to popular mainstream market indexes including the Standard & Poor's 500 Index.

(3) This category includes assets diversified across several unique investment strategies providing exposure to companies based primarily in developed market, non-U.S. countries.

The changes in Level 3 other benefits plan assets measured at fair value are summarized as follows:

(in millions)	December 31, 2008	Unrealized gains (losses) [1]	Purchases, sales, issuances and settlements (net)	December 31, 2009
Real estate/timber	$ 4	(1)	1	4
Multi-strategy hedge funds	3	1	1	5
Private equity	2	—	—	2
Other	20	—	1	21
	$29	—	3	32

(1) All unrealized gains (losses) relate to instruments held at period end.

VALUATION METHODOLOGIES Following is a description of the valuation methodologies used for assets measured at fair value.

Cash and Cash Equivalents – includes investments in U.S. Treasury bills, valued at quoted market prices and collective investment funds. Investments in collective investment funds are valued at fair value based upon the quoted market values of the underlying net assets. The unit price is quoted on a private market that is not active; however, the unit price is based on underlying investments traded on an active market.

Intermediate (Core), High-Yield, International and Specialty Fixed Income – includes bonds and notes traded on a national securities exchange valued at the last reported sale price on the last business day of the year. Also includes investments traded on the OTC market and listed securities for which no sale was reported on that date; both are valued at the average of the last reported bid and ask prices. Also includes investments in collective investment funds described above.

Domestic, International and Emerging Market Stocks – investments in common stock are valued at quoted market values. Investments in registered investment companies are valued at the NAV of shares held at year end. Also includes investments in collective investment funds described above.

Real Estate and Timber – the fair value of real estate and timber is estimated based primarily on appraisals prepared by third-party appraisers. Market values are estimates and the actual market price of the real estate can only be determined by negotiation between independent third parties in a sales transaction.

Multi-Strategy Hedge Funds and Private Equity – the fair values of hedge funds are valued based on the proportionate share of the underlying net assets of the investment funds that comprise the fund, based on valuations supplied by the underlying investment funds. Investments in private equity funds are valued at the NAV provided by the fund sponsor. Market values are estimates and the actual market price of the investments can only be determined by negotiation between independent third parties in a sales transaction.

Other – the fair values of miscellaneous investments are valued at the NAV provided by the fund sponsor. Market values are estimates and the actual market price of the investments can only be determined by negotiation between independent third parties in a sales transaction. Also includes insurance contracts that are generally stated at cash surrender value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While we believe our valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Other Expenses

Expenses exceeding 1% of total interest income and noninterest income in any of the years presented that are not otherwise shown separately in the financial statements or Notes to Financial Statements were:

	Year ended December 31,		
(in millions)	**2009**	2008	2007
Outside professional services	**$1,982**	847	899
Contract services	**1,088**	407	448
Foreclosed assets	**1,071**	414	256
Outside data processing	**1,027**	480	482
Postage, stationery and supplies	**933**	556	565
Insurance	**845**	725	416

Note 20: Income Taxes

The components of income tax expense were:

(in millions)	Year ended December 31, 2009	2008	2007
Current:			
Federal	**$(3,952)**	2,043	3,181
State and local	**(334)**	171	284
Foreign	**164**	30	136
Total current	**(4,122)**	2,244	3,601
Deferred:			
Federal	**8,709**	(1,506)	(32)
State and local	**794**	—	—
Foreign	**(50)**	(136)	1
Total deferred	**9,453**	(1,642)	(31)
Total	**$ 5,331**	602	3,570

The tax benefit related to the exercise of employee stock options recorded in stockholders' equity was $18 million, $123 million and $210 million for 2009, 2008 and 2007, respectively.

(in millions)	Year ended December 31, 2009	2008
Deferred tax assets		
Allowance for loan losses	**$ 9,178**	7,859
Deferred compensation and employee benefits	**3,026**	2,016
Accrued expenses, deductible when paid	**2,235**	1,536
Basis difference in investments	**208**	—
PCI loans	**8,645**	13,806
Mark to market, net	**—**	194
Net unrealized losses on securities available for sale	**—**	3,887
Net operating loss and tax credit carry forwards	**3,370**	520
Other	**1,706**	1,421
Total deferred tax assets	**28,368**	31,239
Deferred tax assets valuation allowance	**(827)**	(973)
Deferred tax liabilities		
Mortgage servicing rights	**(8,073)**	(5,606)
Leasing	**(3,439)**	(2,617)
Basis difference in investments	**—**	(325)
Mark to market, net	**(4,853)**	—
Intangible assets	**(5,567)**	(5,625)
Net unrealized gains on securities available for sale	**(2,079)**	—
Other	**(318)**	(2,229)
Total deferred tax liabilities	**(24,329)**	(16,402)
Net deferred tax asset	**$ 3,212**	13,864

We had a net deferred tax asset of $3.2 billion and $13.9 billion for 2009 and 2008, respectively. Our net deferred tax asset and the tax effects of temporary differences that gave rise to significant portions of these deferred tax assets and liabilities are presented in the preceding table.

Deferred taxes related to net unrealized losses on securities available for sale, net unrealized gains on derivatives, foreign currency translation, and employee benefit plan adjustments are recorded in cumulative OCI (see Note 22 in this Report). These associated adjustments decreased OCI by $5.9 billion. Deferred taxes totaling $2.7 billion were recorded against goodwill related to purchase price refinements (see Note 2 in this Report). Deferred taxes of $1.4 billion were also recorded on the purchase of the Prudential noncontrolling interest on December 31, 2009, with the associated adjustment increasing stockholders' equity.

We have determined that a valuation reserve is required for 2009 in the amount of $827 million primarily attributable to deferred tax assets in various state and foreign jurisdictions where we believe it is more likely than not that these deferred tax assets will not be realized. In these jurisdictions, carry back limitations, lack of sources of taxable income, and tax planning strategy limitations contributed to our conclusion that the deferred tax assets would not be realizable. We have concluded that it is more likely than not that the remaining deferred tax assets will be realized based on our history of earnings, sources of taxable income in carry back periods, and our ability to implement tax planning strategies.

At December 31, 2009, we had net operating loss and credit carry forwards with related deferred tax assets of $3.0 billion and $366 million, respectively. If these carry forwards are not utilized, they will expire in varying amounts through 2029.

At December 31, 2009, Wachovia had undistributed foreign earnings of $1.4 billion related to foreign subsidiaries. We intend to reinvest these earnings indefinitely outside the U.S. and accordingly have not provided $464 million of income tax liability on these earnings.

The table below reconciles the statutory federal income tax expense and rate to the effective income tax expense and rate. Effective January 1, 2009, we adopted new accounting guidance that changed the way noncontrolling interests are presented in the income statement such that the consolidated income statement includes amounts from both Wells Fargo interests and the noncontrolling interests. As a result, our effective tax rate is calculated by dividing income tax expense by income before income tax expense less the net income from noncontrolling interests.

						December 31,
		2009		2008		2007
(in millions)	**Amount**	**Rate**	Amount	Rate	Amount	Rate
Statutory federal income tax expense and rate	**$6,162**	**35.0%**	$1,140	35.0%	$4,070	35.0%
Change in tax rate resulting from:						
State and local taxes on income, net of federal income tax benefit	**468**	**2.7**	94	2.9	359	3.1
Tax-exempt interest	**(260)**	**(1.5)**	(130)	(4.0)	(81)	(0.7)
Excludable dividends	**(253)**	**(1.4)**	(186)	(5.7)	(23)	(0.2)
Other deductible dividends	**(29)**	**(0.2)**	(71)	(2.2)	(70)	(0.6)
Tax credits	**(533)**	**(3.0)**	(266)	(8.2)	(256)	(2.2)
Life insurance	**(257)**	**(1.5)**	(67)	(2.0)	(58)	(0.5)
Leveraged lease tax expense	**400**	**2.3**	—	—	—	—
Other	**(367)**	**(2.1)**	88	2.7	(371)	(3.2)
Effective income tax expense and rate	**$5,331**	**30.3%**	$ 602	18.5%	$3,570	30.7%

Income tax expense for 2009 increased primarily due to higher pre-tax earnings partially offset by favorable tax settlements.

The change in unrecognized tax benefits follows:

	Year ended December 31,	
(in millions)	**2009**	2008
Balance at beginning of year	**$ 7,521**	2,695
Additions:		
For tax positions related to the current year	**438**	420
For tax positions related to prior years	**898**	452
For tax positions from business combinations (1)	**6**	4,308
Reductions:		
For tax positions related to prior years	**(834)**	(266)
Lapse of statute of limitations	**(75)**	(80)
Settlements with tax authorities	**(3,033)**	(8)
Balance at end of year	**$ 4,921**	7,521

(1) Unrecognized tax benefits from the Wachovia acquisition.

Of the $4.9 billion of unrecognized tax benefits at December 31, 2009, approximately $2.8 billion would, if recognized, affect the effective tax rate. The remaining $2.1 billion of unrecognized tax benefits relates to income tax positions on temporary differences.

We recognize interest and penalties as a component of income tax expense. We accrued approximately $771 million and $1.6 billion for the payment of interest and penalties at December 31, 2009 and 2008, respectively. The decrease in accrued interest is primarily related to the Internal Revenue Service (IRS) settlement agreements (described below) on sale-in, lease-out (SILO) transactions. A net benefit from interest income and penalties expense of $72 million (after tax) for 2009 and interest expense of $62 million (after tax) for 2008 was recognized as a component of income tax expense.

We are subject to U.S. federal income tax as well as income tax in numerous state and foreign jurisdictions. With few exceptions, Wells Fargo and its subsidiaries are not subject to federal income tax examinations for taxable years prior to 2007, and state, local and foreign income tax examinations for taxable years prior to 2005. Wachovia Corporation and its subsidiaries, with few exceptions, are no longer subject to federal income tax examinations for taxable years prior to 2006, and state, local and foreign income tax examinations for taxable years prior to 2003.

We are routinely examined by tax authorities in various jurisdictions. The IRS is currently examining the consolidated federal income tax returns of Wachovia and its Subsidiaries for tax years 2006 through 2008. In addition, Wachovia is appealing various issues related to its 2000 through 2005 tax years. Wachovia is also currently subject to examination by various state, local and foreign taxing authorities. While it is possible that one or more of these examinations may be resolved within the next twelve months, we do not anticipate that there will be a significant impact to our unrecognized tax benefits as a result of these examinations.

The IRS is examining the 2007 and 2008 consolidated federal income tax returns of Wells Fargo & Company and its Subsidiaries. We are also litigating or appealing various issues related to our prior IRS examinations for the periods 1997-2006. We have paid the IRS the contested income tax associated with these issues and refund claims have been filed for the respective years. We are also under examination in numerous other taxing jurisdictions. While it is possible that one or more of these examinations may be resolved within the next 12 months, we do not anticipate that these examinations will significantly impact our uncertain tax positions.

During fourth quarter 2009, we and the IRS executed settlement agreements in accordance with the IRS's settlement initiative related to certain leveraged leases that the IRS considers SILO transactions. These settlement agreements resolved the SILO transactions originally entered into by Wachovia and reduced our tax exposure on our overall SILO portfolio by approximately 90%. As a result of this resolution, our unrecognized tax benefits decreased $2.7 billion.

In September 2006, well before the IRS announced its SILO settlement initiative in August 2008, we filed a federal tax refund suit in the U.S. Court of Federal Claims related to certain SILO transactions we entered into between 1997 and 2002. Wells Fargo did not receive a letter from the IRS inviting us to participate in the SILO settlement initiative. On January 8, 2010, the U.S. Court of Federal Claims issued an adverse opinion on certain of the transactions at issue in the litigation. Because the opinion did not resolve all of the transactions at issue, final judgment has not yet been entered by the court. Once final judgment is entered, we will have 60 days to file our Notice of Appeal. There will be no adverse financial statement impact resulting from the judgment, and no penalties have been asserted by the government in the litigation.

During fourth quarter 2009, we filed a federal tax refund suit relating to our 2003 tax year in U.S. District Court for the District of Minnesota. At issue in the litigation is a structured finance transaction, the timing of our deduction for certain state taxes, and SILO transactions entered into between 1997 and 2003. No penalties have been asserted in connection with this litigation.

We are estimating that our unrecognized tax benefits could decrease by between $100 million and $300 million during the next 12 months primarily related to statute expirations and settlements.

Note 21: Earnings Per Common Share

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

At December 31, 2009 and 2008, options to purchase 242.7 million and 172.4 million shares and a warrant to purchase 110.3 million and 110.3 million shares, respectively, were outstanding but not included in the calculation of diluted earnings per common share because the exercise price was higher than the market price, and therefore were antidilutive. At December 31, 2007, options to purchase 13.8 million shares were antidilutive.

	Year ended December 31,		
(in millions, except per share amounts)	**2009**	2008	2007
Wells Fargo net income	**$ 12,275**	2,655	8,057
Less: Preferred stock dividends and accretion (1)	**4,285**	286	—
Wells Fargo net income applicable to common stock (numerator)	**$ 7,990**	2,369	8,057
Earnings per common share			
Average common shares outstanding (denominator)	**4,545.2**	3,378.1	3,348.5
Per share	**$ 1.76**	0.70	2.41
Diluted earnings per common share			
Average common shares outstanding	**4,545.2**	3,378.1	3,348.5
Add: Stock options	**17.2**	13.1	34.2
Restricted share rights	**0.3**	0.1	0.1
Diluted average common shares outstanding (denominator)	**4,562.7**	3,391.3	3,382.8
Per share	**$ 1.75**	0.70	2.38

(1) Includes $3.5 billion and $219 million in 2009 and 2008, respectively, for Series D Preferred Stock, which was redeemed in 2009. In conjunction with the redemption, we accelerated accretion of the remaining discount of $1.9 billion.

Note 22: Other Comprehensive Income

The components of other comprehensive income (OCI) and the related tax effects were:

	Year ended December 31,								
			2009			2008			2007
(in millions)	**Before tax**	**Tax effect**	**Net of tax**	Before tax	Tax effect	Net of tax	Before tax	Tax effect	Net of tax
Translation adjustments	**$ 118**	**45**	**73**	(93)	(35)	(58)	36	13	23
Securities available for sale:									
Unrealized losses related to factors other than credit arising during the year	**(1,340)**	**(497)**	**(843)**	—	—	—	—	—	—
All other gains (losses)	**17,253**	**6,437**	**10,816**	(10,552)	(3,960)	(6,592)	91	38	53
Reclassification of gains included in net income	**(349)**	**(129)**	**(220)**	(29)	(11)	(18)	(350)	(133)	(217)
Net unrealized gains (losses) arising during the year	**15,564**	**5,811**	**9,753**	(10,581)	(3,971)	(6,610)	(259)	(95)	(164)
Derivatives and hedging activities:									
Net unrealized gains arising during the year	**193**	**86**	**107**	955	363	592	645	246	399
Reclassification of net gains on cash flow hedges included in net income	**(531)**	**(203)**	**(328)**	(252)	(96)	(156)	(124)	(47)	(77)
Net unrealized gains (losses) arising during the year	**(338)**	**(117)**	**(221)**	703	267	436	521	199	322
Defined benefit pension plans:									
Net actuarial gain (loss)	**222**	**73**	**149**	(2,165)	(799)	(1,366)	347	132	215
Amortization of net actuarial loss and prior service cost included in net income	**184**	**60**	**124**	6	2	4	44	17	27
Net gains (losses) arising during the year	**406**	**133**	**273**	(2,159)	(797)	(1,362)	391	149	242
Other comprehensive income	**$15,750**	**5,872**	**9,878**	(12,130)	(4,536)	(7,594)	689	266	423

Cumulative OCI balances were:

(in millions)	Translation adjustments	Securities available for sale	Derivatives and hedging activities	Defined benefit pension plans	Cumulative other comprehensive income
Balance, December 31, 2006	$ 29	562	113	(402)(1)	302
Net change	23	(164)	322	242	423
Balance, December 31, 2007	52	398	435	(160)	725
Net change	(58)	(6,610)	436	(1,362)	(7,594)
Balance, December 31, 2008	(6)	(6,212)	871	(1,522)	(6,869)
Net change	**73**	**9,753**	**(221)**	**273**	**9,878**
Balance, December 31, 2009	**$ 67**	**3,541**	**650**	**(1,249)**	**3,009**

(1) Adoption of accounting change related to pension and other postretirement benefits as required by FASB ASC 715.

Note 23: Operating Segments

As a result of the combination of Wells Fargo and Wachovia, in first quarter 2009, management realigned its segments into the following three lines of business for management reporting: Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement. The results for these lines of business are based on our management accounting process, which assigns balance sheet and income statement items to each responsible operating segment. This process is dynamic and, unlike financial accounting, there is no comprehensive, authoritative guidance for management accounting equivalent to GAAP. The management accounting process measures the performance of the operating segments based on our management structure and is not necessarily comparable with similar information for other financial services companies. We define our operating segments by product type and customer segment. If the management structure and/or the allocation process changes, allocations, transfers and assignments may change. We revised prior period information to reflect the first quarter 2009 realignment of our operating segments; however, because the acquisition was completed on December 31, 2008, Wachovia's results are not included in the income statement or in average balances for periods prior to 2009.

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

Community Banking serves customers through a complete range of channels, including traditional banking stores, in-store banking centers, business centers, ATMs, and *Wells Fargo Customer Connection*, a 24-hours a day, seven days a week telephone service. Online banking services include single sign-on to online banking, bill pay and brokerage, as well as online banking for small business.

Community Banking also includes Wells Fargo Financial consumer finance and auto finance operations. Consumer finance operations make real estate loans to individuals in the United States and the Pacific Rim, and also make direct consumer loans to individuals and purchase sales finance contracts from retail merchants from offices throughout the United States, and in Canada and the Pacific Rim. Auto finance operations specialize in purchasing sales finance contracts directly from auto dealers in Puerto Rico and making loans secured by autos in the United States and Puerto Rico. Wells Fargo Financial also provides credit cards, lease and other commercial financing.

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

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

U.S. companies and their employees. The division also provides investments and executive benefits to institutional clients and delivers reinsurance services to global insurance companies.

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

(income/expense in millions, average balances in billions)	Community Banking	Wholesale Banking	Wealth, Brokerage and Retirement	Other (3)	Consolidated Company
2009					
Net interest income (1)	**$34,372**	**10,063**	**2,974**	**(1,085)**	**46,324**
Provision for credit losses	**17,743**	**3,594**	**467**	**(136)**	**21,668**
Noninterest income	**24,650**	**10,274**	**8,492**	**(1,054)**	**42,362**
Noninterest expense	**29,045**	**10,688**	**9,364**	**(77)**	**49,020**
Income (loss) before income tax expense (benefit)	**12,234**	**6,055**	**1,635**	**(1,926)**	**17,998**
Income tax expense (benefit)	**3,279**	**2,173**	**611**	**(732)**	**5,331**
Net income (loss) before noncontrolling interests	**8,955**	**3,882**	**1,024**	**(1,194)**	**12,667**
Less: Net income from noncontrolling interests	**339**	**26**	**27**	**—**	**392**
Net income (loss) (2)	**$ 8,616**	**3,856**	**997**	**(1,194)**	**12,275**
2008					
Net interest income (1)	$ 20,542	4,516	827	(742)	25,143
Provision for credit losses	13,622	1,115	302	940	15,979
Noninterest income	12,424	3,685	1,839	(1,214)	16,734
Noninterest expense	16,507	5,282	1,992	(1,183)	22,598
Income (loss) before income tax expense (benefit)	2,837	1,804	372	(1,713)	3,300
Income tax expense (benefit)	659	416	141	(614)	602
Net income (loss) before noncontrolling interests	2,178	1,388	231	(1,099)	2,698
Less: Net income from noncontrolling interests	32	11	—	—	43
Net income (loss) (2)	$ 2,146	1,377	231	(1,099)	2,655
2007					
Net interest income (1)	$ 17,314	3,609	502	(451)	20,974
Provision for credit losses	4,869	69	4	(3)	4,939
Noninterest income	12,911	4,926	1,938	(1,229)	18,546
Noninterest expense	17,159	4,833	1,870	(1,116)	22,746
Income (loss) before income tax expense (benefit)	8,197	3,633	566	(561)	11,835
Income tax expense (benefit)	2,311	1,257	215	(213)	3,570
Net income (loss) before noncontrolling interests	5,886	2,376	351	(348)	8,265
Less: Net income from noncontrolling interests	179	29	—	—	208
Net income (loss) (2)	$ 5,707	2,347	351	(348)	8,057
2009					
Average loans	**$ 538.0**	**255.4**	**45.7**	**(16.3)**	**822.8**
Average assets	**788.7**	**380.8**	**109.4**	**(16.5)**	**1,262.4**
Average core deposits	**533.0**	**146.6**	**114.3**	**(31.4)**	**762.5**
2008					
Average loans	$ 285.6	112.3	15.2	(14.6)	398.5
Average assets	447.6	153.2	18.4	(14.8)	604.4
Average core deposits	252.8	69.6	23.1	(20.3)	325.2

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

(2) Represents segment net income (loss) for Community Banking; Wholesale Banking; and Wealth, Brokerage and Retirement segments and Wells Fargo net income for the Consolidated Company.

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

Note 24: Condensed Consolidating Financial Statements

Following are the condensed consolidating financial statements of the Parent and Wells Fargo Financial, Inc. and its wholly-owned subsidiaries (WFFI). In 2002, the Parent issued a full and unconditional guarantee of all outstanding term debt securities and commercial paper of WFFI. WFFI ceased filing periodic reports under the Securities Exchange Act of 1934 and is no longer a separately rated company. The Parent also guaranteed all outstanding term debt securities of Wells Fargo Financial Canada Corporation (WFFCC), WFFI's wholly-owned Canadian subsidiary. WFFCC has continued to issue term debt securities and commercial paper in Canada, unconditionally guaranteed by the Parent.

Condensed Consolidating Statement of Income

(in millions)	Parent	WFFI	Other consolidating subsidiaries	Eliminations	Consolidated Company
Year ended December 31, 2009					
Dividends from subsidiaries:					
Bank	$ 6,974	—	—	(6,974)	—
Nonbank	528	—	—	(528)	—
Interest income from loans	—	3,467	38,140	(18)	41,589
Interest income from subsidiaries	2,126	—	—	(2,126)	—
Other interest income	424	111	14,150	—	14,685
Total interest income	10,052	3,578	52,290	(9,646)	56,274
Deposits	—	—	3,774	—	3,774
Short-term borrowings	174	38	782	(772)	222
Long-term debt	3,391	1,305	2,458	(1,372)	5,782
Other interest expense	—	—	172	—	172
Total interest expense	3,565	1,343	7,186	(2,144)	9,950
Net interest income	6,487	2,235	45,104	(7,502)	46,324
Provision for credit losses	—	1,901	19,767	—	21,668
Net interest income after provision for credit losses	6,487	334	25,337	(7,502)	24,656
Noninterest income					
Fee income – nonaffiliates	—	148	22,815	—	22,963
Other	738	169	19,135	(643)	19,399
Total noninterest income	738	317	41,950	(643)	42,362
Noninterest expense					
Salaries and benefits	320	129	26,018	—	26,467
Other	521	711	21,964	(643)	22,553
Total noninterest expense	841	840	47,982	(643)	49,020
Income (loss) before income tax expense (benefit) and equity in undistributed income of subsidiaries	6,384	(189)	19,305	(7,502)	17,998
Income tax expense (benefit)	(164)	(86)	5,581	—	5,331
Equity in undistributed income of subsidiaries	5,727	—	—	(5,727)	—
Net income (loss) before noncontrolling interests	12,275	(103)	13,724	(13,229)	12,667
Less: Net income from noncontrolling interests	—	1	391	—	392
Parent, WFFI, Other and Wells Fargo net income (loss)	$12,275	(104)	13,333	(13,229)	12,275

Condensed Consolidating Statements of Income

(in millions)	Parent	WFFI	Other consolidating subsidiaries	Eliminations	Consolidated Company
Year ended December 31, 2008					
Dividends from subsidiaries:					
Bank	$1,806	—	—	(1,806)	—
Nonbank	326	—	—	(326)	—
Interest income from loans	2	5,275	22,417	(62)	27,632
Interest income from subsidiaries	2,892	—	—	(2,892)	—
Other interest income	241	108	7,051	(134)	7,266
Total interest income	5,267	5,383	29,468	(5,220)	34,898
Deposits	—	—	4,966	(445)	4,521
Short-term borrowings	475	220	1,757	(974)	1,478
Long-term debt	2,957	1,807	661	(1,669)	3,756
Total interest expense	3,432	2,027	7,384	(3,088)	9,755
Net interest income	1,835	3,356	22,084	(2,132)	25,143
Provision for credit losses	—	2,970	13,009	—	15,979
Net interest income after provision for credit losses	1,835	386	9,075	(2,132)	9,164
Noninterest income					
Fee income – nonaffiliates	—	437	10,110	—	10,547
Other	(101)	168	8,181	(2,061)	6,187
Total noninterest income	(101)	605	18,291	(2,061)	16,734
Noninterest expense					
Salaries and benefits	(385)	719	12,606	—	12,940
Other	15	1,119	10,585	(2,061)	9,658
Total noninterest expense	(370)	1,838	23,191	(2,061)	22,598
Income (loss) before income tax expense (benefit) and equity in undistributed income of subsidiaries	2,104	(847)	4,175	(2,132)	3,300
Income tax expense (benefit)	(83)	(289)	974	—	602
Equity in undistributed income of subsidiaries	468	—	—	(468)	—
Net income (loss) before noncontrolling interests	2,655	(558)	3,201	(2,600)	2,698
Less: Net income from noncontrolling interests	—	—	43	—	43
Parent, WFFI, Other and Wells Fargo net income (loss)	$2,655	(558)	3,158	(2,600)	2,655
Year ended December 31, 2007					
Dividends from subsidiaries:					
Bank	$4,587	—	—	(4,587)	—
Nonbank	398	—	—	(398)	—
Interest income from loans	—	5,643	23,453	(56)	29,040
Interest income from subsidiaries	3,693	—	—	(3,693)	—
Other interest income	152	115	5,875	(5)	6,137
Total interest income	8,830	5,758	29,328	(8,739)	35,177
Deposits	—	—	8,793	(641)	8,152
Short-term borrowings	444	442	1,626	(1,267)	1,245
Long-term debt	3,830	1,923	900	(1,847)	4,806
Total interest expense	4,274	2,365	11,319	(3,755)	14,203
Net interest income	4,556	3,393	18,009	(4,984)	20,974
Provision for credit losses	—	969	3,970	—	4,939
Net interest income after provision for credit losses	4,556	2,424	14,039	(4,984)	16,035
Noninterest income					
Fee income – nonaffiliates	—	394	10,233	—	10,627
Other	117	140	9,190	(1,528)	7,919
Total noninterest income	117	534	19,423	(1,528)	18,546
Noninterest expense					
Salaries and benefits	61	1,229	12,078	—	13,368
Other	291	1,119	9,495	(1,527)	9,378
Total noninterest expense	352	2,348	21,573	(1,527)	22,746
Income (loss) before income tax expense (benefit) and equity in undistributed income of subsidiaries	4,321	610	11,889	(4,985)	11,835
Income tax expense (benefit)	(257)	246	3,581	—	3,570
Equity in undistributed income of subsidiaries	3,479	—	—	(3,479)	—
Net income (loss) before noncontrolling interests	8,057	364	8,308	(8,464)	8,265
Less: Net income from noncontrolling interests	—	—	208	—	208
Parent, WFFI, Other and Wells Fargo net income (loss)	$8,057	364	8,100	(8,464)	8,057

Note 24: Condensed Consolidating Financial Statements (*continued*)

Condensed Consolidating Balance Sheets

(in millions)	Parent	WFFI	Other consolidating subsidiaries	Eliminations	Consolidated Company
December 31, 2009					
Assets					
Cash and cash equivalents due from:					
Subsidiary banks	**$ 27,303**	**205**	**—**	**(27,508)**	**—**
Nonaffiliates	**11**	**249**	**67,705**	**—**	**67,965**
Securities available for sale	**4,666**	**2,665**	**165,379**	**—**	**172,710**
Mortgages and loans held for sale	**—**	**—**	**44,827**	**—**	**44,827**
Loans	**7**	**35,199**	**750,045**	**(2,481)**	**782,770**
Loans to subsidiaries:					
Bank	**6,760**	**—**	**—**	**(6,760)**	**—**
Nonbank	**56,316**	**—**	**—**	**(56,316)**	**—**
Allowance for loan losses	**—**	**(1,877)**	**(22,639)**	**—**	**(24,516)**
Net loans	**63,083**	**33,322**	**727,406**	**(65,557)**	**758,254**
Investments in subsidiaries:					
Bank	**134,063**	**—**	**—**	**(134,063)**	**—**
Nonbank	**12,816**	**—**	**—**	**(12,816)**	**—**
Other assets	**10,758**	**1,500**	**189,049**	**(1,417)**	**199,890**
Total assets	**$252,700**	**37,941**	**1,194,366**	**(241,361)**	**1,243,646**
Liabilities and equity					
Deposits	**$ —**	**—**	**851,526**	**(27,508)**	**824,018**
Short-term borrowings	**1,546**	**10,599**	**59,813**	**(32,992)**	**38,966**
Accrued expenses and other liabilities	**7,878**	**1,439**	**54,542**	**(1,417)**	**62,442**
Long-term debt	**119,353**	**24,437**	**80,499**	**(20,428)**	**203,861**
Indebtedness to subsidiaries	**12,137**	**—**	**—**	**(12,137)**	**—**
Total liabilities	**140,914**	**36,475**	**1,046,380**	**(94,482)**	**1,129,287**
Parent, WFFI, other and Wells Fargo stockholders' equity	**111,786**	**1,456**	**145,423**	**(146,879)**	**111,786**
Noncontrolling interests	**—**	**10**	**2,563**	**—**	**2,573**
Total equity	**111,786**	**1,466**	**147,986**	**(146,879)**	**114,359**
Total liabilities and equity	**$252,700**	**37,941**	**1,194,366**	**(241,361)**	**1,243,646**
December 31, 2008					
Assets					
Cash and cash equivalents due from:					
Subsidiary banks	$ 15,658	246	—	(15,904)	—
Nonaffiliates	—	180	73,016	—	73,196
Securities available for sale	4,950	2,130	144,494	(5)	151,569
Mortgages and loans held for sale	—	—	26,316	—	26,316
Loans	9	45,930	827,242	(8,351)	864,830
Loans to subsidiaries:					
Bank	21,745	—	—	(21,745)	—
Nonbank	68,527	—	—	(68,527)	—
Allowance for loan losses	—	(2,359)	(18,654)	—	(21,013)
Net loans	90,281	43,571	808,588	(98,623)	843,817
Investments in subsidiaries:					
Bank	105,721	—	—	(105,721)	—
Nonbank	24,094	—	—	(24,094)	—
Other assets	34,949	1,756	213,099	(35,063)	214,741
Total assets	$ 275,653	47,883	1,265,513	(279,410)	1,309,639
Liabilities and equity					
Deposits	$ —	—	791,728	(10,326)	781,402
Short-term borrowings	23,434	12,911	150,156	(78,427)	108,074
Accrued expenses and other liabilities	7,426	1,179	55,721	(13,637)	50,689
Long-term debt	134,026	31,704	137,118	(35,690)	267,158
Indebtedness to subsidiaries	11,683	—	—	(11,683)	—
Total liabilities	176,569	45,794	1,134,723	(149,763)	1,207,323
Parent, WFFI, other and Wells Fargo stockholders' equity	99,084	2,074	127,573	(129,647)	99,084
Noncontrolling interests	—	15	3,217	—	3,232
Total equity	99,084	2,089	130,790	(129,647)	102,316
Total liabilities and equity	$ 275,653	47,883	1,265,513	(279,410)	1,309,639

Condensed Consolidating Statements of Cash Flows

								Year ended December 31,
				2009				2008
(in millions)	Parent	WFFI	Other consolidating subsidiaries/ eliminations	Consolidated Company	Parent	WFFI	Other consolidating subsidiaries/ eliminations	Consolidated Company
Cash flows from operating activities:								
Net cash provided (used) by operating activities	$ 7,356	1,655	19,602	28,613	730	2,023	(7,541)	(4,788)
Cash flows from investing activities:								
Securities available for sale:								
Sales proceeds	1,184	925	50,929	53,038	2,570	875	57,361	60,806
Prepayments and maturities	—	290	38,521	38,811	—	283	24,034	24,317
Purchases	(463)	(1,667)	(93,155)	(95,285)	(3,514)	(1,258)	(100,569)	(105,341)
Loans:								
Decrease (increase) in banking subsidiaries' loan originations, net of collections	—	(981)	53,221	52,240	—	(1,684)	(53,131)	(54,815)
Proceeds from sales (including participations) of loans originated for investment by banking subsidiaries	—	—	6,162	6,162	—	—	1,988	1,988
Purchases (including participations) of loans by banking subsidiaries	—	—	(3,363)	(3,363)	—	—	(5,513)	(5,513)
Principal collected on nonbank entities' loans	—	11,119	3,309	14,428	—	14,447	7,399	21,846
Loans originated by nonbank entities	—	(5,523)	(4,438)	(9,961)	—	(12,362)	(7,611)	(19,973)
Net repayments from (advances to) subsidiaries	11,369	(138)	(11,231)	—	(12,415)	—	12,415	—
Capital notes and term loans made to subsidiaries	(497)	(1,000)	1,497	—	(2,008)	—	2,008	—
Principal collected on notes/ loans made to subsidiaries	12,979	—	(12,979)	—	8,679	—	(8,679)	—
Net decrease (increase) in investment in subsidiaries	(1,382)	—	1,382	—	(37,108)	—	37,108	—
Net cash acquired from (paid for) acquisitions	—	—	(138)	(138)	9,194	—	2,009	11,203
Other, net	22,513	355	(7,015)	15,853	(21,823)	(91)	69,235	47,321
Net cash provided (used) by investing activities	45,703	3,380	22,702	71,785	(56,425)	210	38,054	(18,161)
Cash flows from financing activities:								
Net change in:								
Deposits	—	—	42,473	42,473	—	—	7,697	7,697
Short-term borrowings	(19,100)	2,158	(52,166)	(69,108)	17,636	5,580	(38,104)	(14,888)
Long-term debt:								
Proceeds from issuance	8,297	1,347	(1,248)	8,396	21,931	1,113	12,657	35,701
Repayment	(22,931)	(8,508)	(34,821)	(66,260)	(16,560)	(8,983)	(4,316)	(29,859)
Preferred stock:								
Cash dividends paid	(2,178)	—	—	(2,178)	—	—	—	—
Proceeds from issuance	—	—	—	—	22,674	—	—	22,674
Redeemed	(25,000)	—	—	(25,000)	—	—	—	—
Proceeds from issuance of stock warrants	—	—	—	—	2,326	—	—	2,326
Common stock:								
Proceeds from issuance	21,976	—	—	21,976	14,171	—	—	14,171
Repurchased	(220)	—	—	(220)	(1,623)	—	—	(1,623)
Cash dividends paid	(2,125)	—	—	(2,125)	(4,312)	—	—	(4,312)
Excess tax benefits related to stock option payments	18	—	—	18	121	—	—	121
Change in noncontrolling interests:								
Purchase of Prudential's noncontrolling interest	—	—	(4,500)	(4,500)	—	—	—	—
Other, net	—	(4)	(549)	(553)	—	—	(53)	(53)
Other, net	(140)	—	140	—	—	—	—	—
Net cash provided (used) by financing activities	(41,403)	(5,007)	(50,671)	(97,081)	56,364	(2,290)	(22,119)	31,955
Net change in cash and due from banks	11,656	28	(8,367)	3,317	669	(57)	8,394	9,006
Cash and due from banks at beginning of year	15,658	426	7,679	23,763	14,989	483	(715)	14,757
Cash and due from banks at end of year	$ 27,314	454	(688)	27,080	15,658	426	7,679	23,763

Note 24: Condensed Consolidating Financial Statements (*continued*)

Condensed Consolidating Statement of Cash Flows

(in millions)	Parent	WFFI	Other consolidating subsidiaries/ eliminations	Consolidated Company
Year ended December 31, 2007				
Cash flows from operating activities:				
Net cash provided by operating activities	$ 3,715	1,446	4,125	9,286
Cash flows from investing activities:				
Securities available for sale:				
Sales proceeds	2,554	559	44,877	47,990
Prepayments and maturities	—	299	8,206	8,505
Purchases	(3,487)	(1,174)	(70,468)	(75,129)
Loans:				
Increase in banking subsidiaries' loan originations, net of collections	—	(2,686)	(45,929)	(48,615)
Proceeds from sales (including participations) of loans originated for investment by banking subsidiaries	—	—	3,369	3,369
Purchases (including participations) of loans by banking subsidiaries	—	—	(8,244)	(8,244)
Principal collected on nonbank entities' loans	—	18,729	2,747	21,476
Loans originated by nonbank entities	—	(20,461)	(4,823)	(25,284)
Net repayments from (advances to) subsidiaries	(10,338)	—	10,338	—
Capital notes and term loans made to subsidiaries	(10,508)	—	10,508	—
Principal collected on notes/loans made to subsidiaries	7,588	—	(7,588)	—
Net decrease (increase) in investment in subsidiaries	(1,132)	—	1,132	—
Net cash paid for acquisitions	—	—	(2,811)	(2,811)
Other, net	(106)	(847)	2,349	1,396
Net cash used by investing activities	(15,429)	(5,581)	(56,337)	(77,347)
Cash flows from financing activities:				
Net change in:				
Deposits	—	—	27,058	27,058
Short-term borrowings	9,138	2,670	28,019	39,827
Long-term debt:				
Proceeds from issuance	24,385	11,335	(6,360)	29,360
Repayment	(11,726)	(9,870)	3,346	(18,250)
Common stock:				
Proceeds from issuance	1,876	—	—	1,876
Repurchased	(7,418)	—	—	(7,418)
Cash dividends paid	(3,955)	—	—	(3,955)
Excess tax benefits related to stock option payments	196	—	—	196
Change in noncontrolling interests:				
Other, net	—	—	(176)	(176)
Other, net	(2)	13	(739)	(728)
Net cash provided by financing activities	12,494	4,148	51,148	67,790
Net change in cash and due from banks	780	13	(1,064)	(271)
Cash and due from banks at beginning of year	14,209	470	349	15,028
Cash and due from banks at end of year	$ 14,989	483	(715)	14,757

Note 25: Regulatory and Agency Capital Requirements

The Company and each of its subsidiary banks are subject to various regulatory capital adequacy requirements administered by the Federal Reserve Board (FRB) and the OCC, respectively. The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) required that the federal regulatory agencies adopt regulations defining five capital tiers for banks: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on our financial statements.

Quantitative measures, established by the regulators to ensure capital adequacy, require that the Company and each of the subsidiary banks maintain minimum ratios (set forth in the following table) of capital to risk-weighted assets. There are three categories of capital under the guidelines. Tier 1 capital includes common stockholders' equity, qualifying preferred stock and trust preferred securities, less goodwill and certain other deductions (including a portion of servicing assets and the unrealized net gains and losses, after taxes, on securities available for sale). Tier 2 capital includes preferred stock not qualifying as Tier 1 capital, subordinated debt, the allowance for credit losses and net unrealized gains

on marketable equity securities, subject to limitations by the guidelines. Tier 2 capital is limited to the amount of Tier 1 capital (i.e., at least half of the total capital must be in the form of Tier 1 capital). Tier 3 capital includes certain qualifying unsecured subordinated debt.

We do not consolidate our wholly-owned trusts (the Trusts) formed solely to issue trust preferred securities. The amount of trust preferred securities and perpetual preferred purchase securities issued by the Trusts that was includable in Tier 1 capital in accordance with FRB risk-based capital (RBC) guidelines was $19.3 billion at December 31, 2009. The junior subordinated debentures held by the Trusts were included in the Company's long-term debt. See Note 13 in this Report for additional information on trust preferred securities.

Under the guidelines, capital is compared with the relative risk related to the balance sheet. To derive the risk included in the balance sheet, a risk weighting is applied to each balance sheet asset and off-balance sheet item, primarily based on the relative credit risk of the counterparty. For example, claims guaranteed by the U.S. government or one of its agencies are risk-weighted at 0% and certain real estate related loans risk-weighted at 50%. Off-balance sheet items, such as loan commitments and derivatives, are also applied a risk weight after calculating balance sheet equivalent amounts. A credit conversion factor is assigned to loan commitments based on the likelihood of the off-balance sheet item becoming an asset. For example, certain loan commitments are converted at 50% and then risk-weighted at 100%. Derivatives are converted to balance sheet equivalents based on notional values, replacement costs and remaining contractual terms. See Notes 6 and 15 in this Report for further discussion of off-balance sheet items. For certain recourse obligations, direct credit substitutes, residual interests in asset securitization, and other securitized transactions that expose institutions primarily to credit risk, the capital amounts and classification under the guidelines are subject to qualitative judgments by the regulators about components, risk weightings and other factors.

	Actual		For capital adequacy purposes		To be well capitalized under the FDICIA prompt corrective action provisions	
(in billions)	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2009:						
Total capital (to risk-weighted assets)						
Wells Fargo & Company	$134.4	13.26%	≥$81.1	≥8.00%		
Wells Fargo Bank, N.A.	58.4	11.87	≥ 39.4	≥8.00	≥$49.2	≥10.00%
Wachovia Bank, N.A.	60.5	13.65	≥ 35.4	≥8.00	≥ 44.3	≥10.00
Tier 1 capital (to risk-weighted assets)						
Wells Fargo & Company	93.8	9.25	≥ 40.5	≥4.00		
Wells Fargo Bank, N.A.	43.8	8.90	≥ 19.7	≥4.00	≥ 29.5	≥ 6.00
Wachovia Bank, N.A.	39.7	8.97	≥ 17.7	≥4.00	≥ 26.6	≥ 6.00
Tier 1 capital (to average assets) (Leverage ratio)						
Wells Fargo & Company	93.8	7.87	≥ 47.7	≥4.00(1)		
Wells Fargo Bank, N.A.	43.8	7.50	≥ 23.3	≥4.00(1)	≥ 29.2	≥ 5.00
Wachovia Bank, N.A.	39.7	8.23	≥ 19.3	≥4.00(1)	≥ 24.1	≥ 5.00

(1) The leverage ratio consists of Tier 1 capital divided by quarterly average total assets, excluding goodwill and certain other items. The minimum leverage ratio guideline is 3% for banking organizations that do not anticipate significant growth and that have well-diversified risk, excellent asset quality, high liquidity, good earnings, effective management and monitoring of market risk and, in general, are considered top-rated, strong banking organizations.

Management believes that, as of December 31, 2009, the Company and each of the covered subsidiary banks met all capital adequacy requirements to which they are subject.

The most recent notification from the OCC categorized each of the covered subsidiary banks as well capitalized, under the FDICIA prompt corrective action provisions applicable to banks. To be categorized as well capitalized, the institution must maintain a total RBC ratio as set forth in the table above and not be subject to a capital directive order. There are no conditions or events since that notification that management believes have changed the RBC category of any of the covered subsidiary banks.

Certain subsidiaries of the Company are approved seller/servicers, and are therefore required to maintain minimum levels of shareholders' equity, as specified by various agencies, including the United States Department of Housing and Urban Development, GNMA, FHLMC and FNMA. At December 31, 2009, each seller/servicer met these requirements.

Certain broker-dealer subsidiaries of the Company are subject to SEC Rule 15c3-1 (the Net Capital Rule), which requires that we maintain minimum levels of net capital, as defined. At December 31, 2009, each of these subsidiaries met these requirements.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Wells Fargo & Company:

We have audited the accompanying consolidated balance sheet of Wells Fargo & Company and Subsidiaries (the Company) as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of evaluating other-than-temporary impairment for debt securities in 2009 and certain investment securities in 2008.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 26, 2010, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

San Francisco, California
February 26, 2010

Quarterly Financial Data

Condensed Consolidated Statement of Income – Quarterly (Unaudited)

	2009 Quarter ended				2008 Quarter ended			
(in millions, except per share amounts)	**Dec. 31**	**Sept. 30**	**June 30**	**Mar. 31**	Dec. 31	Sept. 30	June 30	Mar. 31
Interest income	**$13,692**	**13,968**	**14,301**	**14,313**	8,728	8,774	8,547	8,849
Interest expense	**2,192**	**2,284**	**2,537**	**2,937**	2,004	2,393	2,269	3,089
Net interest income	**11,500**	**11,684**	**11,764**	**11,376**	6,724	6,381	6,278	5,760
Provision for credit losses	**5,913**	**6,111**	**5,086**	**4,558**	8,444	2,495	3,012	2,028
Net interest income after provision for credit losses	**5,587**	**5,573**	**6,678**	**6,818**	(1,720)	3,886	3,266	3,732
Noninterest income								
Service charges on deposit accounts	**1,421**	**1,478**	**1,448**	**1,394**	803	839	800	748
Trust and investment fees	**2,605**	**2,502**	**2,413**	**2,215**	661	738	762	763
Card fees	**961**	**946**	**923**	**853**	589	601	588	558
Other fees	**990**	**950**	**963**	**901**	535	552	511	499
Mortgage banking	**3,411**	**3,067**	**3,046**	**2,504**	(195)	892	1,197	631
Insurance	**482**	**468**	**595**	**581**	337	439	550	504
Net gains (losses) from trading activities	**516**	**622**	**749**	**787**	(409)	65	516	103
Net gains (losses) on debt securities available for sale	**110**	**(40)**	**(78)**	**(119)**	721	84	(91)	323
Net gains (losses) from equity investments	**273**	**29**	**40**	**(157)**	(608)	(509)	47	313
Operating leases	**163**	**224**	**168**	**130**	62	102	120	143
Other	**264**	**536**	**476**	**552**	257	193	182	218
Total noninterest income	**11,196**	**10,782**	**10,743**	**9,641**	2,753	3,996	5,182	4,803
Noninterest expense								
Salaries	**3,505**	**3,428**	**3,438**	**3,386**	2,168	2,078	2,030	1,984
Commission and incentive compensation	**2,086**	**2,051**	**2,060**	**1,824**	671	555	806	644
Employee benefits	**1,144**	**1,034**	**1,227**	**1,284**	338	486	593	587
Equipment	**681**	**563**	**575**	**687**	402	302	305	348
Net occupancy	**770**	**778**	**783**	**796**	418	402	400	399
Core deposit and other intangible	**642**	**642**	**646**	**647**	47	47	46	46
FDIC and other deposit assessments	**302**	**228**	**981**	**338**	57	37	18	8
Other	**3,691**	**2,960**	**2,987**	**2,856**	1,709	1,594	1,647	1,426
Total noninterest expense	**12,821**	**11,684**	**12,697**	**11,818**	5,810	5,501	5,845	5,442
Income (loss) before income tax expense	**3,962**	**4,671**	**4,724**	**4,641**	(4,777)	2,381	2,603	3,093
Income tax expense (benefit)	**949**	**1,355**	**1,475**	**1,552**	(2,036)	730	834	1,074
Net income (loss) before noncontrolling interests	**3,013**	**3,316**	**3,249**	**3,089**	(2,741)	1,651	1,769	2,019
Less: Net income (loss) from noncontrolling interests	**190**	**81**	**77**	**44**	(7)	14	16	20
Wells Fargo net income (loss)	**$ 2,823**	**3,235**	**3,172**	**3,045**	(2,734)	1,637	1,753	1,999
Wells Fargo net income (loss) applicable to common stock	**$ 394**	**2,637**	**2,575**	**2,384**	(3,020)	1,637	1,753	1,999
Per share information								
Earnings (loss) per common share	**$ 0.08**	**0.56**	**0.58**	**0.56**	(0.84)	0.49	0.53	0.61
Diluted earnings (loss) per common share	**0.08**	**0.56**	**0.57**	**0.56**	(0.84)	0.49	0.53	0.60
Dividends declared per common share	**0.05**	**0.05**	**0.05**	**0.34**	0.34	0.34	0.31	0.31
Average common shares outstanding	**4,764.8**	**4,678.3**	**4,483.1**	**4,247.4**	3,582.4	3,316.4	3,309.8	3,302.4
Diluted average common shares outstanding	**4,796.1**	**4,706.4**	**4,501.6**	**4,249.3**	3,593.6	3,331.0	3,321.4	3,317.9
Market price per common share (1)								
High	**$ 31.53**	**29.56**	**28.45**	**30.47**	38.95	44.68	32.40	34.56
Low	**25.00**	**22.08**	**13.65**	**7.80**	19.89	20.46	23.46	24.38
Quarter-end	**26.99**	**28.18**	**24.26**	**14.24**	29.48	37.53	23.75	29.10

(1) Based on daily prices reported on the New York Stock Exchange Composite Transaction Reporting System.

Glossary of Acronyms

ABCP	Asset-backed commercial paper
AICPA	American Institute of Certified Public Accountants
ALCO	Asset/Liability Management Committee
AMTN	Australian medium-term note programme
ARS	Auction rate security
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ARM	Adjustable-rate mortgage
AVM	Automated valuation model
CDs	Certificates of deposit
CDO	Collateralized debt obligation
CLO	Collateralized loan obligation
CMO	Collateralized mortgage obligation
CPP	Capital Purchase Program
CPR	Constant prepayment rate
CRE	Commercial real estate
EITF	Emerging Issues Task Force
EMTN	European medium-term note programme
ESOP	Employee Stock Ownership Plan
FAS	Statement of Financial Accounting Standards
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Company
FICO	Fair Isaac Corporation (credit rating)
FNMA	Federal National Mortgage Association
FRB	Federal Reserve Board
FSP	FASB Staff Position
GAAP	Generally Accepted Accounting Principles
GNMA	Government National Mortgage Association
GSE	Government-sponsored entity
IRA	Individual Retirement Account
LHFS	Loans held for sale
LIBOR	London Interbank Offered Rate
LTV	Loan-to-value
MBS	Mortgage-backed security
MHFS	Mortgages held for sale
MSR	Mortgage servicing right
NAV	Net asset value
NPA	Nonperforming asset
OCC	Office of the Comptroller of the Currency
OCI	Other comprehensive income
OTC	Over-the-counter
OTTI	Other-than-temporary impairment
PCI Loans	Purchased credit-impaired loans are acquired loans with evidence of credit deterioration accounted for under FASB ASC 310-30 (AICPA Statement of Position 03-3)
PTPP	Pre-tax pre-provision profit
QSPE	Qualifying special purpose entity
RBC	Risk-based capital
ROA	Wells Fargo net income to average total assets
ROE	Wells Fargo net income applicable to common stock to average Wells Fargo common stockholders' equity
SCAP	Supervisory Capital Assessment Program
SEC	Securities and Exchange Commission
S&P	Standard & Poors
SIV	Structured investment vehicle
SPE	Special purpose entity
TARP	Troubled Asset Relief Program
TDR	Troubled debt restructuring
TLGP	Temporary Liquidity Guarantee Program
VA	Department of Veterans Affairs
VaR	Value-at-risk
VIE	Variable interest entity
WFFCC	Wells Fargo Financial Canada Corporation
WFFI	Wells Fargo Financial, Inc. and its wholly-owned subsidiaries

Codification Cross Reference

Codification Topic	Superseded Authoritative Accounting Literature
FASB ASC 260, *Earnings Per Share*	FAS 128, *Earnings Per Share*, and FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities*
FASB ASC 310, *Receivables*	FAS 114, *Accounting by Creditors for Impairment of A Loan, an Amendment of FASB Statements No. 5 and 15*, and AICPA SOP 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*
FASB ASC 320, *Investments – Debt and Equity Securities*	FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*
FASB ASC 715, *Compensation – Retirement Benefits*	FAS 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)*, and FSP FAS 132(R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets*
FASB ASC 718, *Compensation – Stock Compensation*	FAS 123(R), *Share-Based Payment*
FASB ASC 805, *Business Combinations*	FAS 141(R), *Business Combinations*
FASB ASC 810, *Consolidation*	FAS 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51*, FAS 167, *Amendments to FASB Interpretation No. 46(R)*, and FIN 46(R), *Consolidation of Variable Interest Entities – an amendment of ARB No. 51*
FASB ASC 815, *Derivatives and Hedging*	FAS 133, *Accounting for Derivative Instruments and Hedging Activities*, and FAS 161, *Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133*
FASB ASC 820, *Fair Value Measurements and Disclosures*	FAS 157, *Fair Value Measurements*
FASB ASC 820-10, *Fair Value Measurements and Disclosures*	FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*
FASB ASC 825, *Financial Instruments*	FAS 107, *Disclosures about Fair Value of Financial Instruments*, FAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115*, and FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*
FASB ASC 855, *Subsequent Events*	FAS 165, *Subsequent Events*
FASB ASC 860, *Transfers and Servicing*	FAS 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities – A Replacement of FASB Statement 125*, FAS 156, *Accounting for Servicing of Financial Assets – an amendment of FASB Statement No. 140*, and FAS 166, *Accounting for Transfers of Financial Assets – an amendment of FASB Statement No. 140*