WELLS FARGO & CO/MN
Form 10-Q
August 06, 2007

Table of Contents

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

FORM 10-Q

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

For the quarterly period ended June 30, 2007

Commission file number 001-2979

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

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

420 Montgomery Street, San Francisco, California 94163
(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code: 1-866-249-3302

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

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

	Shares Outstanding July 31, 2007
Common stock, $1-2/3 par value	3,342,457,892

FORM 10-Q
CROSS-REFERENCE INDEX

Table of Contents

PART I FINANCIAL INFORMATION

FINANCIAL REVIEW

SUMMARY FINANCIAL DATA

($ in millions, except per share amounts)	Quarter ended June 30, 2007	Quarter ended Mar. 31, 2007	Quarter ended June 30, 2006	% Change June 30, 2007 from Mar. 31, 2007	% Change June 30, 2007 from June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006	% Change
For the Period								
Net income	**$ 2,279**	$ 2,244	$ 2,089	2%	9%	**$ 4,523**	$ 4,107	10%
Diluted earnings per common share	**0.67**	0.66	0.61	2	10	**1.33**	1.21	10
Profitability ratios (annualized):								
Net income to average total assets (ROA)	**1.82%**	1.89%	1.71%	(4)	6	**1.85%**	1.71%	8
Net income to average stockholders equity (ROE)	**19.55**	19.65	19.76	(1)	(1)	**19.60**	19.83	(1)
Efficiency ratio (1)	**57.9**	58.5	58.9	(1)	(2)	**58.2**	59.1	(2)
Total revenue	**$ 9,891**	$ 9,441	$ 8,789	5	13	**$ 19,332**	$ 17,344	11
Dividends declared per common share (2)	**0.28**	0.28	0.54		(48)	**0.56**	0.80	(30)
Dividends paid per common share	**0.28**	0.28	0.26		8	**0.56**	0.52	8
Average common shares outstanding	**3,351.2**	3,376.0	3,363.8	(1)		**3,363.5**	3,360.9	
Diluted average common shares outstanding	**3,389.3**	3,416.1	3,404.4	(1)		**3,402.5**	3,400.1	
Average loans	**$ 331,970**	$ 321,429	$ 300,388	3	11	**$ 326,729**	$ 305,731	7
Average assets	**502,686**	482,105	491,456	4	2	**492,453**	483,371	2
Average core deposits (3)	**300,535**	290,586	264,129	3	14	**295,588**	260,817	13
Average retail core deposits (4)	**228,006**	223,729	214,904	2	6	**225,872**	214,391	5
Net interest margin	**4.89%**	4.95%	4.76%	(1)	3	**4.92%**	4.80%	3
At Period End								
Securities available for sale	**$ 72,179**	$ 45,443	$ 71,420	59	1	**$ 72,179**	$ 71,420	1
Loans	**342,800**	325,487	300,622	5	14	**342,800**	300,622	14
Allowance for loan losses	**3,820**	3,772	3,851	1	(1)	**3,820**	3,851	(1)
Goodwill	**11,983**	11,275	11,091	6	8	**11,983**	11,091	8
Assets	**539,865**	485,901	499,516	11	8	**539,865**	499,516	8
Core deposits (3)	**300,602**	296,469	268,350	1	12	**300,602**	268,350	12
Stockholders equity	**47,301**	46,135	41,894	3	13	**47,301**	41,894	13
Tier 1 capital (5)	**38,387**	36,476	33,344	5	15	**38,387**	33,344	15
Total capital (5)	**52,517**	50,733	47,202	4	11	**52,517**	47,202	11
Capital ratios:								
Stockholders equity to assets	**8.76%**	9.49%	8.39%	(8)	4	**8.76%**	8.39%	4
Risk-based capital (5)								
Tier 1 capital	**8.57**	8.70	8.35	(1)	3	**8.57**	8.35	3
Total capital	**11.72**	12.10	11.82	(3)	(1)	**11.72**	11.82	(1)
Tier 1 leverage (5)	**7.90**	7.83	6.99	1	13	**7.90**	6.99	13
Book value per common share	**$ 14.07**	$ 13.77	$ 12.46	2	13	**$ 14.07**	$ 12.46	13
	158,700	159,600	154,300	(1)	3	**158,700**	154,300	3

Team members (active, full-time equivalent)							
Common Stock Price							
High	**$ 36.49**	$ 36.64	$ 34.86		5	**$ 36.64**	$ 34.86	5
Low	**33.93**	33.01	31.90	3	6	**33.01**	30.31	9
Period end	**35.17**	34.43	33.54	2	5	**35.17**	33.54	5

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

(2) On April 25, 2006, the Company s Board of Directors declared the second quarter 2006 cash dividend payable June 1, 2006. On June 27, 2006, the Board declared a two-for-one split in the form of a 100% stock dividend on the Company s common stock and, at the same time, the third quarter 2006 cash dividend payable September 1, 2006.

(3) Core deposits are noninterest-bearing deposits, interest-bearing checking, savings certificates, market rate and other savings, and certain foreign deposits (Eurodollar sweep balances). During 2006, certain customer accounts (largely Wholesale Banking) were converted to deposit balances in the form of Eurodollar

sweep accounts from off-balance sheet money market funds and repurchase agreements. Included in average core deposits were converted balances of $9,888 million, $9,888 million and $2,771 million for the quarters ended June 30, 2007, March 31, 2007, and June 30, 2006, respectively. Average core deposits increased 11% from second quarter 2006 not including these converted balances.

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

(5) See Note 19 (Regulatory and Agency Capital Requirements) to Financial Statements for additional information.

Table of Contents

This Report on Form 10-Q for the quarter ended June 30, 2007, including the Financial Review and the Financial Statements and related Notes, has forward-looking statements, which may include forecasts of our financial results and condition, expectations for our operations and business, and our assumptions for those forecasts and expectations. Do not unduly rely on forward-looking statements. Actual results might differ significantly from our forecasts and expectations due to several factors. Some of these factors are described in the Financial Review and in the Financial Statements and related Notes. For a discussion of other factors, refer to the Risk Factors section in this Report and to the Risk Factors and Regulation and Supervision sections of our Annual Report on Form 10-K for the year ended December 31, 2006 (2006 Form 10-K), filed with the Securities and Exchange Commission (SEC) and available on the SEC s website at www.sec.gov.

OVERVIEW

Wells Fargo & Company is a $540 billion diversified financial services company providing banking, insurance, investments, mortgage banking and consumer finance through banking stores, the internet and other distribution channels to consumers, businesses and institutions in all 50 states of the U.S. and in other countries. We ranked fifth in assets and fourth in market value of our common stock among U.S. bank holding companies at June 30, 2007. When we refer to the Company, we, our and us in this Report, we mean Wells Fargo & Company and Subsidiaries (consolidated). When we refer to the Parent, we mean Wells Fargo & Company.

In second quarter 2007, we achieved record diluted earnings per share of $0.67, up 10% from a year ago, and record net income of $2.28 billion, up 9% from a year ago. Our double-digit earnings per share growth again was driven by an ideal combination of double-digit top line growth (revenue up 13% year over year), positive operating leverage (revenue up 13% versus 11% expense growth), and relatively stable credit quality (net credit losses of 0.87% of average total loans versus the 0.91% average of the prior two quarters). Business performance was strong and well balanced across the broad diversity of our business segments, with most of our 80 plus consumer and commercial businesses producing double-digit earnings or revenue growth in second quarter 2007. We increased or maintained operating margins, with the net interest margin at 4.89% for second quarter 2007, up 13 basis points from a year ago; return on assets (ROA), which includes all credit costs, at 1.82%, up 11 basis points from a year ago; and return on equity (ROE) remaining at a strong 19.55%, among the best in our industry.

Our vision is to satisfy all our customers financial needs, help them succeed financially, be recognized as the premier financial services company in our markets and be one of America s great companies. Our primary strategy to achieve this vision is to increase the number of products our customers buy from us and to give them all of the financial products that fulfill their needs. Our cross-sell strategy and diversified business model facilitate growth in strong and weak economic cycles, as we can grow by expanding the number of products our current customers have with us. Our average retail banking household now has a record 5.4 products with us. Our goal is eight products per customer, which is currently half of our estimate of potential demand. Our core products grew in second quarter 2007 from a year ago, with average loans up 11%, average core deposits up 14% and assets under management or administration up 29%.

Table of Contents

We believe it is important to maintain a well-controlled environment as we continue to grow our businesses. We manage our credit risk by setting what we believe are sound credit policies for underwriting, while continuously monitoring and reviewing the performance of our loan portfolio. We maintain a well-diversified loan portfolio, measured by industry, geography and product type. We manage the interest rate and market risks inherent in our assets and liabilities within prudent ranges, while ensuring adequate liquidity and funding. Our stockholder value has increased over time due to customer satisfaction, strong financial results, investment in our businesses, consistent execution of our business model and the management of our business risks.

Our financial results included the following:

Net income for second quarter 2007 increased 9% to $2.28 billion from $2.09 billion for second quarter 2006. Diluted earnings per share for second quarter 2007 increased 10% to $0.67 from $0.61 for second quarter 2006. ROA was 1.82% and ROE was 19.55% for second quarter 2007, and 1.71% and 19.76%, respectively, for second quarter 2006. Net income for the first half of 2007 was $4.52 billion, or $1.33 per share, up 10% from $4.11 billion, or $1.21 per share, for the first half of 2006. ROA was 1.85% and ROE was 19.60% in the first half of 2007, and 1.71% and 19.83%, respectively, for the first half of 2006.

Net interest income on a taxable-equivalent basis increased 4% to $5.23 billion for second quarter 2007 from $5.02 billion for second quarter 2006 driven by a 2% increase in average earning assets and a 13 basis point increase in the net interest margin, including the addition late in second quarter 2007 of approximately $30 billion in debt securities at substantially higher yields than have prevailed on average over the last two years. At 4.89% in second quarter 2007, our net interest margin remained the highest among our peers. The net interest margin for second quarter 2007 declined 6 basis points from first quarter 2007, largely due to accelerated asset growth, which is likely to increase net interest income, but reduce the net interest margin, in future quarters.

Noninterest income increased 23% to $4.70 billion for second quarter 2007 from $3.81 billion for second quarter 2006. The strong double-digit growth in fee income reflected strong year-over-year growth in deposit service fees (up 11%); trust and investment fees (up 24%); debit and credit card fees (up 24%); other fees, primarily loan related, (up 25%); and insurance revenue (up 19%). Capital markets generally were strong in the quarter, including $242 million in income from our equity businesses. Bond losses of $42 million were recorded in the quarter as we sold our lowest-yielding bonds and repositioned our portfolio with higher-yielding securities after rates increased late in the quarter.

Revenue, the sum of net interest income and noninterest income, grew $1.1 billion, or 13%, to $9.89 billion in second quarter 2007 from $8.79 billion in second quarter 2006. Despite a challenging environment and selected tightening of credit standards, double-digit revenue growth again was driven by double-digit growth in consumer and business lending and deposits, as well as very strong growth in virtually all of our diverse fee-based products and services. Businesses that generated double-digit, year-over-year revenue growth included asset management, business direct, capital markets, corporate trust, credit and debit cards, global remittance services, home equity, insurance, international, personal credit management, real estate brokerage, wealth management and Wells Fargo Financial.

Noninterest expense was $5.73 billion for second quarter 2007, up $551 million, or 11%, from $5.18 billion for the same period of 2006. Substantially all of the expense increase related to higher personnel costs, reflecting a 3% increase in team members (full-time equivalents, largely sales and service professionals), normal merit increases, and higher sales commissions in the insurance, wealth management, and real estate brokerage businesses, all of which had very strong revenue growth year over year. Most of our non-personnel expenses were essentially flat from last year, reflecting our ongoing discipline in containing expenses that do not directly add to revenue growth. Reflecting the continued positive operating leverage, the efficiency ratio in second quarter 2007 improved to 57.9% from 58.9% a year ago and 58.5% in first quarter 2007.

Net charge-offs for second quarter 2007 were $720 million (0.87% of average total loans outstanding, annualized), compared with $432 million (0.58%) during second quarter 2006. During the first half of 2007, net charge-offs were $1.44 billion (0.89%), compared with $865 million (0.57%), for the first half of 2006. Credit performance in our first mortgage portfolios at Wells Fargo Home Mortgage and Wells Fargo Financial remained stable. We believe our prudent product strategy, along with disciplined underwriting and collections practices, and our willingness to work proactively with our customers, has allowed us to maintain stable and predictable credit performance in our first mortgage portfolios. Overall commercial loan performance, including commercial real estate, remained very strong, supported by high occupancy rates and relatively low interest rates.

The allowance for credit losses, which consists of the allowance for loan losses and the reserve for unfunded credit commitments, was $4.01 billion, or 1.17% of total loans, at June 30, 2007, compared with $3.96 billion, or 1.24%, at December 31, 2006, and $4.04 billion, or 1.34%, at June 30, 2006.

Total nonaccrual loans were $1.73 billion, or 0.51% of total loans, at June 30, 2007, compared with $1.67 billion, or 0.52%, at December 31, 2006, and $1.40 billion, or 0.46%, at June 30, 2006. Total nonperforming assets (NPAs) were $2.72 billion, or 0.79% of total loans, at June 30, 2007, compared with $2.42 billion, or 0.76%, at December 31, 2006, and $1.92 billion, or 0.64%, at June 30, 2006. Foreclosed assets were $977 million at June 30, 2007, compared with $745 million at December 31, 2006, and $513 million at June 30, 2006. Foreclosed assets, a component of total NPAs, included $423 million, $322 million and $238 million of foreclosed real estate securing Government National Mortgage Association (GNMA) loans at June 30, 2007, December 31, 2006, and June 30, 2006, respectively, consistent with regulatory reporting requirements. The foreclosed real estate securing GNMA loans of $423 million represented 12 basis points of the ratio of nonperforming assets to loans at June 30, 2007. Both principal and interest for GNMA loans secured by the foreclosed real estate are fully collectible because the GNMA loans are insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs.

We believe our nonperforming loan portfolio has relatively low loss potential due to the high percentage of consumer real estate and auto-secured loans where we take an initial write-down, if applicable, as the loan is transferred to nonperforming status. We are constantly monitoring

Table of Contents

residential mortgage and auto nonperforming levels and have active programs to determine the best strategy to hold and workout or sell these assets.

The Company and each of its subsidiary banks continued to remain well capitalized under applicable regulatory capital adequacy guidelines. The ratio of stockholders equity to total assets was 8.76% at June 30, 2007, 9.52% at December 31, 2006, and 8.39% at June 30, 2006. Our total risk-based capital (RBC) ratio at June 30, 2007, was 11.72% and our Tier 1 RBC ratio was 8.57%, exceeding the minimum regulatory guidelines of 8% and 4%, respectively, for bank holding companies. Our RBC ratios at June 30, 2006, were 11.82% and 8.35%, respectively. Our Tier 1 leverage ratios were 7.90% and 6.99% at June 30, 2007 and 2006, respectively, exceeding the minimum regulatory guideline of 3% for bank holding companies.

Current Accounting Developments

On January 1, 2007, we adopted the following new accounting pronouncements:

- FIN 48 Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109*;
- FSP 13-2 FASB Staff Position 13-2, *Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction*;
- FAS 155 Statement of Financial Accounting Standards No. 155, *Accounting for Certain Hybrid Financial Instruments*, *an amendment of FASB Statements No. 133 and 140*;
- FAS 157, *Fair Value Measurements*; and
- FAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115.*

The adoption of FIN 48, FAS 155, FAS 157 and FAS 159 did not have any effect on our financial statements at the date of adoption. For additional information, see Note 11 (Income Taxes) and Note 16 (Fair Values of Assets and Liabilities) to Financial Statements.

Upon adoption of FSP 13-2, we recorded a cumulative effect of change in accounting principle to reduce the beginning balance of 2007 retained earnings by $71 million after tax ($115 million pre tax). This amount will be recognized back into income over the remaining terms of the affected leases.

On April 30, 2007, the FASB issued Staff Position FIN 39-1, *Amendment of FASB Interpretation No. 39* (FSP FIN 39-1). FSP FIN 39-1 amends Interpretation No. 39 to permit a reporting entity to offset the right to reclaim cash collateral (a receivable), or the obligation to return cash collateral (a payable), against derivative instruments executed with the same counterparty under the same master netting arrangement. The provisions of this FSP are effective for the year beginning on January 1, 2008, with early adoption permitted. We are currently evaluating the impact, if any, that FSP FIN 39-1 may have on our consolidated financial statements.

On June 11, 2007, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position 07-1, *Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies* (SOP 07-1). SOP 07-1 provides guidance for determining

Table of Contents

whether an entity is within the scope of the AICPA Audit and Accounting Guide *Investment Companies* (the Guide). For those entities that are determined to be investment companies, SOP 07-1 also addresses whether the specialized industry accounting principles of the Guide should be retained by a parent company in consolidation or by an investor that has the ability to exercise significant influence over the investment company and applies the equity method of accounting to its investment in the entity. SOP 07-1 is effective for the year beginning January 1, 2008. We do not expect that the adoption of SOP 07-1 will have a material effect on our consolidated financial statements.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are fundamental to understanding our results of operations and financial condition, because some accounting policies require that we use estimates and assumptions that may affect the value of our assets or liabilities and financial results. Three of these policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. These policies govern the allowance for credit losses, the valuation of residential mortgage servicing rights (MSRs) and pension accounting. Management has reviewed and approved these critical accounting policies and has discussed these policies with the Audit and Examination Committee. These policies are described in Financial Review Critical Accounting Policies and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2006 Form 10-K.

Table of Contents

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

						Quarter ended June 30,
			2007			2006
(in millions)	**Average balance**	**Yields/ rates**	**Interest income/ expense**	Average balance	Yields/ rates	Interest income/ expense
EARNING ASSETS						
Federal funds sold, securities purchased under resale agreements and other short-term investments	**$ 4,849**	**5.09%**	**$ 61**	$ 4,855	4.60%	$ 56
Trading assets	**4,572**	**4.83**	**55**	5,938	5.03	75
Debt securities available for sale (3):						
Securities of U.S. Treasury and federal agencies	**839**	**4.28**	**9**	935	4.43	11
Securities of U.S. states and political subdivisions	**4,383**	**7.42**	**79**	3,013	8.24	60
Mortgage-backed securities:						
Federal agencies	**35,406**	**6.09**	**533**	40,160	5.97	601
Private collateralized mortgage obligations	**3,816**	**6.41**	**61**	7,176	6.70	119
Total mortgage-backed securities	**39,222**	**6.13**	**594**	47,336	6.07	720
Other debt securities (4)	**5,090**	**7.61**	**96**	6,246	6.70	104
Total debt securities available for sale (4)	**49,534**	**6.36**	**778**	57,530	6.22	895
Mortgages held for sale (5)	**36,060**	**6.42**	**578**	51,675	6.25	808
Loans held for sale	**864**	**7.74**	**17**	585	7.35	11
Loans:						
Commercial and commercial real estate:						
Commercial	**73,932**	**8.31**	**1,531**	65,424	8.12	1,324
Other real estate mortgage	**31,736**	**7.48**	**592**	28,938	7.29	526
Real estate construction	**16,393**	**7.97**	**326**	14,517	7.91	286
Lease financing	**5,559**	**5.95**	**83**	5,429	5.75	78
Total commercial and commercial real estate	**127,620**	**7.96**	**2,532**	114,308	7.77	2,214
Consumer:						
Real estate 1-4 family first mortgage	**58,283**	**7.36**	**1,071**	55,019	7.36	1,011
	70,390	**8.20**	**1,440**	62,740	7.92	1,239

Real estate 1-4 family junior lien mortgage						
Credit card	**14,950**	**14.46**	**540**	11,947	13.18	393
Other revolving credit and installment	**53,464**	**9.78**	**1,303**	50,098	9.56	1,194
Total consumer	**197,087**	**8.85**	**4,354**	179,804	8.55	3,837
Foreign	**7,263**	**12.00**	**218**	6,276	12.61	198
Total loans (5)	**331,970**	**8.58**	**7,104**	300,388	8.34	6,249
Other	**1,329**	**5.23**	**18**	1,363	4.97	16
Total earning assets	**$ 429,178**	**8.05**	**8,611**	$ 422,334	7.70	8,110
FUNDING SOURCES						
Deposits:						
Interest-bearing checking	**$ 5,193**	**3.24**	**42**	$ 4,288	2.80	30
Market rate and other savings	**145,185**	**2.82**	**1,022**	134,182	2.29	766
Savings certificates	**39,729**	**4.38**	**433**	30,308	3.69	279
Other time deposits	**4,574**	**4.82**	**55**	38,288	5.03	479
Deposits in foreign offices	**32,841**	**4.75**	**389**	20,898	4.59	240
Total interest-bearing deposits	**227,522**	**3.42**	**1,941**	227,964	3.16	1,794
Short-term borrowings	**21,066**	**5.06**	**265**	24,836	4.68	289
Long-term debt	**90,931**	**5.17**	**1,174**	84,486	4.79	1,010
Total interest-bearing liabilities	**339,519**	**3.99**	**3,380**	337,286	3.68	3,093
Portion of noninterest-bearing funding sources	**89,659**			85,048		
Total funding sources	**$ 429,178**	**3.16**	**3,380**	$ 422,334	2.94	3,093
Net interest margin and net interest income on a taxable-equivalent basis (6)		**4.89%**	**$ 5,231**		4.76%	$ 5,017
NONINTEREST-EARNING ASSETS						
Cash and due from banks	**$ 11,655**			$ 12,437		
Goodwill	**11,435**			11,075		
Other	**50,418**			45,610		
Total noninterest-earning assets	**$ 73,508**			$ 69,122		
NONINTEREST-BEARING FUNDING SOURCES						
Deposits	**$ 91,256**			$ 88,917		
Other liabilities	**25,159**			22,835		
Stockholders equity	**46,752**			42,418		
Noninterest-bearing funding sources used to fund earning	**(89,659)**			(85,048)		

assets		
Net noninterest-bearing funding sources	**$ 73,508**	$ 69,122
TOTAL ASSETS	**$ 502,686**	$ 491,456

(1) Our average prime rate was 8.25% and 7.90% for the quarters ended June 30, 2007 and 2006, respectively, and 8.25% and 7.66% for the six months ended June 30, 2007 and 2006, respectively. The average three-month London Interbank Offered Rate (LIBOR) was 5.36% and 5.21% for the quarters ended June 30, 2007 and 2006, respectively, and 5.36% and 4.99% for the six months ended June 30, 2007 and 2006, respectively.

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

(3) Yields are based on amortized cost balances computed on a settlement date basis.

(4) Includes certain preferred

securities.

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

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

Table of Contents

			Six months ended June 30,		
		2007			2006
Average balance	**Yields/ rates**	**Interest income/ expense**	Average balance	Yields/ rates	Interest income/ expense
$ 5,355	**5.13%**	**$ 136**	$ 5,023	4.40%	$ 110
4,439	**5.17**	**114**	6,018	4.82	144
796	**4.29**	**17**	901	4.36	20
3,960	**7.40**	**142**	3,059	8.18	120
33,036	**6.14**	**1,000**	33,973	5.94	1,007
3,904	**6.37**	**123**	6,870	6.58	223
36,940	**6.16**	**1,123**	40,843	6.05	1,230
5,433	**7.52**	**202**	5,766	7.23	208
47,129	**6.39**	**1,484**	50,569	6.28	1,578
34,212	**6.48**	**1,108**	45,632	6.21	1,417
829	**7.78**	**32**	618	7.13	22
72,505	**8.30**	**2,986**	64,104	7.92	2,519
31,166	**7.45**	**1,152**	28,813	7.15	1,023
16,144	**7.99**	**640**	14,186	7.75	545
5,531	**5.84**	**162**	5,432	5.78	157
125,346	**7.94**	**4,940**	112,535	7.60	4,244
56,374	**7.34**	**2,066**	64,648	7.06	2,270
69,738	**8.19**	**2,833**	61,364	7.79	2,370
14,755	**14.01**	**1,033**	11,856	13.20	782
53,501	**9.76**	**2,590**	49,218	9.48	2,314
194,368	**8.82**	**8,522**	187,086	8.32	7,736
7,015	**11.78**	**410**	6,110	12.59	383
326,729	**8.55**	**13,872**	305,731	8.14	12,363
1,327	**5.17**	**34**	1,376	4.80	32
$ 420,020	**8.05**	**16,780**	$ 414,967	7.59	15,666
$ 4,905	**3.24**	**79**	$ 4,179	2.52	52
143,071	**2.80**	**1,985**	134,205	2.18	1,453

39,125	**4.40**	**854**	29,517	3.58	524
6,931	**5.03**	**173**	36,020	4.77	852
30,258	**4.71**	**707**	18,041	4.41	395
224,290	**3.41**	**3,798**	221,962	2.98	3,276
16,308	**4.96**	**401**	25,504	4.42	559
89,984	**5.16**	**2,312**	83,094	4.64	1,920
330,582	**3.97**	**6,511**	330,560	3.51	5,755
89,438			84,407		
$ 420,020	**3.13**	**6,511**	$ 414,967	2.79	5,755
	4.92%	**$ 10,269**		4.80%	$ 9,911
$ 11,758			$ 12,666		
11,355			11,019		
49,320			44,719		
$ 72,433			$ 68,404		
$ 90,020			$ 87,963		
25,316			23,076		
46,535			41,772		
(89,438)			(84,407)		
$ 72,433			$ 68,404		
$ 492,453			$ 483,371		

9

Table of Contents

NET INTEREST INCOME

Net interest income is the interest earned on debt securities, loans (including yield-related loan fees) and other interest-earning assets minus the interest paid for deposits and long-term and short-term debt. The net interest margin is the average yield on earning assets minus the average interest rate paid for deposits and our other sources of funding. Net interest income and the net interest margin are presented in the table on page 8 on a taxable-equivalent basis to consistently reflect income from taxable and tax-exempt loans and securities based on a 35% marginal tax rate.

Net interest income on a taxable-equivalent basis increased 4% to $5.23 billion in second quarter 2007 from $5.02 billion in second quarter 2006, primarily driven by a 2% growth in average earning assets and a 13 basis point increase in the net interest margin. The net interest margin was 4.89% in second quarter 2007, up from 4.76% in second quarter 2006. After having sold all of our lower-yielding adjustable rate mortgages (ARMs) and securities over a year ago when long-term interest rates were substantially lower than today, we increased our investments in longer-term securities late in second quarter 2007 as long-term interest rates rose, adding approximately $30 billion in securities at attractive yields substantially higher than the yields at which we sold our lowest-yielding ARMs and long-term securities between mid-2004 and mid-2006. The additional assets are expected to increase net interest income growth, but the higher average earning assets growth is likely to reduce net interest margin in third quarter 2007.

Average earning assets increased $6.9 billion, or 2%, to $429.2 billion in second quarter 2007 from $422.3 billion in second quarter 2006. Average loans increased $31.6 billion, or 11%, to $332.0 billion in second quarter 2007 from $300.4 billion in second quarter 2006. Average mortgages held for sale decreased $15.6 billion to $36.1 billion in second quarter 2007 from $51.7 billion in second quarter 2006. Average debt securities available for sale decreased $8.0 billion to $49.5 billion in second quarter 2007 from $57.5 billion in second quarter 2006.

Average core deposits are an important contributor to growth in net interest income and the net interest margin. This low-cost source of funding rose 14% from a year ago and funded 91% and 88% of average loans for second quarter 2007 and 2006, respectively. Core deposits are noninterest-bearing deposits, interest-bearing checking, savings certificates, market rate and other savings, and certain foreign deposits (Eurodollar sweep balances). Some of these foreign deposits were previously swept into non-deposit products. Including only the growth in these funds from the date of conversion to deposits, average core deposits grew 11% year over year. Total average retail core deposits, which exclude Wholesale Banking core deposits and retail mortgage escrow deposits, for second quarter 2007 grew $13.1 billion, or 6%, from a year ago. Average mortgage escrow deposits were $23.4 billion for second quarter 2007, up $5.8 billion from a year ago. Average savings certificates of deposit increased to $39.7 billion in second quarter 2007 from $30.3 billion in second quarter 2006 and average noninterest-bearing checking accounts and other core deposit categories (interest-bearing checking and market rate and other savings) increased to $241.6 billion in second quarter 2007 from $227.4 billion in second quarter 2006. Total average interest-bearing deposits were $227.5 billion in second quarter 2007, flat compared with $228.0 billion in second quarter 2006.

Table of Contents

NONINTEREST INCOME

(in millions)	Quarter ended June 30, 2007	Quarter ended June 30, 2006	% Change	Six months ended June 30, 2007	Six months ended June 30, 2006	% Change
Service charges on deposit accounts	**$ 740**	$ 665	11%	**$ 1,425**	$ 1,288	11%
Trust and investment fees:						
Trust, investment and IRA fees	**610**	509	20	**1,147**	1,000	15
Commissions and all other fees	**229**	166	38	**423**	338	25
Total trust and investment fees	**839**	675	24	**1,570**	1,338	17
Card fees	**517**	418	24	**987**	802	23
Other fees:						
Cash network fees	**50**	48	4	**95**	92	3
Charges and fees on loans	**253**	249	2	**491**	491	
All other fees	**335**	213	57	**563**	415	36
Total other fees	**638**	510	25	**1,149**	998	15
Mortgage banking:						
Servicing income, net	**(45)**	310		**171**	391	(56)
Net gains on mortgage loan origination/ sales activities	**635**	359	77	**1,130**	632	79
All other	**99**	66	50	**178**	127	40
Total mortgage banking	**689**	735	(6)	**1,479**	1,150	29
Operating leases	**187**	200	(7)	**379**	401	(5)
Insurance	**432**	364	19	**831**	728	14
Trading assets	**260**	91	186	**525**	225	133
Net losses on debt securities available for sale	**(42)**	(156)	(73)	**(11)**	(191)	(94)
Net gains from equity investments	**242**	133	82	**339**	323	5
All other	**193**	170	14	**453**	428	6
Total	**$ 4,695**	$ 3,805	23	**$ 9,126**	$ 7,490	22

We earn trust, investment and IRA fees from managing and administering assets, including mutual funds, corporate trust, personal trust, employee benefit trust and agency assets. At June 30, 2007, these assets totaled $1.08 trillion, up 29% from $835 billion at June 30, 2006. Trust, investment and IRA fees are primarily based on a tiered scale relative to the market value of assets under management or administration. The increase in these fees in second quarter 2007 from a year ago was due to continued growth across all trust and investment management businesses.

We also receive commissions and other fees for providing services to full-service and discount brokerage customers. At June 30, 2007 and 2006, brokerage balances were $126 billion and $105 billion, respectively. Generally, these fees include transactional commissions, which are based on the number of transactions executed at the customer s direction, or asset-based fees, which are based on the market value of the customer s assets. In addition, we receive fees and commissions from private equity and public debt issuances, and merger and acquisition advisory services, which accounted for the majority of the increase in fees in second quarter 2007 from a year ago.

Card fees increased 24% from second quarter 2006, due to growth in distribution of debit and credit cards to our customers and increased usage. Purchase volume on these cards was up 18% from a year ago and average balances were up 21%.

Other fees increased 25% from second quarter 2006, primarily due to higher advisory fees from real estate debt and equity transactions in our commercial real estate brokerage business.

Mortgage banking noninterest income was $689 million in second quarter 2007, compared with $735 million in the same period of 2006. Servicing fees, included in net servicing income, increased to $1.01 billion in second quarter 2007 from $820 million in second quarter 2006, due to growth in loans serviced for others. Our portfolio of loans serviced for others was $1.35 trillion at June 30, 2007, up 32% from $1.02 trillion at June 30, 2006. Servicing income also includes both changes in the fair value of mortgage servicing rights (MSRs) during the period as well as changes in the value of derivatives (economic hedges) used to hedge the MSRs. Net servicing income for second quarter 2007 included a $225 million net MSRs valuation loss that was recorded to earnings ($2.01 billion fair value gain less a $2.24 billion economic hedging loss) and for second quarter 2006 included a $17 million net MSRs valuation gain ($550 million fair value gain less a $533 million economic hedging loss).

Net gains on mortgage loan origination/sales activities were $635 million in second quarter 2007, up from $359 million in second quarter 2006, reflecting higher gain on sale margins during the second quarter and a $135 million increase in the fair value of servicing associated with mortgage loans held for sale. Residential real estate originations totaled $80 billion in second quarter 2007 compared with $81 billion in second quarter 2006. Under FAS 159 we elected in 2007 to account for new prime mortgages held for sale (MHFS) at fair value. These loans are initially measured at fair value, with subsequent changes in fair value recognized as a component of net gains on mortgage loan origination/sales activities. Prior to the adoption of FAS 159, these fair value gains would have been deferred until the sale of these loans. (For additional detail, see Asset/Liability and Market Risk Management Mortgage Banking Interest Rate Risk, and Notes 1 (Significant Accounting Policies), 15 (Mortgage Banking Activities) and 16 (Fair Values of Assets and Liabilities) to Financial Statements.) The 1-4 family first mortgage unclosed pipeline was $56 billion at June 30, 2007, $48 billion at December 31, 2006, and $63 billion at June 30, 2006.

Insurance fees were up 19% from second quarter 2006, due to growth in our insurance business and increases in premiums for insurance products, including crop insurance premiums.

Income from trading assets was $260 million and $525 million in the second quarter and first half of 2007, respectively, compared with $91 million and $225 million in the same periods of 2006, due to higher capital markets income. Net losses on debt securities available for sale of $42 million in second quarter 2007 and $156 million in second quarter 2006 were primarily due to sales of lower-yielding securities to further improve long-term earning asset yields. Net losses on debt securities available for sale were $11 million and $191 million for the first half of 2007 and 2006, respectively. Net gains from equity investments were $242 million and $339 million in the second quarter and first half of 2007, respectively, and $133 million and $323 million in the same periods of 2006.

We routinely review our investment portfolios and recognize impairment write-downs based primarily on fair market value, issuer-specific factors and results, and our intent to hold such

Table of Contents

securities. We also consider general economic and market conditions, including industries in which venture capital investments are made, and adverse changes affecting the availability of venture capital. We determine impairment based on all of the information available at the time of the assessment with particular focus on the severity and duration of specific security impairments, but new information or economic developments in the future could result in recognition of additional impairment.

NONINTEREST EXPENSE

	Quarter ended June 30,		%	Six months ended June 30,		%
(in millions)	**2007**	2006	Change	**2007**	2006	Change
Salaries	**$ 1,907**	$ 1,754	9%	**$ 3,774**	$ 3,426	10%
Incentive compensation	**900**	714	26	**1,642**	1,382	19
Employee benefits	**581**	487	19	**1,246**	1,076	16
Equipment	**292**	284	3	**629**	619	2
Net occupancy	**369**	345	7	**734**	681	8
Operating leases	**148**	157	(6)	**301**	318	(5)
Outside professional services	**235**	236		**427**	429	
Contract services	**113**	139	(19)	**231**	271	(15)
Travel and entertainment	**118**	139	(15)	**227**	269	(16)
Advertising and promotion	**113**	125	(10)	**204**	231	(12)
Outside data processing	**121**	109	11	**232**	213	9
Postage	**85**	79	8	**172**	160	8
Telecommunications	**81**	73	11	**162**	143	13
Insurance	**148**	99	49	**276**	175	58
Stationery and supplies	**52**	55	(5)	**105**	106	(1)
Operating losses	**57**	45	27	**144**	107	35
Security	**44**	44		**87**	87	
Core deposit intangibles	**27**	28	(4)	**53**	57	(7)
All other	**336**	264	27	**607**	500	21
Total	**$ 5,727**	$ 5,176	11	**$ 11,253**	$ 10,250	10

Noninterest expense for second quarter 2007 increased 11% from the prior year, substantially due to higher personnel costs, reflecting a 3% increase in team members (full-time equivalents, largely sales and service professionals), normal merit increases, and higher sales commissions in the insurance, wealth management, and real estate brokerage businesses, all of which had very strong revenue growth from second quarter 2006. In the last 12 months, we opened 99 banking stores, including 21 stores this quarter, and added 4,400 full-time equivalent (FTE) team members, largely sales and service professionals. Expenses also included stock option expense of $33 million and $83 million in the second quarter and first half of 2007, respectively, compared with $28 million and $80 million in the same periods of 2006. In addition, expenses included $120 million and $212 million in the second quarter and first half of 2007, respectively, in origination costs that, prior to the adoption of FAS 159, would have been deferred and recognized as a reduction of net gains on mortgage loan origination/sales activities at the time of sale.

Table of Contents

INCOME TAX EXPENSE

On January 1, 2007, we adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). Implementation of FIN 48 did not result in a cumulative effect adjustment to retained earnings. At January 1, 2007, the total amount of unrecognized tax benefits was $3.1 billion, of which $1.7 billion related to tax benefits that, if recognized, would impact the annual effective tax rate. Our effective income tax rate was 33.8 % for second quarter 2007, down from 34.3% for second quarter 2006. For the first half of 2007, our effective tax rate was 31.9%, down from 34.1% for the first half of 2006, primarily reflecting the resolution of certain outstanding federal income tax matters in first quarter 2007. (See Note 11 (Income Taxes) to Financial Statements.) We expect that FIN 48 will cause more volatility in our effective tax rate from quarter to quarter as we are now required to recognize tax positions in our financial statements based on the probability that such positions will effectively be sustained by taxing authorities, and to reassess those positions each quarter based on our evaluation of new information.

OPERATING SEGMENT RESULTS

We have three lines of business for management reporting: Community Banking, Wholesale Banking and Wells Fargo Financial. For a more complete description of our operating segments, including additional financial information and the underlying management accounting process, see Note 13 (Operating Segments) to Financial Statements. To reflect a change in the allocation of income taxes for management reporting adopted in second quarter 2007, results for prior periods have been revised.

Community Banking s net income increased 14% to $1.55 billion in second quarter 2007 from $1.36 billion in second quarter 2006, due to fee revenue growth in retail banking and investment income. Net income increased 20% to $3.11 billion in the first half of 2007 from $2.59 billion in the first half of 2006. Revenue was $6.33 billion in second quarter 2007, up 11% from $5.72 billion in second quarter 2006. Average loans were $186.6 billion in second quarter 2007, up 7% from a year ago. Core deposits averaged $250.9 billion in second quarter 2007, up 8% over the prior year. Noninterest income in second quarter 2007 increased $633 million, or 26%, from $2.40 billion in second quarter 2006, largely due to higher revenue related to brokerage, deposit service charges, consumer loans, cards and investments. Noninterest income for the first half of 2007 increased $1.34 billion from the same period of 2006. Noninterest expense increased $182 million and $435 million in the second quarter and first half of 2007, respectively, from the same periods in 2006, due to growth in personnel expenses.

Wholesale Banking s net income increased 13% to $570 million in second quarter 2007 from $506 million in second quarter 2006. Net income increased 13% to $1.15 billion in the first half of 2007 from $1.02 billion in the first half of 2006. Revenue was $2.15 billion in second quarter 2007, up 20% from $1.79 billion in second quarter 2006, driven by strong loan and deposit growth and higher fee income. Net interest income increased 15% to $814 million in second quarter 2007 from $706 million in second quarter 2006. Average loans increased 16% and average core deposits grew 55% from second quarter 2006, with double-digit increases across nearly all wholesale lending businesses. Noninterest income for the second quarter and first half of 2007 increased by $251 million and $420 million, respectively, from the same periods in 2006, due to higher commercial real estate brokerage fees, along with year-over-year increases in capital markets activity, trust and investment income and insurance revenue. Noninterest expense

Table of Contents

increased 25% to $1.27 billion and 20% to $2.41 billion in the second quarter and first half of 2007, respectively, from the same periods in 2006, due to higher personnel-related costs, including additional team members and higher incentive expenses, and expenses related to higher sales volumes, investments in new offices and businesses, and acquisitions completed in the second half of 2006.

Wells Fargo Financial s net income decreased 31% to $156 million in second quarter 2007 from $226 million in second quarter 2006. For the first half of 2007, net income was $268 million, compared with $503 million for the same period a year ago, which included a first quarter 2006 $127 million pre-tax gain on the sale of Island Finance s operations in Puerto Rico. Total revenue rose 10% in second quarter 2007, reaching $1.41 billion, compared with $1.28 billion in second quarter 2006, due to an increase in net interest income from continued growth in the real estate and auto loan portfolios. Net interest income increased $126 million, or 13%, to $1.08 billion in second quarter 2007 from $957 million in second quarter 2006, due to growth in average loans. Average real estate secured receivables increased 23% to $24.8 billion and average auto finance receivables rose 13% to $27.7 billion from second quarter 2006. Noninterest expense increased 18% to $791 million in second quarter 2007, largely due to the additional collection capacity added in 2006 in auto, along with higher collection and repossession costs and mortgage insurance premiums.

Table of Contents

BALANCE SHEET ANALYSIS

SECURITIES AVAILABLE FOR SALE

Our securities available for sale portfolio consists of both debt and marketable equity securities. We hold debt securities available for sale primarily for liquidity, interest rate risk management and yield enhancement. Accordingly, this portfolio primarily includes very liquid, high-quality federal agency debt securities. At June 30, 2007, we held $71.3 billion of debt securities available for sale, compared with $41.8 billion at December 31, 2006, with a net unrealized loss of $131 million and net unrealized gain of $722 million for the same periods, respectively. We also held $919 million of marketable equity securities available for sale at June 30, 2007, and $796 million at December 31, 2006, with net unrealized gains of $222 million and $204 million for the same periods, respectively.

The weighted-average expected maturity of debt securities available for sale was 6.6 years at June 30, 2007. Since 85% of this portfolio was mortgage-backed securities, the expected remaining maturity may differ from contractual maturity because borrowers may have the right to prepay obligations before the underlying mortgages mature. The estimated effect of a 200 basis point increase or decrease in interest rates on the fair value and the expected remaining maturity of the mortgage-backed securities available for sale portfolio are shown below.

MORTGAGE-BACKED SECURITIES

(in billions)	Fair value	Net unrealized gain (loss)	Remaining maturity
At June 30, 2007	$ 60.6	$ (.2)	5.8 yrs.
At June 30, 2007, assuming a 200 basis point:			
Increase in interest rates	54.7	(6.1)	8.0 yrs.
Decrease in interest rates	63.1	2.3	1.4 yrs.

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

LOAN PORTFOLIO

A discussion of average loan balances is included in Earnings Performance Net Interest Income on page 10 and a comparative schedule of average loan balances is included in the table on page 8; quarter-end balances are in Note 5 (Loans and Allowance for Credit Losses) to Financial Statements.

Total loans at June 30, 2007, were $342.8 billion, compared with $300.6 billion at June 30, 2006. Consumer loans increased to $202.8 billion at June 30, 2007, from $178.8 billion a year ago. Commercial and commercial real estate loans increased $17.1 billion, or 15%, from $115.4 billion a year ago. Mortgages held for sale decreased to $34.6 billion at June 30, 2007, from $39.7 billion a year ago.

Table of Contents

DEPOSITS

(in millions)	June 30, 2007	December 31, 2006	June 30, 2006
Noninterest-bearing	**$ 89,809**	$ 89,119	$ 89,448
Interest-bearing checking	**3,795**	3,540	3,399
Market rate and other savings	**147,281**	140,283	135,955
Savings certificates	**40,271**	37,282	31,625
Foreign deposits (1)	**19,446**	17,844	7,923
Core deposits	**300,602**	288,068	268,350
Other time deposits	**3,130**	13,819	46,331
Other foreign deposits	**21,011**	8,356	11,771
Total deposits	**$ 324,743**	$ 310,243	$ 326,452

(1) During 2006, certain customer accounts (largely Wholesale Banking) were converted to deposit balances in the form of Eurodollar sweep accounts from off-balance sheet money market funds and repurchase agreements. We include Eurodollar sweep balances in total core deposits.

Average core deposits increased $36.4 billion, or 14%, to $300.5 billion in second quarter 2007 from second quarter 2006, predominantly due to growth in market rate and other savings, and savings certificates, along with growth in foreign deposits. Included in average core deposits were converted balances of $9,888 million, $8,888 million and $2,771 million for the quarters ended June 30, 2007, December 31, 2006, and June 30, 2006, respectively. Average core deposits increased 11% from second quarter 2006 not including the converted foreign balances.

OFF-BALANCE SHEET ARRANGEMENTS AND AGGREGATE CONTRACTUAL OBLIGATIONS

In the ordinary course of business, we engage in financial transactions that are not recorded in the balance sheet, or may be recorded in the balance sheet in amounts that are different than the full contract or notional amount of the transaction. We also enter into certain contractual obligations. For additional information on off-balance sheet arrangements and other contractual obligations see Financial Review Off-Balance Sheet Arrangements and Aggregate Contractual Obligations in our 2006 Form 10-K and Note 18 (Guarantees) to Financial Statements in this Report.

RISK MANAGEMENT

CREDIT RISK MANAGEMENT PROCESS

Our credit risk management process provides for decentralized management and accountability by our lines of business. Our overall credit process includes comprehensive credit policies, judgmental or statistical credit underwriting, frequent and detailed risk measurement and modeling, extensive credit training programs and a continual loan review and audit process. In addition, regulatory agencies review and perform detailed tests of our credit underwriting, loan administration and allowance processes.

Nonaccrual Loans and Other Assets

The table below shows the comparative data for nonaccrual loans and other assets. We generally place loans on nonaccrual status when:

- the full and timely collection of interest or principal becomes uncertain;
- they are 90 days (120 days with respect to real estate 1-4 family first and junior lien mortgages and auto loans) past due for interest or principal (unless both well-secured and in the process of collection); or
- part of the principal balance has been charged off.

Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2006 Form 10-K describes our accounting policy for nonaccrual loans.

NONACCRUAL LOANS AND OTHER ASSETS

(in millions)	**June 30, 2007**	Dec. 31, 2006	June 30, 2006
Nonaccrual loans:			
Commercial and commercial real estate:			
Commercial	**$ 395**	$ 331	$ 253
Other real estate mortgage	**129**	105	137
Real estate construction	**81**	78	31
Lease financing	**29**	29	26
Total commercial and commercial real estate	**634**	543	447
Consumer:			
Real estate 1-4 family first mortgage (1)	**663**	688	585
Real estate 1-4 family junior lien mortgage	**228**	212	179
Other revolving credit and installment	**155**	180	139
Total consumer	**1,046**	1,080	903
Foreign	**53**	43	45
Total nonaccrual loans (2)	**1,733**	1,666	1,395
As a percentage of total loans	**0.51%**	0.52%	0.46%
Foreclosed assets:			
GNMA loans (3)	**423**	322	238
Other	**554**	423	275
Real estate and other nonaccrual investments (4)	**5**	5	9
Total nonaccrual loans and other assets	**$ 2,715**	$ 2,416	$ 1,917
As a percentage of total loans	**0.79%**	0.76%	0.64%

(1) Includes nonaccrual mortgages held

for sale.

(2) Includes impaired loans of $276 million, $230 million and $138 million at June 30, 2007, December 31, 2006, and June 30, 2006, respectively. See Note 5 to Financial Statements in this Report and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in our 2006 Form 10-K for further information on impaired loans.

(3) Consistent with regulatory reporting requirements, foreclosed real estate securing GNMA loans is classified as nonperforming. Both principal and interest for GNMA loans secured by the foreclosed real estate are fully collectible because the GNMA loans are insured by the FHA or guaranteed by the Department of Veterans

Affairs.

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

We expect that the amount of nonaccrual loans will change due to portfolio growth, portfolio seasoning, routine problem loan recognition and resolution through collections, sales or charge-offs. The performance of any one loan can be affected by external factors, such as economic or market conditions, or factors particular to a borrower, such as actions of a borrower s management.

Table of Contents

Loans 90 Days or More Past Due and Still Accruing

Loans included in this category are 90 days or more past due as to interest or principal and still accruing, because they are (1) well-secured and in the process of collection or (2) real estate 1-4 family first mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual.

The total of loans 90 days or more past due and still accruing was $4,994 million, $5,073 million and $3,343 million at June 30, 2007, December 31, 2006, and June 30, 2006, respectively. The total included $3,908 million, $3,913 million and $2,526 million for the same periods, respectively, in advances pursuant to our servicing agreements to GNMA mortgage pools whose repayments are insured by the FHA or guaranteed by the Department of Veterans Affairs.

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

(in millions)	**June 30, 2007**	Dec. 31, 2006	June 30, 2006
Commercial and commercial real estate:			
Commercial	**$ 21**	$ 15	$ 11
Other real estate mortgage	**2**	3	2
Real estate construction	**4**	3	10
Total commercial and commercial real estate	**27**	21	23
Consumer:			
Real estate 1-4 family first mortgage (1)	**179**	154	107
Real estate 1-4 family junior lien mortgage	**76**	63	39
Credit card	**253**	262	181
Other revolving credit and installment	**515**	616	431
Total consumer	**1,023**	1,095	758
Foreign	**36**	44	36
Total	**$ 1,086**	$ 1,160	$ 817

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

Allowance for Credit Losses

The allowance for credit losses, which consists of the allowance for loan losses and the reserve for unfunded credit commitments, is management s estimate of credit losses inherent in the loan portfolio at the balance sheet date. We assume that our allowance for credit losses as a percentage of charge-offs and nonaccrual loans will change at different points in time based on credit performance, loan mix and collateral values. The detail of the changes in the allowance for credit losses, including charge-offs and recoveries by loan category, is in Note 5 (Loans and Allowance for Credit Losses) to Financial Statements.

Home equity losses remained at higher levels during second quarter 2007 as real estate values remained weak in certain markets. We expect this trend to continue during the last half of 2007. Because of our responsible lending and risk management practices, we have not faced many of the issues others have in the mortgage industry. First, we have not retained any credit interest in any prime and nonprime securitizations. Second, we do not originate any negative amortizing mortgages, including option adjustable-rate mortgages. Third, we have minimal ARM reset risk

Table of Contents

across our loan portfolios. Finally, we do not portfolio any nonprime no-documentation mortgages or nonprime low-documentation mortgages.

Credit quality in Wells Fargo Financial s real estate-secured lending business has not experienced the level of credit degradation that many nonprime lenders have because of our disciplined underwriting practices. We endeavor to ensure that there is a tangible benefit to the borrower before we make a loan. The recent guidance issued by the federal financial regulatory agencies in June 2007, *Statement on Subprime Mortgage Lending,* which addresses issues relating to certain ARM products, will not have a significant impact on Wells Fargo Financial s operations, since many of those guidelines have long been part of our normal business practices. Additionally, we have been proactive in mitigating the credit risk in this portfolio by obtaining private mortgage insurance on a significant portion of our higher loan-to-value loans.

We continued to see improvement in the credit performance of our $28 billion auto portfolio. While the impact of enhancements to operational controls and the tightening of account acquisition strategies have had a positive impact on the performance of this portfolio, we expect higher credit losses as the auto lending industry typically experiences seasonal declines in credit performance in the last half of the year.

We consider the allowance for credit losses of $4.01 billion adequate to cover credit losses inherent in the loan portfolio, including unfunded credit commitments, at June 30, 2007. Given that the majority of our loan portfolio is consumer loans, for which losses tend to emerge within a relatively short, predictable timeframe, and that a significant portion of the allowance for credit losses is related to estimated credit losses associated with consumer loans, management believes that the provision for credit losses for consumer loans, absent any significant credit event, will closely track the level of related net charge-offs. The process for determining the adequacy of the allowance for credit losses is critical to our financial results. It requires difficult, subjective and complex judgments, as a result of the need to make estimates about the effect of matters that are uncertain. (See Financial Review Critical Accounting Policies Allowance for Credit Losses in our 2006 Form 10-K.) Therefore, we cannot provide assurance that, in any particular period, we will not have sizeable credit losses in relation to the amount reserved. We may need to significantly adjust the allowance for credit losses, considering current factors at the time, including economic or market conditions and ongoing internal and external examination processes. Our process for determining the adequacy of the allowance for credit losses is discussed in Financial Review Critical Accounting Policies Allowance for Credit Losses and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in our 2006 Form 10-K.

ASSET/LIABILITY AND MARKET RISK MANAGEMENT

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

Table of Contents

Interest Rate Risk

Interest rate risk, which potentially can have a significant earnings impact, is an integral part of being a financial intermediary. We are subject to interest rate risk because:

- assets and liabilities may mature or reprice at different times (for example, if assets reprice faster than liabilities and interest rates are generally falling, earnings will initially decline);
- assets and liabilities may reprice at the same time but by different amounts (for example, when the general level of interest rates is falling, we may reduce rates paid on checking and savings deposit accounts by an amount that is less than the general decline in market interest rates);
- short-term and long-term market interest rates may change by different amounts (for example, the shape of the yield curve may affect new loan yields and funding costs differently); or
- the remaining maturity of various assets or liabilities may shorten or lengthen as interest rates change (for example, if long-term mortgage interest rates decline sharply, mortgage-backed securities held in the securities available for sale portfolio may prepay significantly earlier than anticipated which could reduce portfolio income).

Interest rates may also have a direct or indirect effect on loan demand, credit losses, mortgage origination volume, the value of MSRs, the value of the pension liability and other items affecting earnings.

We assess interest rate risk by comparing our most likely earnings plan with various earnings simulations using many interest rate scenarios that differ in the direction of interest rate changes, the degree of change over time, the speed of change and the projected shape of the yield curve.

For example, as of June 30, 2007, our most recent simulation indicated estimated earnings at risk of less than 5% of our most likely earnings plan over the next 12 months under a scenario in which the federal funds rate rises 150 basis points to 6.75% and the Constant Maturity Treasury bond yield rises 200 basis points to 7.00% over the same 12-month period. Simulation estimates depend on, and will change with, the size and mix of our actual and projected balance sheet at the time of each simulation. Due to timing differences between the quarterly valuation of MSRs and the eventual impact of interest rates on mortgage banking volumes, earnings at risk in any particular quarter could be higher than the average earnings at risk over the 12-month simulation period, depending on the path of interest rates and on our hedging strategies for MSRs. See Mortgage Banking Interest Rate Risk below.

We use exchange-traded and over-the-counter interest rate derivatives to hedge our interest rate exposures. The credit risk amount and estimated net fair values of these derivatives as of June 30, 2007, and December 31, 2006, are presented in Note 20 (Derivatives) to Financial Statements. We use derivatives for asset/liability management in three ways:

- to convert a major portion of our long-term fixed-rate debt, which we issue to finance the Company, from fixed-rate payments to floating-rate payments by entering into receive-fixed swaps;
- to convert the cash flows from selected asset and/or liability instruments/portfolios from fixed-rate payments to floating-rate payments or vice versa; and

to hedge our mortgage origination pipeline, funded mortgage loans and MSRs using interest rate swaps, swaptions, futures, forwards and options.

Mortgage Banking Interest Rate Risk

We originate, fund and service mortgage loans, which subjects us to various risks, including credit, liquidity and interest rate risks. We reduce unwanted credit and liquidity risks by selling or securitizing virtually all of the long-term fixed-rate mortgage loans we originate and most of the ARMs we originate. From time to time, we hold originated ARMs in our loan portfolio as an investment for our growing base of core deposits. We determine whether the loans will be held for investment or held for sale at the time of origination. We may subsequently change our intent to hold loans for investment and sell some or all of our ARMs as part of our corporate asset/liability management.

While credit and liquidity risks have historically been relatively low for mortgage banking activities, interest rate risk can be substantial. Changes in interest rates may potentially impact total origination and servicing fees, the value of our residential MSRs measured at fair value, the value of mortgages held for sale (MHFS) carried at fair value and the associated income and loss reflected in mortgage banking noninterest income, the income and expense associated with instruments (economic hedges) used to hedge changes in the fair value of MSRs and MHFS, and the value of derivative loan commitments extended to mortgage applicants.

Interest rates impact the amount and timing of origination and servicing fees because consumer demand for new mortgages and the level of refinancing activity are sensitive to changes in mortgage interest rates. Typically, a decline in mortgage interest rates will lead to an increase in mortgage originations and fees and may also lead to an increase in servicing fee income, depending on the level of new loans added to the servicing portfolio and prepayments. Given the time it takes for consumer behavior to fully react to interest rate changes, as well as the time required for processing a new application, providing the commitment, and securitizing and selling the loan, interest rate changes will impact origination and servicing fees with a lag. The amount and timing of the impact on origination and servicing fees will depend on the magnitude, speed and duration of the change in interest rates.

Under FAS 159, which we adopted January 1, 2007, we elected to measure MHFS at fair value prospectively for new prime MHFS originations for which an active secondary market and readily available market prices currently exist to reliably support fair value pricing models used for these loans. We also elected to measure at fair value certain of our other interests held related to residential loan sales and securitizations. We believe that the election for MHFS and other interests held (which are now hedged with free-standing derivatives (economic hedges) along with our MSRs) will reduce certain timing differences and better match changes in the value of these assets with changes in the value of derivatives used as economic hedges for these assets. Loan origination fees are recorded when earned, and related direct loan origination costs and fees are recognized when incurred.

Under FAS 156, which we adopted January 1, 2006, we elected to use the fair value measurement method to initially measure and carry our residential MSRs, which represent substantially all of our MSRs. Under this method, the MSRs are recorded at fair value at the time we sell or securitize the related mortgage loans. The carrying value of MSRs reflects changes in fair value at the end of each quarter and changes are included in net servicing income, a component of mortgage banking noninterest income. If the fair value of the MSRs increases, income is recognized; if the fair value of the MSRs decreases, a loss is recognized. We use a dynamic and sophisticated model to estimate the fair value of our MSRs. While the valuation of MSRs can be highly subjective and involve complex judgments by management about matters that are inherently unpredictable, changes in interest rates influence a variety of assumptions included in the periodic valuation of MSRs. Assumptions affected include prepayment speed, expected returns and potential risks on the servicing asset portfolio, the value of escrow balances and other servicing valuation elements impacted by interest rates.

A decline in interest rates increases the propensity for refinancing, reduces the expected duration of the servicing portfolio and therefore reduces the estimated fair value of MSRs. This reduction in fair value causes a charge to income (net of any gains on free-standing derivatives (economic hedges) used to hedge MSRs). We may choose to not fully hedge all of the potential decline in the value of our MSRs resulting from a decline in interest rates because the potential increase in origination/servicing fees in that scenario provides a partial natural business hedge. In a rising rate period, if the MSRs are not fully hedged with free-standing derivatives, the change in the fair value of the MSRs that can be recaptured into income will typically although not always exceed the losses on any free-standing derivatives hedging the MSRs. In second quarter 2007, the increase in the fair value of our MSRs and the losses on free-standing derivatives used to hedge the MSRs resulted in a net loss of $225 million.

Hedging the various sources of interest rate risk in mortgage banking is a complex process that requires sophisticated modeling and constant monitoring. While we attempt to balance these various aspects of the mortgage business, there are several potential risks to earnings:

- MSRs valuation changes associated with interest rate changes are recorded in earnings immediately within the accounting period in which those interest rate changes occur, whereas the impact of those same changes in interest rates on origination and servicing fees occur with a lag and over time. Thus, the mortgage business could be protected from adverse changes in interest rates over a period of time on a cumulative basis but still display large variations in income from one accounting period to the next.
- The degree to which the natural business hedge offsets changes in MSRs valuations is imperfect, varies at different points in the interest rate cycle, and depends not just on the direction of interest rates but on the pattern of quarterly interest rate changes.
- Origination volumes, the valuation of MSRs and hedging results and associated costs are also impacted by many factors. Such factors include the mix of new business between ARMs and fixed-rated mortgages, the relationship between short-term and long-term interest rates, the degree of volatility in interest rates, the relationship between mortgage interest rates and other interest rate markets, and other interest rate factors. Many of these factors are hard to predict and we may not be able to directly or perfectly hedge their effect.
- While our hedging activities are designed to balance our mortgage banking interest rate risks, the financial instruments we use may not perfectly correlate with the values and income being hedged. For example, the change in the value of ARMs production held for sale from changes in mortgage interest rates may or may not be fully offset by Treasury and LIBOR index-based financial instruments used as economic hedges for such ARMs.

Table of Contents

The total carrying value of our residential and commercial MSRs was $19.2 billion at June 30, 2007, and $18.0 billion at December 31, 2006. The weighted-average note rate on the owned servicing portfolio was 5.95% at June 30, 2007, and 5.92% at December 31, 2006. Our total MSRs were 1.42% of mortgage loans serviced for others at June 30, 2007, compared with 1.41% at December 31, 2006.

As part of our mortgage banking activities, we enter into commitments to fund residential mortgage loans at specified times in the future. A mortgage loan commitment is an interest rate lock that binds us to lend funds to a potential borrower at a specified interest rate and within a specified period of time, generally up to 60 days after inception of the rate lock. These loan commitments are derivative loan commitments if the loans that will result from the exercise of the commitments will be held for sale. These derivative loan commitments are recognized at fair value in the balance sheet with changes in their fair values recorded as part of mortgage banking noninterest income. We record no value for the loan commitment at inception. Subsequent to inception, we recognize the fair value of the derivative loan commitment based on estimated changes in the fair value of the underlying loan that would result from the exercise of that commitment and on 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.

Outstanding derivative loan commitments expose us to the risk that the price of the loans underlying the commitments might decline due to increases in mortgage interest rates from inception of the rate lock to the funding of the loan. To minimize this risk, we utilize forwards and options, Eurodollar futures, and Treasury futures, forwards and options contracts as economic hedges against the potential decreases in the values of the loans that could result from the exercise of the loan commitments. We expect that these derivative financial instruments will experience changes in fair value that will either fully or partially offset the changes in fair value of the derivative loan commitments.

Market Risk   Trading Activities

From a market risk perspective, our net income is exposed to changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices and their implied volatilities. The primary purpose of our trading businesses is to accommodate customers in the management of their market price risks. Also, we take positions based on market expectations or to benefit from price differences between financial instruments and markets, subject to risk limits established and monitored by Corporate ALCO. All securities, foreign exchange transactions, commodity transactions and derivatives used in our trading businesses are carried at fair value. The Institutional Risk Committee establishes and monitors counterparty risk limits. The credit risk amount and estimated net fair value of all customer accommodation derivatives at June 30, 2007, and December 31, 2006, are included in Note 20 (Derivatives) to Financial Statements. Open,   at risk   positions for all trading business are monitored by Corporate ALCO.

The standardized approach for monitoring and reporting market risk for the trading activities is the value-at-risk (VAR) metrics complemented with factor analysis and stress testing. VAR measures the worst expected loss over a given time interval and within a given confidence interval. We measure and report daily VAR at a 99% confidence interval based on actual changes in rates and prices over the past 250 days. The analysis captures all financial instruments

Table of Contents

that are considered trading positions. The average one-day VAR throughout second quarter 2007 was $10 million, with a lower bound of $9 million and an upper bound of $12 million.

Market Risk Equity Markets

We are directly and indirectly affected by changes in the equity markets. We make and manage direct equity investments in start-up businesses, emerging growth companies, management buy-outs, acquisitions and corporate recapitalizations. We also invest in non-affiliated funds that make similar private equity investments. These private equity investments are made within capital allocations approved by management and the Board of Directors (the Board). The Board s policy is to review business developments, key risks and historical returns for the private equity investment portfolio at least annually. Management reviews these investments at least quarterly and assesses them for possible other-than-temporary impairment. For nonmarketable investments, the analysis is based on facts and circumstances of each individual investment and the expectations for that investment s cash flows and capital needs, the viability of its business model and our exit strategy. Private equity investments totaled $1.86 billion at June 30, 2007, and $1.67 billion at December 31, 2006.

We also have marketable equity securities in the available for sale investment portfolio, including securities relating to our venture capital activities. We manage these investments within capital risk limits approved by management and the Board and monitored by Corporate ALCO. Gains and losses on these securities are recognized in net income when realized and other-than-temporary impairment may be periodically recorded when identified. The initial indicator of impairment for marketable equity securities is a sustained decline in market price below the amount recorded for that investment. We consider a variety of factors such as: the length of time and the extent to which the market value has been less than cost; the issuer s financial condition, capital strength, and near-term prospects; any recent events specific to that issuer and economic conditions of its industry; and our investment horizon in relationship to an anticipated near-term recovery in the stock price, if any. The fair value of marketable equity securities was $919 million and cost was $697 million at June 30, 2007, and $796 million and $592 million, respectively, at December 31, 2006.

Changes in equity market prices may also indirectly affect our net income (1) by affecting the value of third party assets under management and, hence, fee income, (2) by affecting particular borrowers, whose ability to repay principal and/or interest may be affected by the stock market, or (3) by affecting brokerage activity, related commission income and other business activities. Each business line monitors and manages these indirect risks.

Liquidity and Funding

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

Table of Contents

Debt securities in the securities available for sale portfolio provide asset liquidity, in addition to the immediately liquid resources of cash and due from banks and federal funds sold, securities purchased under resale agreements and other short-term investments. Asset liquidity is further enhanced by our ability to sell or securitize loans in secondary markets through whole-loan sales and securitizations.

Core customer deposits have historically provided a sizeable source of relatively stable and low-cost funds. Additional funding is provided by long-term debt (including trust preferred securities), other foreign deposits and short-term borrowings (federal funds purchased, securities sold under repurchase agreements, commercial paper and other short-term borrowings).

Liquidity is also available through our ability to raise funds in a variety of domestic and international money and capital markets. We access capital markets for long-term funding by issuing registered debt, private placements and asset-backed secured funding. Rating agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix and level and quality of earnings. Moody s Investors Service rates Wells Fargo Bank, N.A. as Aaa, its highest investment grade, and rates the Company s senior debt as Aa1. Dominion Bond Rating Service rates the Company s senior debt as AA. In February 2007, Standard & Poor s Ratings Services raised Wells Fargo Bank, N.A. s credit rating to AAA from AA+, and raised the Company s senior debt rating to AA+ from AA. Wells Fargo Bank, N.A. is now the only U.S. bank to have the highest possible credit rating from both Moody s and S&P.

Parent. Under SEC rules, the Parent is classified as a well-known seasoned issuer, which allows it to file a registration statement that does not have a limit on issuance capacity. Well-known seasoned issuers generally include those companies with a public float of common equity of at least $700 million or those companies that have issued at least $1 billion in aggregate principal amount of non-convertible securities, other than common equity, in the last three years. However, the Parent s ability to issue debt and other securities under a registration statement filed with the SEC under these new rules is limited by the debt issuance authority granted by the Board. The Parent is currently authorized by the Board to issue $25 billion in outstanding short-term debt and $95 billion in outstanding long-term debt, subject to a total outstanding debt limit of $110 billion. In June 2006, the Parent s registration statement with the SEC for issuance of senior and subordinated notes, preferred stock and other securities became effective. During the first half of 2007, the Parent issued a total of $11.6 billion of registered senior notes, including $1.5 billion (denominated in pounds sterling) sold primarily in the United Kingdom. The Parent also issued $1.0 billion in junior subordinated debt in connection with the issuance of trust preferred securities by a statutory business trust formed by the Parent. Also, during the first half of 2007, the Parent issued $413 million in private placements (denominated in Australian dollars) under the Parent s Australian debt issuance program. We used the proceeds from securities issued in the first half of 2007 for general corporate purposes and expect that the proceeds in the future will also be used for general corporate purposes. The Parent also issues commercial paper from time to time, subject to its short-term debt limit.

Wells Fargo Bank, N.A. Wells Fargo Bank, N.A. is authorized by its board of directors to issue $20 billion in outstanding short-term debt and $40 billion in outstanding long-term debt. In March 2003, Wells Fargo Bank, N.A. established a $50 billion bank note program under which, subject to any other debt outstanding under the limits described above, it may issue $20 billion in outstanding short-term senior notes and $30 billion in long-term senior notes. Securities are issued under this program as private placements in accordance with Office of the Comptroller of the Currency (OCC) regulations. During the first half of 2007, Wells Fargo Bank, N.A. issued $10.7 billion in short-term senior notes.

Wells Fargo Financial. In January 2006, Wells Fargo Financial Canada Corporation (WFFCC), a wholly-owned Canadian subsidiary of Wells Fargo Financial, Inc. (WFFI), qualified for distribution with the Canadian provincial securities exchanges CAD$7.0 billion of issuance authority. WFFI did not issue any debt in the first half of 2007. During the first half of 2007, WFFCC issued CAD$700 million in senior notes. At June 30, 2007, the remaining issuance capacity for WFFCC was CAD$4.7 billion.

CAPITAL MANAGEMENT

We have an active program for managing stockholder capital. We use capital to fund organic growth, acquire banks and other financial services companies, pay dividends and repurchase our shares. Our objective is to produce above market long-term returns by opportunistically using capital when returns are perceived to be high and issuing/accumulating capital when the costs of doing so are perceived to be low.

From time to time the Board of Directors authorizes the Company to repurchase shares of our common stock. Although we announce when the Board authorizes share repurchases, we typically do not give any public notice before we repurchase our shares. Various factors determine the amount and timing of our share repurchases, including our capital requirements, the number of shares we expect to issue for acquisitions and employee benefit plans, market conditions (including the trading price of our stock), and 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.

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

In 2006, the Board authorized the repurchase of up to 50 million additional shares of our outstanding common stock. In March 2007, the Board authorized the repurchase of up to 75 million additional shares of our common stock. During the first half of 2007, we repurchased approximately 77 million shares of our common stock. We issued approximately 18 million shares of common stock in June 2007 in connection with the acquisition of Placer Sierra Bancshares. At June 30, 2007, the total remaining common stock repurchase authority was approximately 60 million shares. (For additional information regarding second quarter 2007 share repurchases and repurchase authorizations, see Part II Item 2 of this Report.)

Table of Contents

On August 6, 2007, the Board authorized the repurchase of an additional 50 million shares. We expect to complete the acquisition of Greater Bay Bancorp in fourth quarter 2007 with the issuance of approximately 45 million shares of our common stock. In July 2007, the Board authorized a quarterly common stock dividend of 31 cents per share, an increase of 3 cents per share, or 11%, from the prior quarter.

Our potential sources of capital include retained earnings and issuances of common and preferred stock. In the first half of 2007, retained earnings increased $2.4 billion, predominantly resulting from net income of $4.5 billion, less dividends of $1.9 billion. In the first half of 2007, we issued $1.2 billion of common stock (including shares issued for our ESOP plan) under various employee benefit and director plans and under our dividend reinvestment and direct stock repurchase programs.

At June 30, 2007, the Company and each of our subsidiary banks were well capitalized under the applicable regulatory capital adequacy guidelines. For additional information see Note 19 (Regulatory and Agency Capital Requirements) to Financial Statements.

Table of Contents

RISK FACTORS

An investment in the Company has risk. In addition, in accordance with the Private Securities Litigation Reform Act of 1995, we caution you that actual results may differ from forward-looking statements about our future financial and business performance contained in this Report and other reports we file with the SEC and in other Company communications. This Report contains forward-looking statements that:

- we believe our nonperforming loan portfolio has relatively low loss potential due to the high percentage of consumer real estate and auto-secured loans where we take an initial write-down, if applicable, as the loan is transferred to nonperforming status;
- we do not expect the adoption of SOP 07-1 to have a material effect on our consolidated financial statements;
- we expect the growth in earning assets in second quarter 2007 is likely to increase net interest income growth, but reduce net interest margin, in third quarter 2007;
- we expect FIN 48 will cause more volatility in our effective tax rate from quarter to quarter;
- we expect the amount of nonaccrual loans will change due to portfolio growth, portfolio seasoning, routine problem loan recognition and resolution through collections, sales or charge-offs;
- we expect home equity losses to remain at higher levels during the last half of 2007;
- we believe the recent guidance issued by federal financial regulatory agencies for nonprime mortgage lending will not have a significant impact on Wells Fargo Financial s operations;
- we expect higher credit losses in the auto loan portfolio due to seasonal declines in credit performance typically experienced by the auto lending industry in the last half of the year;
- we believe the provision for credit losses for consumer loans, absent a significant credit event, will closely follow the level of related net charge-offs;
- we believe the election to measure new prime mortgages held for sale and other interests held at fair value will reduce certain timing differences and better match changes in the value of these interests with changes in the value of derivatives used to hedge these interests;
- we expect changes in the fair value of derivative financial instruments used to hedge derivative loan commitments will fully or partially offset changes in the fair value of such commitments;
- we expect to use the proceeds of securities issued in the future for general corporate purposes;
- we expect to complete the acquisition of Greater Bay Bancorp in fourth quarter 2007 with the issuance of approximately 45 million shares of our common stock;
- we expect to complete two pending business combination transactions in the last half of 2007;
- we do not expect to make a contribution to the Cash Balance Plan in 2007;
- we expect to recover our affordable housing investments over time through realization of federal low-income housing tax credits;
- we do not expect the amount of any additional consideration that may be payable in connection with previous acquisitions to be material; and

- we expect $28 million of deferred net gains on derivatives in other comprehensive income at June 30, 2007, will be reclassified as earnings in the next 12 months.

This Report also includes various statements about the estimated impact on our earnings from simulated changes in interest rates.

Factors that could cause our financial results and condition to vary significantly from quarter to quarter or cause actual results to differ from our expectations for our future financial and business performance include:

- lower or negative revenue growth because of our inability to sell more products to our existing customers;
- decreased demand for our products and services because of an economic slowdown;
- reduced fee income from our brokerage and asset management businesses because of a fall in stock market prices;
- lower net interest margin, decreased mortgage loan originations and reductions in the value of our MSRs because of changes in interest rates or hedging activities;
- reduced liquidity and value of certain asset classes, such as mortgage loans, due to volatility and risk aversion in the secondary markets;
- reduced earnings due to higher credit losses generally and specifically because:
  - o losses in our consumer auto loan portfolio remain at or above historic levels notwithstanding our collections and underwriting efforts; and/or
  - o losses in our residential real estate loan portfolio (including home equity) are greater than expected due to declining home values, increasing interest rates, increasing unemployment or other economic factors;
- reduced earnings because of changes in the value of our venture capital investments;
- changes in our accounting policies or in accounting standards;
- reduced earnings from not realizing the expected benefits of acquisitions or from unexpected difficulties integrating acquisitions;
- federal and state regulations, including those relating to nonprime and student lending activities;
- reputational damage from negative publicity;
- fines, penalties and other negative consequences from regulatory violations, even inadvertent or unintentional violations;
- the loss of checking and saving account deposits to alternative investments such as the stock market and higher-yielding fixed income investments; and
- fiscal and monetary policies of the Federal Reserve Board.

Refer to our 2006 Form 10-K, including Risk Factors, for information about these factors. Refer also to this Report, including the discussion under Risk Management in the Financial Review section, for additional risk factors and other information that may supplement or modify the discussion of risk factors in our 2006 Form 10-K.

Table of Contents

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As required by SEC rules, the Company s management evaluated the effectiveness, as of June 30, 2007, of the Company s disclosure controls and procedures. The Company s chief executive officer and chief financial officer participated in the evaluation. Based on this evaluation, the Company s chief executive officer and chief financial officer concluded that the Company s disclosure controls and procedures were effective as of June 30, 2007.

Internal Control Over Financial Reporting

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

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. No change occurred during second quarter 2007 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

Table of Contents

WELLS FARGO & COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME

(in millions, except per share amounts)	Quarter ended June 30, **2007**	2006	Six months ended June 30, **2007**	2006
INTEREST INCOME				
Trading assets	**$ 47**	$ 65	**$ 100**	$ 134
Securities available for sale	**752**	875	**1,438**	1,538
Mortgages held for sale	**578**	808	**1,108**	1,417
Loans held for sale	**17**	11	**32**	22
Loans	**7,100**	6,245	**13,864**	12,355
Other interest income	**79**	73	**170**	143
Total interest income	**8,573**	8,077	**16,712**	15,609
INTEREST EXPENSE				
Deposits	**1,941**	1,794	**3,798**	3,276
Short-term borrowings	**265**	289	**401**	559
Long-term debt	**1,171**	1,010	**2,307**	1,920
Total interest expense	**3,377**	3,093	**6,506**	5,755
NET INTEREST INCOME	**5,196**	4,984	**10,206**	9,854
Provision for credit losses	**720**	432	**1,435**	865
Net interest income after provision for credit losses	**4,476**	4,552	**8,771**	8,989
NONINTEREST INCOME				
Service charges on deposit accounts	**740**	665	**1,425**	1,288
Trust and investment fees	**839**	675	**1,570**	1,338
Card fees	**517**	418	**987**	802
Other fees	**638**	510	**1,149**	998
Mortgage banking	**689**	735	**1,479**	1,150
Operating leases	**187**	200	**379**	401
Insurance	**432**	364	**831**	728
Net losses on debt securities available for sale	**(42)**	(156)	**(11)**	(191)
Net gains from equity investments	**242**	133	**339**	323
Other	**453**	261	**978**	653
Total noninterest income	**4,695**	3,805	**9,126**	7,490
NONINTEREST EXPENSE				
Salaries	**1,907**	1,754	**3,774**	3,426
Incentive compensation	**900**	714	**1,642**	1,382
Employee benefits	**581**	487	**1,246**	1,076

Equipment	**292**	284	**629**	619
Net occupancy	**369**	345	**734**	681
Operating leases	**148**	157	**301**	318
Other	**1,530**	1,435	**2,927**	2,748
Total noninterest expense	**5,727**	5,176	**11,253**	10,250
INCOME BEFORE INCOME TAX EXPENSE	**3,444**	3,181	**6,644**	6,229
Income tax expense	**1,165**	1,092	**2,121**	2,122
NET INCOME	**$ 2,279**	$ 2,089	**$ 4,523**	$ 4,107
EARNINGS PER COMMON SHARE	**$ 0.68**	$ 0.62	**$ 1.34**	$ 1.22
DILUTED EARNINGS PER COMMON SHARE	**$ 0.67**	$ 0.61	**$ 1.33**	$ 1.21
DIVIDENDS DECLARED PER COMMON SHARE	**$ 0.28**	$ 0.54	**$ 0.56**	$ 0.80
Average common shares outstanding	**3,351.2**	3,363.8	**3,363.5**	3,360.9
Diluted average common shares outstanding	**3,389.3**	3,404.4	**3,402.5**	3,400.1

The accompanying notes are an integral part of these statements.

Table of Contents

WELLS FARGO & COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

(in millions, except shares)	**June 30, 2007**	December 31, 2006	June 30, 2006
ASSETS			
Cash and due from banks	**$ 12,714**	$ 15,028	$ 14,069
Federal funds sold, securities purchased under resale agreements and other short-term investments	**5,163**	6,078	5,367
Trading assets	**7,289**	5,607	7,344
Securities available for sale	**72,179**	42,629	71,420
Mortgages held for sale (includes $30,175 million carried at fair value at June 30, 2007)	**34,580**	33,097	39,714
Loans held for sale	**887**	721	594
Loans	**342,800**	319,116	300,622
Allowance for loan losses	**(3,820)**	(3,764)	(3,851)
Net loans	**338,980**	315,352	296,771
Mortgage servicing rights:			
Measured at fair value (residential MSRs)	**18,733**	17,591	15,650
Amortized	**418**	377	175
Premises and equipment, net	**4,973**	4,698	4,529
Goodwill	**11,983**	11,275	11,091
Other assets	**31,966**	29,543	32,792
Total assets	**$ 539,865**	$ 481,996	$ 499,516
LIABILITIES			
Noninterest-bearing deposits	**$ 89,809**	$ 89,119	$ 89,448
Interest-bearing deposits	**234,934**	221,124	237,004
Total deposits	**324,743**	310,243	326,452
Short-term borrowings	**40,838**	12,829	13,619
Accrued expenses and other liabilities	**33,153**	25,903	33,794
Long-term debt	**93,830**	87,145	83,757
Total liabilities	**492,564**	436,120	457,622
STOCKHOLDERS EQUITY			
Preferred stock	**637**	384	548
Common stock $1-2/3 par value, authorized 6,000,000,000 shares; issued 3,472,762,050 shares	**5,788**	5,788	5,788
Additional paid-in capital	**8,027**	7,739	7,562
Retained earnings	**37,665**	35,277	31,964
Cumulative other comprehensive income (loss)	**(236)**	302	155

Treasury stock 110,551,965 shares, 95,612,189 shares and 110,979,842 shares	**(3,898)**	(3,203)	(3,537)
Unearned ESOP shares	**(682)**	(411)	(586)
Total stockholders equity	**47,301**	45,876	41,894
Total liabilities and stockholders equity	**$ 539,865**	$ 481,996	$ 499,516

The accompanying notes are an integral part of these statements.

Table of Contents

WELLS FARGO & COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY
AND COMPREHENSIVE INCOME

(in millions, except shares)	Number of common shares	Preferred stock	Common stock	Additional paid-in capital	Retained earnings	Cumulative other comprehensive income (loss)	Treasury stock	Unearned ESOP shares	Total stockholders' equity
BALANCE DECEMBER 31, 2005	3,355,166,064	$ 325	$ 5,788	$ 7,040	$ 30,580	$ 665	$ (3,390)	$ (348)	$ 40,660
Cumulative effect from adoption of FAS 156					101				101
BALANCE JANUARY 1, 2006	3,355,166,064	325	5,788	7,040	30,681	665	(3,390)	(348)	40,761
Comprehensive income:									
Net income					4,107				4,107
Other comprehensive income, net of tax:									
Translation adjustments						4			4
Minimum pension liability adjustment						(3)			(3)
Net unrealized losses on securities available for sale and other interests held, net of reclassification of $7 million of net losses included in net income						(592)			(592)
Net unrealized gains on derivatives and hedging activities, net of reclassification of $187 million of net gains on cash flow hedges included in net income						81			81
Total comprehensive income									3,597
Common stock issued	37,470,628			(32)	(132)		1,095		931
Common stock repurchased	(36,721,484)						(1,185)		(1,185)
Preferred stock (414,000) issued to ESOP		414		29				(443)	
Preferred stock released to ESOP				(14)				205	191

Preferred stock (191,684) converted to common shares	5,867,000	(191)		18			173		
Common stock dividends					(2,692)				(2,692)
Tax benefit upon exercise of stock options				106					106
Stock option compensation expense				80					80
Net change in deferred compensation and related plans				27			(19)		8
Reclassification of share-based plans				308			(211)		97
Net change	6,616,144	223		522	1,283	(510)	(147)	(238)	1,133
BALANCE JUNE 30, 2006	3,361,782,208	$ 548	$ 5,788	$ 7,562	$ 31,964	$ 155	$ (3,537)	$ (586)	$ 41,894
BALANCE DECEMBER 31, 2006	**3,377,149,861**	**$ 384**	**$ 5,788**	**$ 7,739**	**$ 35,277**	**$ 302**	**$ (3,203)**	**$ (411)**	**$ 45,876**
Cumulative effect of adoption of FSP 13-2					**(71)**				**(71)**
BALANCE JANUARY 1, 2007	**3,377,149,861**	**384**	**5,788**	**7,739**	**35,206**	**302**	**(3,203)**	**(411)**	**45,805**
Comprehensive income:									
Net income					**4,523**				**4,523**
Other comprehensive income, net of tax:									
Translation adjustments						**12**			**12**
Net unrealized losses on securities available for sale and other interests held, net of reclassification of $16 million of net gains included in net income						**(533)**			**(533)**
Net unrealized losses on derivatives and hedging activities, net of reclassification of $50 million of net gains on cash flow hedges included in net income						**(29)**			**(29)**
Defined benefit pension plans:									
Amortization of actuarial loss and prior service cost included in net income						**12**			**12**

Total comprehensive income									**3,985**
Common stock issued	**38,031,618**			**(49)**	**(179)**		**1,223**		**995**
Common stock issued for acquisitions	**17,705,418**			**65**			**581**		**646**
Common stock repurchased	**(77,290,465)**						**(2,689)**		**(2,689)**
Preferred stock (484,000) issued to ESOP		**484**		**34**				**(518)**	**--**
Preferred stock released to ESOP				**(16)**				**247**	**231**
Preferred stock (230,335) converted to common shares	**6,613,653**	**(231)**		**15**			**216**		**--**
Common stock dividends					**(1,885)**				**(1,885)**
Tax benefit upon exercise of stock options				**127**					**127**
Stock option compensation expense				**83**					**83**
Net change in deferred compensation and related plans				**29**			**(26)**		**3**
Net change	**(14,939,776)**	**253**		**288**	**2,459**	**(538)**	**(695)**	**(271)**	**1,496**
BALANCE JUNE 30, 2007	**3,362,210,085**	**$ 637**	**$ 5,788**	**$ 8,027**	**$ 37,665**	**$ (236)**	**$ (3,898)**	**$ (682)**	**$ 47,301**

The accompanying notes are an integral part of these statements.

34

Table of Contents

WELLS FARGO & COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended June 30,	
(in millions)	**2007**	2006
Cash flows from operating activities:		
Net income	**$ 4,523**	$ 4,107
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	**1,435**	865
Changes in fair value of MSRs (residential) and MHFS carried at fair value	**(528)**	(74)
Depreciation and amortization	**764**	1,274
Other net gains	**(1,451)**	(772)
Preferred shares released to ESOP	**231**	191
Stock option compensation expense	**83**	80
Excess tax benefits related to stock option payments	**(117)**	(106)
Originations of MHFS	**(121,669)**	(117,806)
Proceeds from sales of and principal collected on mortgages originated for sale	**119,405**	114,179
Net change in:		
Trading assets	**(1,682)**	3,580
Loans originated for sale	**(161)**	18
Deferred income taxes	**459**	483
Accrued interest receivable	**(259)**	(115)
Accrued interest payable	**(90)**	278
Other assets, net	**321**	3,095
Other accrued expenses and liabilities, net	**7,660**	10,966
Net cash provided by operating activities	**8,924**	20,243
Cash flows from investing activities:		
Net change in:		
Federal funds sold, securities purchased under resale agreements and other short-term investments	**922**	(6)
Securities available for sale:		
Sales proceeds	**8,363**	26,330
Prepayments and maturities	**4,601**	2,983
Purchases	**(43,162)**	(60,351)
Loans:		
Increase in banking subsidiaries loan originations, net of collections	**(17,430)**	(17,878)
Proceeds from sales (including participations) of loans by banking subsidiaries	**1,640**	34,832
Purchases (including participations) of loans by banking subsidiaries	**(2,679)**	(2,981)
Principal collected on nonbank entities loans	**11,711**	11,842
Loans originated by nonbank entities	**(13,171)**	(13,215)
Net cash paid for acquisitions	**(2,825)**	(332)
Proceeds from sales of foreclosed assets	**677**	253
Other changes in MSRs	**(812)**	(1,748)
Other, net	**(2,222)**	(3,998)

Net cash used by investing activities	**(54,387)**	(24,269)
Cash flows from financing activities:		
Net change in:		
Deposits	**12,741**	11,772
Short-term borrowings	**27,869**	(10,319)
Long-term debt:		
Proceeds from issuance	**14,905**	11,924
Repayment	**(8,643)**	(7,959)
Common stock:		
Proceeds from issuance	**995**	931
Repurchased	**(2,689)**	(1,185)
Cash dividends paid	**(1,885)**	(2,692)
Excess tax benefits related to stock option payments	**117**	106
Other, net	**(261)**	120
Net cash provided by financing activities	**43,149**	2,698
Net change in cash and due from banks	**(2,314)**	(1,328)
Cash and due from banks at beginning of period	**15,028**	15,397
Cash and due from banks at end of period	**$ 12,714**	$ 14,069
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	**$ 6,596**	$ 5,477
Income taxes	**1,646**	959
Noncash investing and financing activities:		
Transfers from loans to MHFS	**$**	$ 30,164
Transfers from MHFS to loans	**1,514**	
Transfers from loans to foreclosed assets	**1,225**	795

The accompanying notes are an integral part of these statements.

Table of Contents

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wells Fargo & Company is a diversified financial services company. We provide banking, insurance, investments, mortgage banking and consumer finance through banking stores, the internet and other distribution channels to consumers, businesses and institutions in all 50 states of the U.S. and in other countries. When we refer to the Company , we , our and us in this Form 10-Q, we mean Wells Fargo & Company and Subsidiaries (consolidated). Wells Fargo & Company (the Parent) is a financial holding company and a bank holding company.

Our accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and income and expenses during the reporting period.

The information furnished in these unaudited interim statements reflects all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed in this Form 10-Q. The results of operations in the interim statements do not necessarily indicate the results that may be expected for the full year. The interim financial information should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2006 (2006 Form 10-K).

On January 1, 2007, we adopted the following new accounting pronouncements:

FIN 48 Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109*;

FSP 13-2 FASB Staff Position 13-2, *Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction*;

FAS 155 Statement of Financial Accounting Standards No. 155, *Accounting for Certain Hybrid Financial Instruments*, *an amendment of FASB Statements No. 133 and 140*;

FAS 157, *Fair Value Measurements*; and

FAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115.*

The adoption of FIN 48, FAS 155, FAS 157 and FAS 159 did not have any effect on our financial statements at the date of adoption. For additional information, see Note 11 (Income Taxes) and Note 16 (Fair Values of Assets and Liabilities) to Financial Statements.

FSP 13-2 relates to the accounting for leveraged lease transactions for which there have been cash flow estimate changes based on when income tax benefits are recognized. Certain of our leveraged lease transactions have been challenged by the Internal Revenue Service (IRS). We have paid the IRS the contested income tax associated with these transactions. However, we are continuing to vigorously defend our initial filing position as to the timing of the tax benefits associated with these transactions. Upon adoption of FSP 13-2, we recorded a cumulative effect of change in accounting principle to reduce the beginning balance of 2007 retained earnings by $71 million after tax ($115 million pre tax). Since this adjustment changes only the timing of income tax cash flows and not the total net income for these leases, this amount will be recognized back into income over the remaining terms of the affected leases.

Descriptions of our significant accounting policies are included in Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2006 Form 10-K. There have been no significant changes to these policies, except as discussed below for mortgages held for sale and income taxes, based on these new pronouncements.

MORTGAGES HELD FOR SALE

Mortgages held for sale (MHFS) include commercial and residential mortgages originated for sale and securitization in the secondary market, which is our principal market, or for sale as whole loans. Effective January 1, 2007, upon adoption of FAS 159, we elected to measure MHFS at fair value prospectively for new prime MHFS originations. (See Note 16.) These loans are carried at fair value, with changes in the fair value of these loans recognized in mortgage banking noninterest income. Loan origination fees are recorded when earned, and related direct loan origination costs and fees are recognized when incurred.

In addition, other MHFS (predominantly nonprime loans and commercial mortgages) are carried at the lower of cost or market value. For these MHFS, direct loan origination costs and fees are deferred at origination of the loans and recognized in mortgage banking noninterest income upon sale of the loan. Gains and losses on loan sales (sales proceeds minus carrying value) are recorded in noninterest income.

INCOME TAXES

We file a consolidated federal income tax return and, in certain states, combined state tax returns.

We account for income taxes in accordance with FAS 109, *Accounting for Income Taxes*, as interpreted by FIN 48, resulting in two components of income tax expense: current and deferred. Current income tax expense approximates taxes to be paid or refunded for the current period. We determine deferred income taxes using the balance sheet method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and recognizes enacted changes in tax rates and laws in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized subject to management judgment that realization is more likely than not. A tax position that meets the more likely than not recognition threshold is measured to determine the amount of benefit to recognize. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. Foreign taxes paid are generally applied as credits to reduce federal income taxes payable. Interest and penalties are recognized as a component of income tax expense.

Table of Contents

2. BUSINESS COMBINATIONS

We regularly explore opportunities to acquire financial services companies and businesses. Generally, we do not make a public announcement about an acquisition opportunity until a definitive agreement has been signed.

Transactions completed in the first half of 2007 were:

(in millions)	Date	Assets
Placer Sierra Bancshares, Sacramento, California	June 1	$ 2,644
Certain assets of The CIT Group/Equipment Financing, Inc., Tempe, Arizona	June 29	2,888
		$ 5,532

At June 30, 2007, we had two pending business combinations with assets of approximately $7.4 billion. We expect to complete these transactions in the last half of 2007.

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

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

(in millions)	**June 30, 2007**	Dec. 31, 2006	June 30, 2006
Federal funds sold and securities purchased under resale agreements	**$ 3,868**	$ 5,024	$ 3,744
Interest-earning deposits	**459**	413	869
Other short-term investments	**836**	641	754
Total	**$ 5,163**	$ 6,078	$ 5,367

Table of Contents

4. SECURITIES AVAILABLE FOR SALE

The following table provides the cost and fair value for the major categories of securities available for sale carried at fair value. There were no securities classified as held to maturity as of the periods presented.

(in millions)	**June 30, 2007 Cost**	**June 30, 2007 Fair value**	Dec. 31, 2006 Cost	Dec. 31, 2006 Fair value	June 30, 2006 Cost	June 30, 2006 Fair value
Securities of U.S. Treasury and federal agencies	**$ 873**	**$ 859**	$ 774	$ 768	$ 929	$ 912
Securities of U.S. states and political subdivisions	**5,044**	**5,132**	3,387	3,530	2,909	2,988
Mortgage-backed securities:						
Federal agencies	**57,101**	**56,893**	26,981	27,463	51,960	51,543
Private collateralized mortgage obligations (1)	**3,756**	**3,755**	3,989	4,046	8,033	8,096
Total mortgage-backed securities	**60,857**	**60,648**	30,970	31,509	59,993	59,639
Other	**4,617**	**4,621**	5,980	6,026	7,080	7,081
Total debt securities	**71,391**	**71,260**	41,111	41,833	70,911	70,620
Marketable equity securities	**697**	**919**	592	796	558	800
Total	**$ 72,088**	**$ 72,179**	$ 41,703	$ 42,629	$ 71,469	$ 71,420

(1) Substantially all of the private collateralized mortgage obligations are AAA-rated bonds collateralized by 1-4 family residential first mortgages.

The following table provides the components of the net unrealized gains (losses) on securities available for sale. The net unrealized gains (losses) on securities available for sale are reported on an after-tax basis as a component of cumulative other comprehensive income.

(in millions)	**June 30, 2007**	Dec. 31, 2006	June 30, 2006
Gross unrealized gains	**$ 568**	$ 987	$ 652
Gross unrealized losses	**(477)**	(61)	(701)

Net unrealized gains (losses)	**$ 91**	$ 926	$ (49)

The following table shows the net realized gains (losses) on the sales of securities from the securities available for sale portfolio, including marketable equity securities.

	Quarter ended June 30,		Six months ended June 30,	
(in millions)	**2007**	2006	**2007**	2006
Gross realized gains	**$ 21**	$ 76	**$ 80**	$ 247
Gross realized losses (1)	**(47)**	(173)	**(54)**	(258)
Net realized gains (losses)	**$ (26)**	$ (97)	**$ 26**	$ (11)

(1) Includes other-than-temporary impairment of $4 million for the first half of 2007 and $13 million for both the second quarter and first half of 2006. No other-than-temporary impairment was recorded in second quarter 2007.

Table of Contents

5. LOANS AND ALLOWANCE FOR CREDIT LOSSES

A summary of the major categories of loans outstanding is shown in the following table. Outstanding loan balances reflect unearned income, net deferred loan fees, and unamortized discount and premium totaling $3,195 million, $3,113 million and $3,499 million, at June 30, 2007, December 31, 2006, and June 30, 2006, respectively.

(in millions)	**June 30, 2007**	Dec. 31, 2006	June 30, 2006
Commercial and commercial real estate:			
Commercial	**$ 77,560**	$ 70,404	$ 66,014
Other real estate mortgage	**32,336**	30,112	29,281
Real estate construction	**16,552**	15,935	14,764
Lease financing	**5,979**	5,614	5,301
Total commercial and commercial real estate	**132,427**	122,065	115,360
Consumer:			
Real estate 1-4 family first mortgage	**61,177**	53,228	50,491
Real estate 1-4 family junior lien mortgage	**72,398**	68,926	64,727
Credit card	**15,567**	14,697	12,387
Other revolving credit and installment	**53,701**	53,534	51,236
Total consumer	**202,843**	190,385	178,841
Foreign	**7,530**	6,666	6,421
Total loans	**$ 342,800**	$ 319,116	$ 300,622

The recorded investment in impaired loans and the methodology used to measure impairment was:

(in millions)	**June 30, 2007**	Dec. 31, 2006	June 30, 2006
Impairment measurement based on:			
Collateral value method	**$ 140**	$ 122	$ 101
Discounted cash flow method	**136**	108	37
Total (1)	**$ 276**	$ 230	$ 138

(1) Includes $165 million, $146 million and $47 million of impaired loans with a related allowance of

$26 million,
$29 million and
$12 million at
June 30, 2007,
December 31,
2006, and
June 30, 2006,
respectively.

The average recorded investment in impaired loans was $255 million and $137 million during second quarter 2007 and 2006, respectively, and $253 million and $150 million in the first half of 2007 and 2006, respectively.

Table of Contents

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

(in millions)	Quarter ended June 30, **2007**	2006	Six months ended June 30, **2007**	2006
Balance, beginning of period	**$ 3,965**	$ 4,025	**$ 3,964**	$ 4,057
Provision for credit losses	**720**	432	**1,435**	865
Loan charge-offs:				
Commercial and commercial real estate:				
Commercial	**(127)**	(93)	**(253)**	(172)
Other real estate mortgage	**(1)**	(1)	**(2)**	(2)
Real estate construction	**(2)**		**(2)**	
Lease financing	**(9)**	(7)	**(16)**	(16)
Total commercial and commercial real estate	**(139)**	(101)	**(273)**	(190)
Consumer:				
Real estate 1-4 family first mortgage	**(25)**	(22)	**(49)**	(51)
Real estate 1-4 family junior lien mortgage	**(107)**	(28)	**(190)**	(62)
Credit card	**(191)**	(113)	**(374)**	(218)
Other revolving credit and installment	**(434)**	(349)	**(908)**	(671)
Total consumer	**(757)**	(512)	**(1,521)**	(1,002)
Foreign	**(64)**	(74)	**(126)**	(148)
Total loan charge-offs	**(960)**	(687)	**(1,920)**	(1,340)
Loan recoveries:				
Commercial and commercial real estate:				
Commercial	**25**	31	**49**	58
Other real estate mortgage	**3**	5	**5**	6
Real estate construction		1	**1**	2
Lease financing	**4**	6	**9**	12
Total commercial and commercial real estate	**32**	43	**64**	78
Consumer:				
Real estate 1-4 family first mortgage	**6**	9	**12**	12
Real estate 1-4 family junior lien mortgage	**16**	10	**25**	18
Credit card	**30**	25	**61**	49
Other revolving credit and installment	**139**	148	**288**	277
Total consumer	**191**	192	**386**	356
Foreign	**17**	20	**35**	41
Total loan recoveries	**240**	255	**485**	475
Net loan charge-offs	**(720)**	(432)	**(1,435)**	(865)

Allowances related to business combinations/other	**42**	10	**43**	(22)
Balance, end of period	**$ 4,007**	$ 4,035	**$ 4,007**	$ 4,035
Components:				
Allowance for loan losses	**$ 3,820**	$ 3,851	**$ 3,820**	$ 3,851
Reserve for unfunded credit commitments	**187**	184	**187**	184
Allowance for credit losses	**$ 4,007**	$ 4,035	**$ 4,007**	$ 4,035
Net loan charge-offs (annualized) as a percentage of average total loans	**0.87%**	0.58%	**0.89%**	0.57%
Allowance for loan losses as a percentage of total loans	**1.11%**	1.28%	**1.11%**	1.28%
Allowance for credit losses as a percentage of total loans	**1.17**	1.34	**1.17**	1.34

Table of Contents

6. OTHER ASSETS
The components of other assets were:

(in millions)	**June 30, 2007**	Dec. 31, 2006	June 30, 2006
Nonmarketable equity investments:			
Private equity investments	**$ 1,858**	$ 1,671	$ 1,664
Federal bank stock	**1,342**	1,326	1,354
All other	**2,491**	2,240	2,105
Total nonmarketable equity investments (1)	**5,691**	5,237	5,123
Operating lease assets	**2,854**	3,091	3,270
Accounts receivable	**7,466**	7,522	8,178
Interest receivable	**2,829**	2,570	2,394
Core deposit intangibles	**390**	383	437
Foreclosed assets:			
GNMA loans (2)	**423**	322	238
Other	**554**	423	275
Due from customers on acceptances	**79**	103	94
Other	**11,680**	9,892	12,783
Total other assets	**$ 31,966**	$ 29,543	$ 32,792

(1) At June 30, 2007, December 31, 2006, and June 30, 2006, $4.8 billion, $4.5 billion and $4.4 billion, respectively, of nonmarketable equity investments, including all federal bank stock, were accounted for at cost.

(2) Consistent with regulatory reporting requirements, foreclosed assets included

foreclosed real estate securing Government National Mortgage Association (GNMA) loans. Both principal and interest for GNMA loans secured by the foreclosed real estate are fully 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:

	Quarter ended June 30,		Six months ended June 30,	
(in millions)	**2007**	2006	**2007**	2006
Net gains from private equity investments	**$ 226**	$ 74	**$ 302**	$ 143
Net losses from all other nonmarketable equity investments	**(4)**	(16)	**(17)**	(19)
Net gains from nonmarketable equity investments	**$ 222**	$ 58	**$ 285**	$ 124

Table of Contents

7. INTANGIBLE ASSETS

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

	2007		June 30, 2006	
(in millions)	**Gross carrying amount**	**Accumulated amortization**	Gross carrying amount	Accumulated amortization
Amortized intangible assets:				
MSRs (commercial) (1)	**$ 533**	**$ 115**	$ 233	$ 58
Core deposit intangibles	**2,434**	**2,044**	2,374	1,937
Credit card and other intangibles	**641**	**397**	573	361
Total intangible assets	**$ 3,608**	**$ 2,556**	$ 3,180	$ 2,356
MSRs (fair value) (1)	**$ 18,733**		$ 15,650	
Trademark	**14**		14	

(1) See Note 15 for additional information on MSRs.

The current year and estimated future amortization expense for intangible assets as of June 30, 2007, follows:

(in millions)	Core deposit intangibles	Other(1)	Total
Six months ended June 30, 2007 (actual)	**$ 53**	**$ 56**	**$ 109**
Estimate for year ended December 31,			
2007	$ 108	$ 111	$ 219
2008	104	97	201
2009	95	87	182
2010	84	79	163
2011	25	69	94
2012	7	62	69

(1) Includes amortized commercial MSRs and credit card and other intangibles.

We based the projections of amortization expense shown above on existing asset balances at June 30, 2007. Future amortization expense may vary based on additional core deposit or other intangibles acquired through business combinations.

Table of Contents

8. GOODWILL

The changes in the carrying amount of goodwill as allocated to our operating segments for goodwill impairment analysis were:

(in millions)	Community Banking	Wholesale Banking	Wells Fargo Financial	Consolidated Company
December 31, 2005	$ 7,374	$ 3,047	$ 366	$ 10,787
Goodwill from business combinations	30	272		302
Foreign currency translation adjustments			2	2
Realignment of businesses (primarily insurance)	(19)	19		
June 30, 2006	$ 7,385	$ 3,338	$ 368	$ 11,091
December 31, 2006	**$ 7,385**	**$ 3,524**	**$ 366**	**$ 11,275**
Goodwill from business combinations	**468**	**236**		**704**
Foreign currency translation adjustments			**4**	**4**
June 30, 2007	**$ 7,853**	**$ 3,760**	**$ 370**	**$ 11,983**

For our goodwill impairment analysis, we allocate all of the goodwill to the individual operating segments. For management reporting we do not allocate all of the goodwill to the individual operating segments; some is allocated at the enterprise level. See Note 13 for further information on management reporting. The balances of goodwill for management reporting were:

(in millions)	Community Banking	Wholesale Banking	Wells Fargo Financial	Enterprise	Consolidated Company
June 30, 2006	$ 3,538	$ 1,388	$ 368	$ 5,797	$ 11,091
June 30, 2007	**4,006**	**1,810**	**370**	**5,797**	**11,983**

Table of Contents

9. 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.

	Shares issued and outstanding			Carrying amount (in millions)			Adjustable dividends rate	
	June 30, 2007	Dec. 31, 2006	June 30, 2006	**June 30, 2007**	Dec. 31, 2006	June 30, 2006	Minimum	Maximum
ESOP Preferred Stock (1):								
2007	**269,458**			**$ 269**	$	$	10.75%	11.75%
2006	**106,121**	115,521	237,291	**106**	116	237	10.75	11.75
2005	**82,184**	84,284	92,584	**82**	84	93	9.75	10.75
2004	**63,680**	65,180	73,080	**63**	65	73	8.50	9.50
2003	**43,693**	44,843	51,243	**44**	45	51	8.50	9.50
2002	**32,079**	32,874	38,764	**32**	33	39	10.50	11.50
2001	**21,823**	22,303	27,633	**22**	22	28	10.50	11.50
2000	**13,874**	14,142	18,912	**14**	14	19	11.50	12.50
1999	**4,006**	4,094	6,231	**4**	4	6	10.30	11.30
1998	**551**	563	1,908	**1**	1	2	10.75	11.75
1997			133				9.50	10.50
Total ESOP Preferred Stock	**637,469**	383,804	547,779	**$ 637**	$ 384	$ 548		
Unearned ESOP shares (2)				**$ (682)**	$ (411)	$ (586)		

(1) Liquidation preference $1,000. At June 30, 2007, December 31, 2006, and June 30, 2006, additional paid-in capital included $45 million, $27 million and $38 million, respectively, related to preferred stock.

(2) In accordance with the American Institute of Certified Public Accountants

(AICPA) Statement of Position 93-6, *Employers Accounting for Employee Stock Ownership Plans*, 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.

45

Table of Contents

10. EMPLOYEE BENEFITS

We sponsor noncontributory qualified defined benefit retirement plans including the Cash Balance Plan. The Cash Balance Plan is an active plan that covers eligible employees (except employees of certain subsidiaries).

We are not planning to make, nor do we expect that we will be required to make, a contribution to the Cash Balance Plan in 2007, because the Plan is well funded.

The net periodic benefit cost (income) was:

	Pension benefits			Pension benefits		
(in millions)	**Qualified**	**Non-qualified**	**Other benefits**	Qualified	Non-qualified	Other benefits
Quarter ended June 30,			**2007**			2006
Service cost	**$ 70**	**$ 4**	**$ 4**	$ 62	$ 4	$ 4
Interest cost	**61**	**4**	**10**	56	4	10
Expected return on plan assets	**(112)**		**(9)**	(105)		(8)
Amortization of net actuarial loss (1)	**8**	**3**	**2**	14	2	1
Amortization of prior service cost		**(1)**	**(1)**			(1)
Special termination benefits				2		
Curtailment gain						(9)
Net periodic benefit cost (income)	**$ 27**	**$ 10**	**$ 6**	$ 29	$ 10	$ (3)
Six months ended June 30,						
Service cost	**$ 140**	**$ 8**	**$ 8**	$ 124	$ 8	$ 8
Interest cost	**122**	**8**	**20**	112	8	20
Expected return on plan assets	**(225)**		**(18)**	(210)		(16)
Amortization of net actuarial loss (1)	**16**	**6**	**3**	28	4	3
Amortization of prior service cost		**(1)**	**(2)**			(2)
Special termination benefits				2		
Curtailment gain						(9)
Net periodic benefit cost	**$ 53**	**$ 21**	**$ 11**	$ 56	$ 20	$ 4

(1) Net actuarial loss is generally amortized over five years.

Table of Contents

11. INCOME TAXES

On January 1, 2007, we adopted FIN 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109*. Implementation of FIN 48 did not result in a cumulative effect adjustment to retained earnings at the date of adoption. At January 1, 2007, the total amount of unrecognized tax benefits was $3.1 billion, of which $1.7 billion was related to tax benefits that, if recognized, would impact the annual effective tax rate. We recognize both interest and penalties as a component of income tax expense. The liability for unrecognized tax benefits included $262 million of interest and no penalties. It is reasonably possible that the total unrecognized tax benefit as of January 1, 2007, could decrease by an estimated $380 million by December 31, 2007, as a result of expiration of statutes of limitations and potential settlements with federal and state taxing authorities. It is also reasonably possible that this benefit could be substantially offset by new matters arising during the same period. The Company files a consolidated federal income tax return and the Company and its subsidiaries file income tax returns in various state and foreign jurisdictions. With few exceptions, we are not subject to federal income tax examinations for taxable years prior to 2005, foreign income tax examinations for taxable years prior to 2003, or state and local income tax examinations prior to 2002.

We expect that the adoption of FIN 48 will result in increased volatility in our quarterly and annual effective income tax rate because FIN 48 requires that any change in judgment or change in measurement of a tax position taken in a prior annual period be recognized as a discrete event in the period in which it occurs. The effective tax rate for the first quarter and first six months of 2007 was impacted by a $119 million net reduction to income tax expense. The net decrease, including refund interest, was primarily due to the resolution of certain outstanding federal income tax matters for periods prior to 2002.

Table of Contents

12. 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.

(in millions, except per share amounts)	Quarter ended June 30, 2007	2006	Six months ended June 30, 2007	2006
Net income (numerator)	**$ 2,279**	$ 2,089	**$ 4,523**	$ 4,107
EARNINGS PER COMMON SHARE				
Average common shares outstanding (denominator)	**3,351.2**	3,363.8	**3,363.5**	3,360.9
Per share	**$ 0.68**	$ 0.62	**$ 1.34**	$ 1.22
DILUTED EARNINGS PER COMMON SHARE				
Average common shares outstanding	**3,351.2**	3,363.8	**3,363.5**	3,360.9
Add: Stock options	**38.0**	40.5	**38.9**	39.1
Restricted share rights	**0.1**	0.1	**0.1**	0.1
Diluted average common shares outstanding (denominator)	**3,389.3**	3,404.4	**3,402.5**	3,400.1
Per share	**$ 0.67**	$ 0.61	**$ 1.33**	$ 1.21

At June 30, 2007 and 2006, options to purchase 8.2 million and 3.0 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 they were antidilutive.

Table of Contents

13. OPERATING SEGMENTS

We have three lines of business for management reporting: Community Banking, Wholesale Banking and Wells Fargo Financial. 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 generally accepted accounting principles. 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 segments. If the management structure and/or the allocation process changes, allocations, transfers and assignments may change. To reflect a change in the allocation of income taxes for management reporting adopted in second quarter 2007, results for prior periods have been revised.

The Community Banking Group 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 high net worth individuals, securities brokerage through affiliates and venture capital financing. These products and services include the *Wells Fargo Advantage Funds*SM, a family of mutual funds, as well as personal trust and agency assets. 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 credit and debit card processing. Consumer and business deposit products include checking accounts, savings deposits, market rate accounts, Individual Retirement Accounts (IRAs), time deposits and debit cards.

Community Banking serves customers through a wide range of channels, which include traditional banking stores, in-store banking centers, business centers and ATMs. Also, *Phone Bank*SM centers and the National Business Banking Center provide 24-hour telephone service. Online banking services include single sign-on to online banking, bill pay and brokerage, as well as online banking for small business.

The Wholesale Banking Group serves businesses across the United States with annual sales generally in excess of $10 million. Wholesale Banking provides a complete line of commercial, corporate 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, 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 and investment banking services. Wholesale Banking manages and administers institutional investments, employee benefit trusts and mutual funds, including the *Wells Fargo Advantage Funds*. Wholesale Banking includes the majority ownership interest in the Wells Fargo HSBC Trade Bank, which provides trade financing, letters of credit and

Table of Contents

collection services and is sometimes supported by the Export-Import Bank of the United States (a public agency of the United States offering export finance support for American-made products). Wholesale Banking also supports the commercial real estate 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, commercial real estate loan servicing and real estate and mortgage brokerage services.

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

The Consolidated Company total of average assets includes unallocated goodwill balances held at the enterprise level.

(income/expense in millions, average balances in billions)	Community Banking		Wholesale Banking		Wells Fargo Financial		Consolidated Company	
Quarter ended June 30,	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Net interest income (1)	**$ 3,299**	$ 3,321	**$ 814**	$ 706	**$ 1,083**	$ 957	**$ 5,196**	$ 4,984
Provision (reversal of provision) for credit losses	**353**	187	**1**	(7)	**366**	252	**720**	432
Noninterest income	**3,031**	2,398	**1,336**	1,085	**328**	322	**4,695**	3,805
Noninterest expense	**3,667**	3,485	**1,269**	1,018	**791**	673	**5,727**	5,176
Income before income tax expense	**2,310**	2,047	**880**	780	**254**	354	**3,444**	3,181
Income tax expense	**757**	690	**310**	274	**98**	128	**1,165**	1,092
Net income	**$ 1,553**	$ 1,357	**$ 570**	$ 506	**$ 156**	$ 226	**$ 2,279**	$ 2,089
Average loans	**$ 186.6**	$ 173.9	**$ 81.4**	$ 70.4	**$ 64.0**	$ 56.1	**$ 332.0**	$ 300.4
Average assets (2)	**320.0**	327.2	**107.1**	97.2	**69.8**	61.3	**502.7**	491.5
Average core deposits	**250.9**	232.0	**49.6**	32.0		0.1	**300.5**	264.1
Six months ended June 30,								
Net interest income (1)	**$ 6,523**	$ 6,577	**$ 1,595**	$ 1,386	**$ 2,088**	$ 1,891	**$ 10,206**	$ 9,854
Provision (reversal of provision) for credit losses	**659**	376	**14**	(9)	**762**	498	**1,435**	865
Noninterest income	**5,878**	4,541	**2,601**	2,181	**647**	768	**9,126**	7,490
Noninterest expense	**7,307**	6,872	**2,406**	2,010	**1,540**	1,368	**11,253**	10,250
Income before income tax expense	**4,435**	3,870	**1,776**	1,566	**433**	793	**6,644**	6,229
Income tax expense	**1,330**	1,283	**626**	549	**165**	290	**2,121**	2,122
Net income	**$ 3,105**	$ 2,587	**$ 1,150**	$ 1,017	**$ 268**	$ 503	**$ 4,523**	$ 4,107
Average loans	**$ 183.7**	$ 182.1	**$ 79.7**	$ 69.0	**$ 63.3**	$ 54.6	**$ 326.7**	$ 305.7
Average assets (2)	**313.6**	321.0	**104.1**	96.6	**69.0**	60.0	**492.5**	483.4
Average core deposits	**247.4**	230.5	**48.2**	30.2		0.1	**295.6**	260.8

(1) Net interest income is the difference between interest earned on assets and the cost of liabilities to fund those assets. Interest earned includes actual interest earned on

segment assets and, if the segment has excess liabilities, interest credits for providing funding to other segments. The cost of liabilities includes interest expense on segment liabilities and, if the segment does not have enough liabilities to fund its assets, a funding charge based on the cost of excess liabilities from another segment. In general, Community Banking has excess liabilities and receives interest credits for the funding it provides to other segments.

(2) The Consolidated Company balance includes unallocated goodwill held at the enterprise level of $5.8 billion for all periods presented.

Table of Contents

14. VARIABLE INTEREST ENTITIES

We are a variable interest holder in certain special-purpose entities that are consolidated because we absorb a majority of each entity s expected losses, receive a majority of each entity s expected returns or both. We do not hold a majority voting interest in these entities. Our consolidated variable interest entities, substantially all of which were formed to invest in securities and to securitize real estate investment trust securities, had approximately $4.0 billion and $3.4 billion in total assets at June 30, 2007, and December 31, 2006, respectively. The primary activities of these entities consist of acquiring and disposing of, and investing and reinvesting in securities, and issuing beneficial interests secured by those securities to investors. The creditors of a majority of these consolidated entities have no recourse against us.

We also hold variable interests greater than 20% but less than 50% in certain special-purpose entities formed to provide affordable housing and to securitize corporate debt that had approximately $4.3 billion and $2.9 billion in total assets at June 30, 2007, and December 31, 2006, respectively. We are not required to consolidate these entities. Our maximum exposure to loss as a result of our involvement with these unconsolidated variable interest entities was approximately $1.6 billion and $980 million at June 30, 2007, and December 31, 2006, respectively, primarily representing investments in entities formed to invest in affordable housing. However, we expect to recover our investment over time, primarily through realization of federal low-income housing tax credits.

Table of Contents

15. 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.

Effective January 1, 2006, upon adoption of FAS 156, we remeasured our residential mortgage servicing rights (MSRs) at fair value and recognized a pre-tax adjustment of $158 million to residential MSRs and recorded a corresponding cumulative effect adjustment of $101 million (after tax) to increase the 2006 beginning balance of retained earnings in stockholders equity.

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

	Quarter ended June 30,		Six months ended June 30,	
(in millions)	**2007**	2006	**2007**	2006
Fair value, beginning of period	**$ 17,779**	$ 13,800	**$ 17,591**	$ 12,547
Purchases	**142**	511	**301**	730
Servicing from securitizations or asset transfers	**1,029**	1,310	**1,857**	2,299
Sales	**(1,422)**		**(1,422)**	
Changes in fair value:				
Due to change in valuation model inputs or assumptions (1)	**2,013**	550	**2,002**	1,072
Other changes in fair value (2)	**(808)**	(521)	**(1,596)**	(998)
Fair value, end of period	**$ 18,733**	$ 15,650	**$ 18,733**	$ 15,650

(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.

The changes in amortized MSRs were:

	Quarter ended June 30,		Six months ended June 30,	
(in millions)	**2007**	2006	**2007**	2006
Balance, beginning of period	**$ 400**	$ 142	**$ 377**	$ 122
Purchases (1)	**26**	39	**55**	64
Servicing from securitizations or asset transfers (1)	**11**		**21**	
Amortization	**(19)**	(6)	**(35)**	(11)

Balance, end of period (2)	**$ 418**	$ 175	**$ 418**	$ 175
Fair value of amortized MSRs:				
Beginning of period	**$ 484**	$ 205	**$ 457**	$ 146
End of period	**561**	252	**561**	252

(1) Based on June 30, 2007, assumptions, the weighted-average amortization period for MSRs added during the second quarter and first half of 2007 was approximately 10.5 years and 11.1 years, respectively.

(2) There was no valuation allowance recorded for the periods presented.

Table of Contents

The components of our managed servicing portfolio were:

(in billions)	June 30, 2007	2006
Loans serviced for others (1)	**$ 1,347**	$ 1,020
Owned loans serviced (2)	**96**	90
Total owned servicing	**1,443**	1,110
Sub-servicing	**24**	23
Total managed servicing portfolio	**$ 1,467**	$ 1,133
Ratio of MSRs to related loans serviced for others	**1.42%**	1.55%

(1) Consists of 1-4 family first mortgage and commercial mortgage loans.
(2) Consists of mortgages held for sale and 1-4 family first mortgage loans.

The components of mortgage banking noninterest income were:

(in millions)	Quarter ended June 30, 2007	2006	Six months ended June 30, 2007	2006
Servicing income, net:				
Servicing fees (1)	**$ 1,007**	$ 820	**$ 2,061**	$ 1,567
Changes in fair value of residential MSRs:				
Due to changes in valuation model inputs or assumptions (2)	**2,013**	550	**2,002**	1,072
Other changes in fair value (3)	**(808)**	(521)	**(1,596)**	(998)
Amortization	**(19)**	(6)	**(35)**	(11)
Net derivative losses from economic hedges (4)	**(2,238)**	(533)	**(2,261)**	(1,239)
Total servicing income, net	**(45)**	310	**171**	391
Net gains on mortgage loan origination/sales activities	**635**	359	**1,130**	632
All other	**99**	66	**178**	127
Total mortgage banking noninterest income	**$ 689**	$ 735	**$ 1,479**	$ 1,150
Market-related valuation changes to MSRs, net of hedge results (2) + (4)	**$ (225)**	$ 17	**$ (259)**	$ (167)

(1) Includes contractually specified servicing fees, late charges and other ancillary revenues.
(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.
(4) Represents results from free-standing derivatives (economic hedges) used to hedge the risk of changes in fair value of MSRs. See Note 20 Free-Standing Derivatives for additional discussion and detail.

Table of Contents

16. FAIR VALUES OF ASSETS AND LIABILITIES

Effective January 1, 2007, upon adoption of FAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115,* we elected to measure mortgages held for sale (MHFS) at fair value prospectively for new prime MHFS originations for which an active secondary market and readily available market prices currently exist 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) will reduce certain timing differences and better match changes in the value of these assets with changes in the value of derivatives used as economic hedges for these assets. There was no transition adjustment required upon adoption of FAS 159 for MHFS because we continued to account for MHFS originated prior to 2007 at the lower of cost or market value. At December 31, 2006, the book value of other interests held was equal to fair value and, therefore, a transition adjustment was not required. Upon adoption of FAS 159, we were also required to adopt FAS 157, *Fair Value Measurements.*

In accordance with FAS 157, we group our financial assets and financial 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 Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 Valuations for assets and liabilities traded in less active dealer or broker markets. For example, MHFS are valued based on what securitization markets are currently offering for mortgage loans with similar characteristics. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities.

Level 3 Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Table of Contents

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

				June 30, 2007
(in millions)	Total	Level 1	Level 2	Level 3
Trading assets	$ 7,289	$ 1,608	$ 5,214	$ 467
Securities available for sale	72,179	58,619	11,546	2,014
Mortgages held for sale	30,175		30,175	
Mortgage servicing rights (residential)	18,733			18,733
Other assets	731	529	167	35
Total	$ 129,107	$ 60,756	$ 47,102	$ 21,249
Other liabilities (1)	$ (4,953)	$ (2,470)	$ (2,091)	$ (392)

(1) Derivatives represent a majority of this category.

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

(in millions)	Trading assets (excluding derivatives)	Securities available for sale	Mortgage servicing rights (residential)	Net derivative assets and liabilities	Other liabilities (excluding derivatives)
Quarter ended June 30, 2007					
Balance, beginning of quarter	$ 353	$ 2,808	$ 17,779	$ (51)	$ (249)
Total net gains (losses) included in net income	62		1,205	(400)	(22)
Purchases, sales, issuances and settlements, net	51	(794)	(251)	368	(6)
Transfer out of Level 3				4	
Balance, end of quarter	$ 466	$ 2,014	$ 18,733	$ (79)	$ (277)
Net gains (losses) included in net income relating to assets and liabilities held at June 30, 2007 (1)	$ 76 (2)	$	$ 1,810 (3)	$ (76) (3)	$ (28) (3)
Six months ended June 30, 2007					
Balance, beginning of period	$ 360	$ 3,447	$ 17,591	$ (68)	$ (282)
	21		406	(383)	(28)

Total net gains (losses) included in net income										
Purchases, sales, issuances and settlements, net		85		(1,433)		736		368		33
Transfer out of Level 3								4		
Balance, end of period	$	466	$	2,014	$	18,733	$	(79)	$	(277)
Net gains (losses) included in net income relating to assets and liabilities held at June 30, 2007 (1)	$	51 (2)	$		$	1,805 (3)	$	(76) (3)	$	(28) (3)

(1) 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.

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

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

Table of Contents

Also, we may be required, from time to time, to measure certain other financial assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from application of lower-of-cost-or-market accounting or write-downs of individual assets. For assets measured at fair value on a nonrecurring basis in the first half of 2007 that were still held in the balance sheet at June 30, 2007, the following table provides the level of valuation assumptions used to determine each adjustment and the carrying value of the related individual assets or portfolios at June 30, 2007.

	Carrying value at June 30, 2007				Six months ended June 30, 2007 Total
(in millions)	Total	Level 1	Level 2	Level 3	losses
Mortgages held for sale	$ 2,227	$	$ 2,227	$	$ (59)
Loans (1)	751		751		(1,328)
Private equity investments	3			3	(7)
Foreclosed assets (2)	319		319		(92)
Operating lease assets	30		30		(2)
					$ (1,488)

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

(2) Represents the fair value and related losses of 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 the fair value carrying amount of mortgages held for sale measured at fair value under FAS 159 and the aggregate unpaid principal amount we are contractually entitled to receive at maturity.

			June 30, 2007
(in millions)	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	$ 30,175	$ 30,208	$ (33)(1)
Nonaccrual loans	5	6	(1)
Loans 90 days or more past due and still accruing	7	7	

(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.

Table of Contents

The assets accounted for under FAS 159 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 that are included in current period earnings for these assets measured at fair value are shown, by income statement line item, below.

	June 30, 2007			
	Quarter ended		Six months ended	
(in millions)	Mortgages held for sale	Other interests held	Mortgages held for sale	Other interests held
Changes in fair value included in net income:				
Mortgage banking noninterest income:				
Net gains (losses) on mortgage loan origination/sales activities (1)	$ (107)	$	$ 122	$
Other noninterest income		61		20

(1) Includes changes in fair value of servicing associated with mortgage loans held for sale.

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

58

Table of Contents

17. 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). The Wells Fargo Financial business segment for management reporting (see Note 13) consists of WFFI and other affiliated consumer finance entities managed by WFFI that are included within other consolidating subsidiaries in the following tables.

Condensed Consolidating Statement of Income

					Quarter ended June 30, 2007
(in millions)	Parent	WFFI	Other consolidating subsidiaries	Eliminations	Consolidated Company
Dividends from subsidiaries:					
Bank	$ 1,708	$	$	$ (1,708)	$
Nonbank					
Interest income from loans		1,441	5,670	(11)	7,100
Interest income from subsidiaries	869			(869)	
Other interest income	33	26	1,415	(1)	1,473
Total interest income	2,610	1,467	7,085	(2,589)	8,573
Deposits			2,031	(90)	1,941
Short-term borrowings	80	116	434	(365)	265
Long-term debt	922	461	214	(426)	1,171
Total interest expense	1,002	577	2,679	(881)	3,377
NET INTEREST INCOME	1,608	890	4,406	(1,708)	5,196
Provision (reversal of provision) for credit losses		(84)	804		720
Net interest income after provision for credit losses	1,608	974	3,602	(1,708)	4,476
NONINTEREST INCOME					
Fee income nonaffiliates		91	2,643		2,734
Other	96		1,877	(12)	1,961
Total noninterest income	96	91	4,520	(12)	4,695
NONINTEREST EXPENSE					
Salaries and benefits	54	318	3,016		3,388
Other	38	253	2,060	(12)	2,339
Total noninterest expense	92	571	5,076	(12)	5,727
INCOME BEFORE INCOME TAX EXPENSE (BENEFIT) AND	1,612	494	3,046	(1,708)	3,444

EQUITY IN UNDISTRIBUTED INCOME OF SUBSIDIARIES					
Income tax expense (benefit)	(32)	178	1,019		1,165
Equity in undistributed income of subsidiaries	635			(635)	
NET INCOME	$ 2,279	$ 316	$ 2,027	$ (2,343)	$ 2,279

Table of Contents

Condensed Consolidating Statement of Income

					Quarter ended June 30, 2006
(in millions)	Parent	WFFI	Other consolidating subsidiaries	Eliminations	Consolidated Company
Dividends from subsidiaries:					
Bank	$ 240	$	$	$ (240)	$
Nonbank	168			(168)	
Interest income from loans		1,307	4,947	(9)	6,245
Interest income from subsidiaries	814			(814)	
Other interest income	24	27	1,781		1,832
Total interest income	1,246	1,334	6,728	(1,231)	8,077
Deposits			1,794		1,794
Short-term borrowings	101	84	328	(224)	289
Long-term debt	793	445	146	(374)	1,010
Total interest expense	894	529	2,268	(598)	3,093
NET INTEREST INCOME	352	805	4,460	(633)	4,984
Provision for credit losses		55	377		432
Net interest income after provision for credit losses	352	750	4,083	(633)	4,552
NONINTEREST INCOME					
Fee income nonaffiliates		66	2,202		2,268
Other	(4)	57	1,497	(13)	1,537
Total noninterest income	(4)	123	3,699	(13)	3,805
NONINTEREST EXPENSE					
Salaries and benefits	19	252	2,684		2,955
Other	(15)	225	2,249	(238)	2,221
Total noninterest expense	4	477	4,933	(238)	5,176
INCOME BEFORE INCOME TAX EXPENSE (BENEFIT) AND EQUITY IN UNDISTRIBUTED INCOME OF SUBSIDIARIES	344	396	2,849	(408)	3,181
Income tax expense (benefit)	(26)	137	981		1,092
Equity in undistributed income of subsidiaries	1,719			(1,719)	

NET INCOME	$ 2,089	$ 259	$ 1,868	$ (2,127)	$ 2,089

Table of Contents

Condensed Consolidating Statement of Income

					Six months ended June 30, 2007
(in millions)	Parent	WFFI	Other consolidating subsidiaries	Eliminations	Consolidated Company
Dividends from subsidiaries:					
Bank	$ 3,266	$	$	$ (3,266)	$
Nonbank	4			(4)	
Interest income from loans		2,795	11,091	(22)	13,864
Interest income from subsidiaries	1,721			(1,721)	
Other interest income	67	52	2,732	(3)	2,848
Total interest income	5,058	2,847	13,823	(5,016)	16,712
Deposits			4,091	(293)	3,798
Short-term borrowings	139	226	652	(616)	401
Long-term debt	1,819	914	411	(837)	2,307
Total interest expense	1,958	1,140	5,154	(1,746)	6,506
NET INTEREST INCOME	3,100	1,707	8,669	(3,270)	10,206
Provision for credit losses		198	1,237		1,435
Net interest income after provision for credit losses	3,100	1,509	7,432	(3,270)	8,771
NONINTEREST INCOME					
Fee income nonaffiliates		171	4,960		5,131
Other	127	77	3,815	(24)	3,995
Total noninterest income	127	248	8,775	(24)	9,126
NONINTEREST EXPENSE					
Salaries and benefits	58	625	5,979		6,662
Other	58	565	3,992	(24)	4,591
Total noninterest expense	116	1,190	9,971	(24)	11,253
INCOME BEFORE INCOME TAX EXPENSE (BENEFIT) AND EQUITY IN UNDISTRIBUTED INCOME OF SUBSIDIARIES	3,111	567	6,236	(3,270)	6,644
Income tax expense (benefit)	(43)	212	1,952		2,121
	1,369			(1,369)	

Equity in undistributed income of subsidiaries					
NET INCOME	$ 4,523	$ 355	$ 4,284	$ (4,639)	$ 4,523

Table of Contents

Condensed Consolidating Statement of Income

					Six months ended June 30, 2006
(in millions)	Parent	WFFI	Other consolidating subsidiaries	Eliminations	Consolidated Comany
Dividends from subsidiaries:					
Bank	$ 835	$	$	$ (835)	$
Nonbank	173			(173)	
Interest income from loans		2,597	9,776	(18)	12,355
Interest income from subsidiaries	1,568			(1,568)	
Other interest income	52	50	3,152		3,254
Total interest income	2,628	2,647	12,928	(2,594)	15,609
Deposits			3,276		3,276
Short-term borrowings	210	178	600	(429)	559
Long-term debt	1,499	853	293	(725)	1,920
Total interest expense	1,709	1,031	4,169	(1,154)	5,755
NET INTEREST INCOME	919	1,616	8,759	(1,440)	9,854
Provision for credit losses		327	538		865
Net interest income after provision for credit losses	919	1,289	8,221	(1,440)	8,989
NONINTEREST INCOME					
Fee income nonaffiliates		130	4,296		4,426
Other	(27)	123	2,996	(28)	3,064
Total noninterest income	(27)	253	7,292	(28)	7,490
NONINTEREST EXPENSE					
Salaries and benefits	52	537	5,295		5,884
Other	(17)	436	4,407	(460)	4,366
Total noninterest expense	35	973	9,702	(460)	10,250
INCOME BEFORE INCOME TAX EXPENSE (BENEFIT) AND EQUITY IN UNDISTRIBUTED INCOME OF SUBSIDIARIES	857	569	5,811	(1,008)	6,229
Income tax expense (benefit)	(60)	201	1,981		2,122
	3,190			(3,190)	

Equity in undistributed income of subsidiaries					
NET INCOME	$ 4,107	$ 368	$ 3,830	$ (4,198)	$ 4,107

Table of Contents

Condensed Consolidating Balance Sheet

					June 30, 2007
(in millions)	Parent	WFFI	Other consolidating subsidiaries	Eliminations	Consolidated Company
ASSETS					
Cash and cash equivalents due from:					
Subsidiary banks	$ 7,936	$ 194	$	$ (8,130)	$
Nonaffiliates		144	17,733		17,877
Securities available for sale	1,607	1,925	68,653	(6)	72,179
Mortgages and loans held for sale			35,467		35,467
Loans		49,888	294,210	(1,298)	342,800
Loans to subsidiaries:					
Bank	11,400			(11,400)	
Nonbank	50,813			(50,813)	
Allowance for loan losses		(879)	(2,941)		(3,820)
Net loans	62,213	49,009	291,269	(63,511)	338,980
Investments in subsidiaries:					
Bank	44,714			(44,714)	
Nonbank	5,431			(5,431)	
Other assets	7,387	1,702	67,745	(1,472)	75,362
Total assets	$ 129,288	$ 52,974	$ 480,867	$ (123,264)	$ 539,865
LIABILITIES AND STOCKHOLDERS EQUITY					
Deposits	$	$	$ 332,873	$ (8,130)	$ 324,743
Short-term borrowings	20	9,783	54,247	(23,212)	40,838
Accrued expenses and other liabilities	4,474	1,444	29,458	(2,223)	33,153
Long-term debt	71,680	38,444	17,601	(33,895)	93,830
Indebtedness to subsidiaries	5,813			(5,813)	
Total liabilities	81,987	49,671	434,179	(73,273)	492,564
Stockholders equity	47,301	3,303	46,688	(49,991)	47,301
Total liabilities and stockholders equity	$ 129,288	$ 52,974	$ 480,867	$ (123,264)	$ 539,865

Table of Contents

Condensed Consolidating Balance Sheet

					June 30, 2006
(in millions)	Parent	WFFI	Other consolidating subsidiaries	Eliminations	Consolidated Company
ASSETS					
Cash and cash equivalents due from:					
Subsidiary banks	$ 12,310	$ 201	$	$ (12,511)	$
Nonaffiliates	76	274	19,086		19,436
Securities available for sale	885	1,789	68,752	(6)	71,420
Mortgages and loans held for sale		21	40,287		40,308
Loans		46,148	255,371	(897)	300,622
Loans to subsidiaries:					
Bank	3,400			(3,400)	
Nonbank	46,100	480		(46,580)	
Allowance for loan losses		(1,142)	(2,709)		(3,851)
Net loans	49,500	45,486	252,662	(50,877)	296,771
Investments in subsidiaries:					
Bank	39,588			(39,588)	
Nonbank	4,565			(4,565)	
Other assets	6,678	1,368	65,843	(2,308)	71,581
Total assets	$ 113,602	$ 49,139	$ 446,630	$ (109,855)	$ 499,516
LIABILITIES AND STOCKHOLDERS EQUITY					
Deposits	$	$	$ 338,963	$ (12,511)	$ 326,452
Short-term borrowings	27	6,726	19,026	(12,160)	13,619
Accrued expenses and other liabilities	4,619	1,026	31,225	(3,076)	33,794
Long-term debt	62,395	38,533	16,215	(33,386)	83,757
Indebtedness to subsidiaries	4,667			(4,667)	
Total liabilities	71,708	46,285	405,429	(65,800)	457,622
Stockholders equity	41,894	2,854	41,201	(44,055)	41,894
Total liabilities and stockholders equity	$ 113,602	$ 49,139	$ 446,630	$ (109,855)	$ 499,516

Table of Contents

Condensed Consolidating Statement of Cash Flows

			Six months ended June 30, 2007	
(in millions)	Parent	WFFI	Other consolidating subsidiaries/ eliminations	Consolidated Company
Cash flows from operating activities:				
Net cash provided by operating activities	$ 2,591	$ 764	$ 5,569	$ 8,924
Cash flows from investing activities:				
Securities available for sale:				
Sales proceeds	1,063	264	7,036	8,363
Prepayments and maturities		145	4,456	4,601
Purchases	(1,753)	(619)	(40,790)	(43,162)
Loans:				
Increase in banking subsidiaries loan originations, net of collections		(1,065)	(16,365)	(17,430)
Proceeds from sales (including participations) of loans by banking subsidiaries			1,640	1,640
Purchases (including participations) of loans by banking subsidiaries			(2,679)	(2,679)
Principal collected on nonbank entities loans		9,754	1,957	11,711
Loans originated by nonbank entities		(10,558)	(2,613)	(13,171)
Net repayments from (advances to) subsidiaries	(10,186)		10,186	
Capital notes and term loans made to subsidiaries	(5,278)		5,278	
Principal collected on notes/loans made to subsidiaries	4,665		(4,665)	
Net decrease (increase) in investment in subsidiaries	(1,073)		1,073	
Net cash paid for acquisitions			(2,825)	(2,825)
Other, net		(85)	(1,350)	(1,435)
Net cash used by investing activities	(12,562)	(2,164)	(39,661)	(54,387)
Cash flows from financing activities:				
Net change in:				
Deposits			12,741	12,741
Short-term borrowings	777	1,749	25,343	27,869
Long-term debt:				
Proceeds from issuance	13,224	5,458	(3,777)	14,905
Repayment	(6,839)	(5,946)	4,142	(8,643)
Common stock:				
Proceeds from issuance	995			995
Repurchased	(2,689)			(2,689)
Cash dividends paid	(1,885)			(1,885)
	117			117

Excess tax benefits related to stock option payments				
Other, net	(2)	7	(266)	(261)
Net cash provided by financing activities	3,698	1,268	38,183	43,149
Net change in cash and due from banks	(6,273)	(132)	4,091	(2,314)
Cash and due from banks at beginning of period	14,209	470	349	15,028
Cash and due from banks at end of period	$ 7,936	$ 338	$ 4,440	$ 12,714

65

Condensed Consolidating Statement of Cash Flows

			Six months ended June 30, 2006	
(in millions)	Parent	WFFI	Other consolidating subsidiaries/ eliminations	Consolidated Company
Cash flows from operating activities:				
Net cash provided by operating activities	$ 1,851	$ 331	$ 18,061	$ 20,243
Cash flows from investing activities:				
Securities available for sale:				
Sales proceeds	99	260	25,971	26,330
Prepayments and maturities	2	76	2,905	2,983
Purchases	(103)	(385)	(59,863)	(60,351)
Loans:				
Increase in banking subsidiaries loan originations, net of collections		(830)	(17,048)	(17,878)
Proceeds from sales (including participations) of loans by banking subsidiaries		50	34,782	34,832
Purchases (including participations) of loans by banking subsidiaries		(202)	(2,779)	(2,981)
Principal collected on nonbank entities loans		10,489	1,353	11,842
Loans originated by nonbank entities		(11,257)	(1,958)	(13,215)
Net repayments from (advances to) subsidiaries	1,091		(1,091)	
Capital notes and term loans made to subsidiaries	(4,705)		4,705	
Principal collected on notes/loans made to subsidiaries	2,149		(2,149)	
Net decrease (increase) in investment in subsidiaries	189		(189)	
Net cash paid for acquisitions			(332)	(332)
Other, net		497	(5,996)	(5,499)
Net cash used by investing activities	(1,278)	(1,302)	(21,689)	(24,269)
Cash flows from financing activities:				
Net change in:				
Deposits			11,772	11,772
Short-term borrowings	635	(2,279)	(8,675)	(10,319)
Long-term debt:				
Proceeds from issuance	8,279	4,987	(1,342)	11,924
Repayment	(5,055)	(1,743)	(1,161)	(7,959)
Common stock:				
Proceeds from issuance	931			931
Repurchased	(1,185)			(1,185)
Cash dividends paid	(2,692)			(2,692)
	106			106

Excess tax benefits related to stock option payments				
Other, net		7	113	120
Net cash provided by financing activities	1,019	972	707	2,698
Net change in cash and due from banks	1,592	1	(2,921)	(1,328)
Cash and due from banks at beginning of period	10,794	474	4,129	15,397
Cash and due from banks at end of period	$ 12,386	$ 475	$ 1,208	$ 14,069

66

Table of Contents

18. GUARANTEES

The significant guarantees that we provide to third parties include standby letters of credit, various indemnification agreements, guarantees accounted for as derivatives, contingent consideration related to business combinations and contingent performance guarantees.

We issue standby letters of credit, which include performance and financial guarantees, for customers in connection with contracts between the customers and third parties. Standby letters of credit assure that the third parties will receive specified funds if customers fail to meet their contractual obligations. We are obligated to make payment if a customer defaults. Standby letters of credit were $12.3 billion at June 30, 2007, and $12.0 billion at December 31, 2006, including financial guarantees of $6.5 billion and $7.2 billion, respectively, that we had issued or purchased participations in. Standby letters of credit are net of participations sold to other institutions of $1.6 billion at June 30, 2007, and $2.8 billion at December 31, 2006. We consider the credit risk in standby letters of credit in determining the allowance for credit losses. Deferred fees for these standby letters of credit were not significant to our financial statements. We also had commitments for commercial and similar letters of credit of $1.0 billion at June 30, 2007, and $801 million at December 31, 2006.

We enter into 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, securities lending, 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 fully determinable.

We write options, floors and caps. Periodic settlements occur on floors and caps based on market conditions. The fair value of the written options liability in our balance sheet was $1.0 billion at June 30, 2007, and $556 million at December 31, 2006. The aggregate fair value of the written floors and caps liability was $108 million and $86 million, respectively. Our ultimate obligation under written options, floors and caps is based on future market conditions and is only quantifiable at settlement. The notional value related to written options was $46.1 billion at June 30, 2007, and $47.3 billion at December 31, 2006, and the aggregate notional value related to written floors and caps was $12.1 billion and $11.9 billion, respectively. We offset substantially all options written to customers with purchased options.

We also enter into credit default swaps under which we buy loss protection from or sell loss protection to a counterparty in the event of default of a reference obligation. The fair value of the contracts sold was a liability of $12 million at June 30, 2007, and $2 million at December 31, 2006. The maximum amount we would be required to pay under the swaps in which we sold protection, assuming all reference obligations default at a total loss, without recoveries, was $623 million and $599 million based on notional value at June 30, 2007, and December 31, 2006, respectively. We purchased credit default swaps of comparable notional amounts to mitigate the exposure of the written credit default swaps at June 30, 2007, and December 31, 2006. These purchased credit default swaps had terms (i.e., used the same reference obligation and maturity) that would offset our exposure from the written default swap contracts in which we are providing protection to a counterparty.

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. At June 30, 2007, and December 31, 2006, the amount of additional consideration we expected to pay was not significant to our financial statements.

We have entered into various contingent performance guarantees through credit risk participation arrangements with remaining terms up to 22 years. We will be required to make payments under these guarantees if a customer defaults on its obligation to perform under certain credit agreements with third parties. The extent of our obligations under these guarantees depends entirely on future events and was contractually limited to an aggregate liability of approximately $75 million at June 30, 2007, and $125 million at December 31, 2006.

Table of Contents

19. REGULATORY AND AGENCY CAPITAL REQUIREMENTS

The Company and each of its subsidiary banks are subject to various regulatory capital adequacy requirements administered by the Federal Reserve Board (FRB) and the Office of the Comptroller of the Currency, respectively. We do not consolidate our wholly-owned trusts (the Trusts) formed solely to issue trust preferred securities. The amount of trust preferred securities issued by the Trusts that was includable in Tier 1 capital in accordance with FRB risk-based capital guidelines was $4.5 billion at June 30, 2007. The junior subordinated debentures held by the Trusts were included in the Company s long-term debt.

(in billions)	Actual Amount	Actual Ratio	For capital adequacy purposes Amount	For capital adequacy purposes Ratio	To be well capitalized under the FDICIA prompt corrective action provisions Amount	To be well capitalized under the FDICIA prompt corrective action provisions Ratio
As of June 30, 2007:						
Total capital (to risk-weighted assets)						
Wells Fargo & Company	$52.5	11.72%	≥ $35.8	≥ 8.00%		
Wells Fargo Bank, N.A.	39.2	11.03	≥ 28.4	≥ 8.00	≥ $35.5	≥ 10.00%
Tier 1 capital (to risk-weighted assets)						
Wells Fargo & Company	$38.4	8.57%	≥ $17.9	≥ 4.00%		
Wells Fargo Bank, N.A.	27.8	7.82	≥ 14.2	≥ 4.00	≥ $21.3	≥ 6.00%
Tier 1 capital (to average assets) (Leverage ratio)						
Wells Fargo & Company	$38.4	7.90%	≥ $19.4	≥ 4.00%(1)		
Wells Fargo Bank, N.A.	27.8	7.20	≥ 15.4	≥ 4.00(1)	≥ $19.3	≥ 5.00%

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

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

As an approved seller/servicer, Wells Fargo Bank, N.A., through its mortgage banking division, is required to maintain minimum levels of shareholders equity, as specified by various agencies, including the United States Department of Housing and Urban Development, Government National Mortgage Association, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association. At June 30, 2007, Wells Fargo Bank, N.A. met these requirements.

Table of Contents

20. DERIVATIVES

Fair Value Hedges

We use interest rate swaps to convert certain of our fixed-rate long-term debt and certificates of deposit to floating rates to hedge our exposure to interest rate risk. We also enter into cross-currency swaps and cross-currency interest rate swaps to hedge our exposure to foreign currency risk and interest rate risk associated with the issuance of non-U.S. dollar denominated debt. The ineffective portion of these fair value hedges is recorded as part of other noninterest income in the income statement. In addition, we use derivatives, such as Treasury and LIBOR futures and swaptions, to hedge changes in fair value due to changes in interest rates of our commercial real estate mortgage loans held for sale. The ineffective portion of these fair value hedges is recorded as part of mortgage banking noninterest income in the income statement. For fair value hedges of long-term debt, certificates of deposit, foreign currency and commercial real estate loans held for sale, all parts of each derivative s gain or loss due to the hedged risk are included in the assessment of hedge effectiveness.

We enter into equity collars to lock in share prices between specified levels for certain equity securities. As permitted, we include the intrinsic value only (excluding time value) when assessing hedge effectiveness. The net derivative gain or loss related to the equity collars is recorded in other noninterest income in the income statement.

At June 30, 2007, all designated fair value hedges continued to qualify as fair value hedges.

Cash Flow Hedges

We hedge floating-rate senior debt against future interest rate increases by using interest rate swaps to convert floating-rate senior debt to fixed rates and by using interest rate caps and floors to limit variability of rates. We also use interest rate swaps and floors to hedge the variability of interest rate changes associated with certain floating-rate commercial loans. With the issuance of FAS 159, derivatives used to hedge the forecasted sales of certain MHFS are accounted for as economic hedges. Previously, we accounted for these derivatives as cash flow hedges under FAS 133. Gains and losses on derivatives that are reclassified from cumulative other comprehensive income to current period earnings, are included in the line item in which the hedged item s effect in earnings is recorded. All parts of gain or loss on these derivatives are included in the assessment of hedge effectiveness. As of June 30, 2007, all designated cash flow hedges continued to qualify as cash flow hedges.

We expect that $28 million of deferred net gains on derivatives in other comprehensive income at June 30, 2007, will be reclassified as earnings during the next twelve months, compared with $73 million of deferred net gains at June 30, 2006. We are hedging our exposure to the variability of future cash flows for all forecasted transactions for a maximum of seven years for both hedges of floating-rate senior debt and floating-rate commercial loans.

Table of Contents

The following table provides derivative gains and losses related to fair value and cash flow hedges resulting from the change in value of the derivatives excluded from the assessment of hedge effectiveness and the change in value of the ineffective portion of the derivatives.

	Quarter ended June 30,		Six months ended June 30,	
(in millions)	**2007**	2006	**2007**	2006
Net gains (losses) from fair value hedges from:				
Change in value of derivatives excluded from the assessment of hedge effectiveness	**$ 5**	$ 2	**$ 7**	$ (8)
Ineffective portion of change in value of derivatives	**(2)**	7	**1**	11
Net gains from ineffective portion of change in the value of cash flow hedges		39	**25**	55

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 MHFS and derivative loan commitments, with the resulting gain or loss reflected in income.

The derivatives used to hedge residential MSRs include swaps, swaptions, forwards, and Treasury futures and options contracts. Net derivative losses of $2,238 million and $2,261 million for the second quarter and first half of 2007, respectively, and $533 million and $1,239 million for the second quarter and first half of 2006, respectively, from economic hedges related to our mortgage servicing activities are included in the income statement in Mortgage banking. The aggregate fair value of these derivatives used as economic hedges was a net liability of $1,263 million at June 30, 2007, and a net asset of $157 million at December 31, 2006. 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 other comprehensive income (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 new prime MHFS carried at fair value under FAS 159, is hedged with free-standing derivatives (economic hedges), such as forwards and options, Eurodollar futures, and Treasury futures, forwards and options contracts. The commitments and free-standing derivatives are carried at fair value with changes in fair value included in the income statement in Mortgage banking. We record a zero fair value for a derivative loan commitment at inception. 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. The aggregate fair value of derivative loan commitments in the balance sheet at June 30, 2007, and December 31, 2006, was a net liability of $80 million and $65 million, respectively, and is included in the caption Interest rate contracts under Customer Accommodation, Trading and Other Free-Standing Derivatives in the following table. Net derivative losses on interest rate lock commitments of $400 million and $383 million for the second quarter and first half of 2007,

Table of Contents

respectively, and net derivative gains from economic hedges related to derivative loan commitments and MHFS of $974 million and $901 million for the same periods, are included in the income statement in Mortgage banking. The aggregate fair value of these derivatives used as economic hedges was a net asset of $336 million at June 30, 2007.
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 in the income statement. Additionally, free-standing derivatives include embedded derivatives that are required to be separately accounted for from their host contracts.

Derivative Financial Instruments Summary Information

The total credit risk amount and estimated net fair value for derivatives at June 30, 2007, and December 31, 2006, were:

	June 30, 2007		December 31, 2006	
(in millions)	**Credit risk amount (2)**	**Estimated net fair value**	Credit risk amount (2)	Estimated net fair value
ASSET/LIABILITY MANAGEMENT HEDGES				
Qualifying hedge contracts accounted for under FAS 133				
Interest rate contracts	**$ 255**	**$ (430)**	$ 621	$ 199
Equity contracts		**(2)**		(15)
Foreign exchange contracts	**922**	**803**	548	539
Free-standing derivatives (economic hedges)				
Interest rate contracts (1)	**1,099**	**(932)**	715	183
Foreign exchange contracts	**159**	**149**	136	87
CUSTOMER ACCOMMODATION, TRADING AND OTHER FREE-STANDING DERIVATIVES				
Interest rate contracts	**1,700**	**190**	1,454	214
Commodity contracts	**383**	**20**	362	22
Equity contracts	**549**	**19**	300	(13)
Foreign exchange contracts	**382**	**16**	306	19
Credit contracts	**111**	**94**	30	3

(1) 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.

(2) Credit risk amounts reflect the replacement cost for those contracts in a gain position in the event of nonperformance by all counterparties.

Table of Contents

PART II OTHER INFORMATION

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

The following table shows Company repurchases of its common stock for each calendar month in the quarter ended June 30, 2007.

Calendar month	Total number of shares repurchased (1)	Weighted-average price paid per share	Maximum number of shares that may yet be repurchased under the authorizations
April	19,221,332	$ 34.58	70,548,555
May	5,142,835	36.07	65,405,720
June	5,857,479	35.51	59,548,241
Total	30,221,646		

(1) All shares were repurchased under two authorizations each covering up to 50 million and 75 million shares of common stock approved by the Board of Directors and publicly announced by the Company on June 27, 2006, and March 21, 2007, respectively. Unless modified or revoked by the Board, these authorizations do not expire.

Item 4. Submission of Matters to a Vote of Security Holders

The Company held its Annual Meeting of Stockholders on April 24, 2007. There were 3,369,899,558 shares of common stock outstanding and entitled to vote at the meeting. A total of 2,947,569,720 shares of common stock were represented at the meeting in person or by proxy, representing 87.5% of the shares outstanding and entitled to vote at the meeting.

At the meeting, stockholders:

(1) elected all 16 of the directors nominated by the Board of Directors;

(2) ratified the appointment of KPMG LLP as our independent auditors for 2007;

(3) rejected the stockholder proposal regarding separation of Board chair and CEO positions;

(4) rejected the stockholder proposal regarding an advisory vote on executive compensation;

(5) rejected the stockholder proposal regarding adoption of a policy limiting benefits under our supplemental executive retirement plan; and

(6) rejected the stockholder proposal regarding a report on Home Mortgage Disclosure Act (HMDA) data.

The voting results for each matter were:

(1) Election of Directors

	For	Against	Abstentions
John S. Chen	2,876,582,431	42,689,131	28,298,158
Lloyd H. Dean	2,874,070,658	44,500,731	28,998,331
Susan E. Engel	2,874,523,419	45,268,283	27,778,018
Enrique Hernandez, Jr.	2,851,298,330	83,040,976	13,230,414
Robert L. Joss	2,873,022,610	46,460,835	28,086,275
Richard M. Kovacevich	2,860,467,045	60,859,812	26,242,863
Richard D. McCormick	2,866,759,725	52,583,331	28,226,664
Cynthia H. Milligan	2,022,449,033	891,094,709	34,025,978
Nicholas G. Moore	2,872,691,051	44,337,843	30,540,826
Philip J. Quigley	2,102,417,112	810,245,027	34,907,581
Donald B. Rice	2,021,552,804	891,153,014	34,863,902
Judith M. Runstad	2,889,987,251	29,568,174	28,014,295
Stephen W. Sanger	2,801,473,546	117,888,847	28,207,327
John G. Stumpf	2,871,413,217	50,023,435	26,133,068
Susan G. Swenson	2,857,670,763	62,011,743	27,887,214
Michael W. Wright	2,325,380,799	587,214,365	34,974,556

(2) Proposal to Ratify Appointment of KPMG LLP

For	Against	Abstentions
2,856,112,485	67,681,029	23,776,206

(3) Stockholder Proposal Regarding Separation of Board Chair and CEO Positions

For	Against	Abstentions	Broker Non-Votes
971,756,881	1,580,843,507	33,822,970	361,146,362

(4) Stockholder Proposal Regarding an Advisory Vote on Executive Compensation

For	Against	Abstentions	Broker Non-Votes
855,236,584	1,581,645,661	149,541,113	361,146,362

(5) Stockholder Proposal Regarding Adoption of a Policy Limiting Benefits Under Supplemental Executive Retirement Plan

For	Against	Abstentions	Broker Non-Votes
696,703,268	1,843,000,044	46,720,046	361,146,362

(6) Stockholder Proposal Regarding a Report on Home Mortgage Disclosure Act (HMDA) Data

For	Against	Abstentions	Broker Non-Votes
181,727,257	2,017,038,069	387,619,278	361,146,362

The stockholder proposal regarding emission reduction goals for the Company and its customers was withdrawn before the meeting.

Table of Contents

Item 6. Exhibits

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

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

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 6, 2007	WELLS FARGO & COMPANY
	By: /s/ RICHARD D. LEVY Richard D. Levy Executive Vice President and Controller (Principal Accounting Officer)

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description	Location
3(a)	Restated Certificate of Incorporation.	Incorporated by reference to Exhibit 3.1 to the Company s Current Report on Form 8-K filed September 28, 2006.
3(b)	Certificate of Designations for the Company s 2007 ESOP Cumulative Convertible Preferred Stock.	Incorporated by reference to Exhibit 3(a) to the Company s Current Report on Form 8-K filed March 19, 2007.
3(c)	Certificate Eliminating the Certificate of Designations for the Company s 1997 ESOP Cumulative Convertible Preferred Stock.	Incorporated by reference to Exhibit 3(b) to the Company s Current Report on Form 8-K filed March 19, 2007.
3(d)	By-Laws.	Incorporated by reference to Exhibit 3 to the Company s Current Report on Form 8-K filed December 4, 2006.
4(a)	See Exhibits 3(a) through 3(d).	
4(b)	The Company agrees to furnish upon request to the Commission a copy of each instrument defining the rights of holders of senior and subordinated debt of the Company.	
12	Computation of Ratios of Earnings to Fixed Charges:	Filed herewith.

	Quarter ended June 30,		Six months ended June 30,	
	2007	2006	**2007**	2006
Including interest on deposits	**2.00**	2.01	**2.00**	2.06
Excluding interest on deposits	**3.31**	3.35	**3.36**	3.41

31(a)	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31(b)		Filed herewith.

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

76