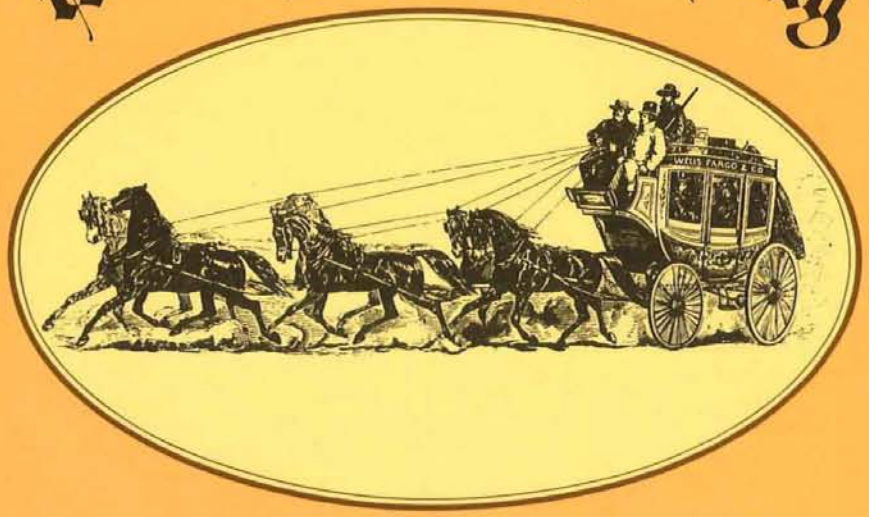
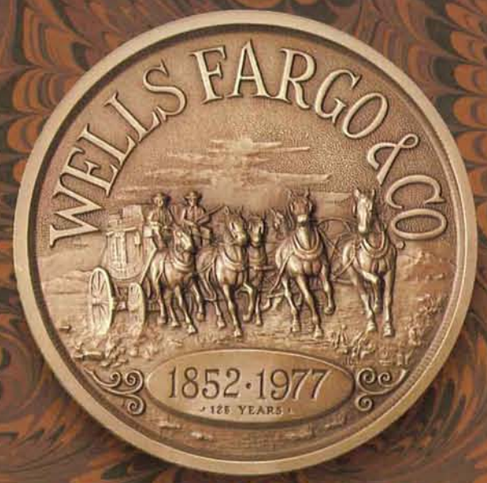
Wells Fargo & Company

125TH ANNIVERSARY



1976 ANNUAL REPORT



The
year 1977
is a landmark for
Wells Fargo & Company.
It was 125 years ago, in 1852,
that the pioneer banking and express
company opened its doors for business
on Montgomery Street in San Francisco.
Wells Fargo today is one of the nation's
leading financial institutions, proud
of its rich historic past, but
modern and innovative in
meeting the challenges
of a changing
world.

Contents

Highlights

WELLS FARGO & COMPANY
AND SUBSIDIARIES

For the Year (In Thousands)	1976	1975	Change Amount	Change Per Cent
Income before Securities Transactions	$ 63,471	$ 56,145	$ 7,326	13.0
Securities Transactions Net of Tax	40	646	(606)	—
Net Income	$ 63,511	$ 56,791	$ 6,720	11.8
Dividends Declared	$ 19,888	$ 19,219	$ 669	3.5
Per Share (1)				
Income before Securities Transactions	$3.16	$2.80	$0.36	12.9
Net Income	$3.16	$2.83	$0.33	11.7
Dividends Paid	$0.98	$0.96	$0.02	2.1
At Year End (In Thousands)				
Assets	$12,968,664	$12,372,223	$596,441	4.8
Deposits	$10,446,453	$9,824,311	$622,142	6.3
Loans	$8,458,644	$7,620,311	$838,333	11.0
Investments	$1,726,720	$1,694,975	$31,745	1.9
Book Value Per Share	$27.08	$24.97	$2.11	8.5

(1) Based on average number of common shares and common stock equivalents outstanding of 20,087,803 for 1976 and 20,017,813 for 1975.

Letter to Shareholders

In 1976, Wells Fargo & Company made striking gains in most areas of its activity, as the economy began to emerge from the recession and as consumer confidence improved.

Net income of the Company before securities transactions rose 13 per cent to $63.5 million, equal to $3.16 per share. In 1975, net earnings were $56.1 million, or $2.80 a share.

Income after securities transactions was $63.5 million, or $3.16 a share, compared with just under $56.8 million, or $2.83 per share, in 1975. This represented a gain of nearly 12 per cent.

Assets rose to $13 billion in 1976 from $12.4 billion in 1975, while deposits climbed to $10.4 billion from $9.8 billion.

Although national corporate loan demand remained weak in 1976, this decrease was offset at Wells Fargo by continuing growth in commercial, consumer and residential real estate lending in California, and international loans. Consequently, average loan volume was $7.8 billion, up nearly 6 per cent from the 1975 figure of $7.3 billion.

Early in 1976, there was discussion about the banking industry's higher-than-usual ratio of "classified," or non-interest-accruing, loans to capital as a result of the recession. By the year end, the nation's banks had demonstrated their essential soundness, and the U.S. banking industry generally emerged from the recession in a remarkably strong condition.

We are proud of Wells Fargo's record performance during 1976, and attribute it to the excellent teamwork throughout our organization, the strong controls we have developed over our operations and the innovative programs we have introduced to serve a wide range of financial needs. All major operations of the Company participated significantly in the strong overall earnings performance.

Of particular note were the cost-cutting efforts of the Operations Group, which finished the year $3 million under budget. While improving the level of service, the Group was able to hold expenditures to the 1975 level despite rising costs of personnel, equipment and premises acquisition and maintenance. The Computer Systems Division played a significant role in this effort by improving the productivity of clerical data processing, eliminating obsolete procedures and computer systems, and reducing overall expenses for equipment.

The Company's continuing growth and our rise in earnings during the recession and its aftermath was due in part to our strategy, adopted in 1973, of emphasizing loan quality, profitability, and improvement in our capital ratios, rather than growth in loan volume. During 1976, we continued to improve our performance ratios. Return on assets was increased to .52 from the 1975 level of .48; return on equity was increased to 12.16 from the 1975 figure of 11.67; our leverage was lowered to 23.8 from the 1975 ratio of 24.7, and we made a larger addition to capital through retained earnings than was made in 1975. By the end of 1976, the Company's liquidity position had been improved by careful management of our cash position and by shortening the maturity of our investment portfolio.

One area of concern during the previous year that showed significant improvement in 1976 was the real estate industry, and particularly real estate investment trusts (REITs). In both California and the nation, single-family home con-

Ernest C. Arbuckle (left), chairman of the Board, and Richard P. Cooley, president and chief executive officer, direct the global operations of Wells Fargo from its Head Office at 420 Montgomery Street in San Francisco, just a few yards from the Company's first office. Behind them is a photographic mural of 1877 San Francisco that covers the walls in the Head Office Penthouse. The mural was reprinted from original pictures made by Eadward Muybridge, an early innovator in photography.

struction moved up sharply during the year and, by year end, multiple unit construction was also beginning to improve. Wells Fargo's loan losses to REITs in 1976 were $4 million, compared with losses of $6 million in the previous year. Wells Fargo Mortgage Investors, the trust advised by a subsidiary of the Company, resumed payment of dividends in January 1976, was profitable throughout the year and substantially increased its dividend in early 1977.

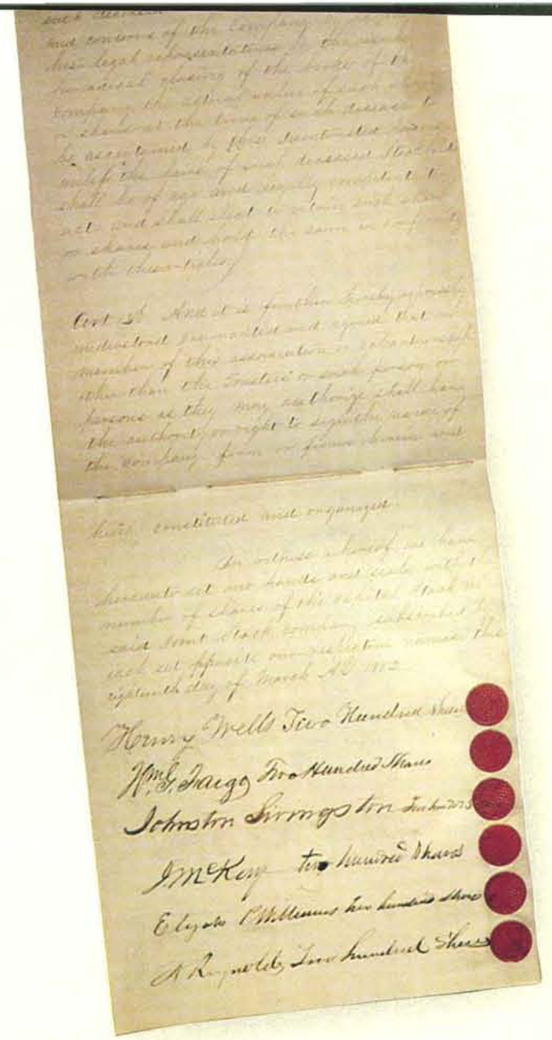
The 1976 earnings increases were achieved despite a substantial adjustment in the value of the Company's holdings in Allgemeine Deutsche Credit-Anstalt (ADCA), a major German bank. As previously announced, the Company took an anticipated reduction in 1976 earnings of $10.5 million, or $6.6 million after taxes (approximately 33¢ per share) due to its investment in ADCA. Wells Fargo later agreed, as of December 31, 1976, to transfer approximately 9 per cent of ADCA's stock to another shareholder in exchange for supervisory services to the Company concerning ADCA during the next eight years.

As a result of this agreement, Wells Fargo has reduced the carrying value of its ADCA holding to $6 million. This reduction required an additional charge of $6.9 million, or $4.4 million after-tax, to 1976 earnings during the fourth quarter of 1976. This charge translates to 22¢ per share.

Additional information on ADCA appears in the "Management's Analysis" section of this report, on page 28.

Wells Fargo's interest and fee income from its international lending activity increased strongly. At year end, our international loans and acceptances amounted to $2.1 billion and $260 million, respectively. Wells Fargo was active in loan syndication transactions during the year, participating in 46 syndications amounting in total to $4.9 billion. We retained $422 million for our own portfolio. In 14 of those transactions, Wells Fargo served as lead bank.

With respect to the distribution of our international loan and acceptances portfolio, 29 per cent represented credit exposure to major industrialized countries with per capita income in excess of $2,000; 38 per cent to countries with per capita incomes ranging from $700 to $2,000; 16 per cent to oil exporting countries, and the remaining 17 per cent to countries with per capita incomes below $700. In the latter three country categories, Wells Fargo has focused on government or government guaranteed credits and correspondent bank lines.



The final maturity structure of our international loan portfolio is well diversified: more than 35 per cent falls due within one year, 41 per cent between one and five years and the remaining 24 per cent beyond five years. Of those loans due in one year or more, approximately 6 per cent are fixed in rate until maturity, while the remainder float over an appropriate money market rate.

In recognition of our loan volume increase as well as the increased volume of private bank lending to non-oil-producing developing countries, we have sought balance and geographical diversity in our credit exposure and have placed strong emphasis on risk evaluation and control. Additional information on Wells Fargo's risk control techniques and loans to developing countries is covered in the "Management's Analysis" section of this report, on pages 31 and 32. Excluding loans made by affiliates, the Bank's loan losses in its international activities have been less than 0.15 per cent of loans outstanding in each of the last five years.

Henry Wells and William G. Fargo appropriately head the list of names on the Articles of Association for Wells, Fargo & Co., signed at New York's Astor House on March 18, 1852. Though formally organized in the financial center of the East, Wells Fargo soon became synonymous with dependable and reliable service in the American West, qualities desperately needed by the region's miners and other pioneers.

At home, the banking industry may feel the impact of considerable change in the next few years from the legislative and financial accounting areas. Wells Fargo is watching trends in these areas carefully.

A series of meetings with important national and state government or legislative officials were begun during 1976 in San Francisco at which a representative management group met with invited dignitaries for informal discussions of major issues. The program has proved to be an excellent forum for sharing viewpoints on issues important to banking, and has now been expanded to the Southern California Executive Office.

In the area of accounting standards, the requirement for "inflation" or "current value" accounting for all industries will be reviewed by the Financial Accounting Standards Board in mid-1977. Its ultimate ruling, if it departs from present accounting principles, could strongly affect earning results of corporations during periods of rising prices, depending upon the relationship of their assets and liabilities. Net creditors, including financial institutions, could have their earnings statements adversely affected by the change.

In a year of complexity and change in the financial industry, Wells Fargo is pleased at the earnings results we were able to achieve and is grateful to all the members of our staff for the fine efforts they put forth during the year, and particularly for their achievements in restraining cost increases while performing efficiently.

As a financial service company, Wells Fargo's most important resource is our people. The growth and development of management and staff is essential to the growth and development of our earning power. Appropriately, we invest considerable time, energy, and money in activities which strengthen our human resources. During the past several years, we have placed increasing emphasis on training programs, personnel planning, and management development. The result is a growing force of highly competitive men and women capable of providing imaginative leadership and direction to our business.

Our Board of Directors was important in providing advice and counsel to the Company's management during the year. Newly elected to the Board at the 1976 annual meeting was Ellen M. Newman, president of Ellen Newman Associates, consumer relations consultants. Two advisory directors were elected in 1976. They are: James F. Dickason, president of The Newhall Land and Farming Company, and John A. Young, executive vice president of Hewlett-Packard Company. We are confident that these three executives will bring additional worthwhile perspectives to the organization. During the year, James M. Hait, retired chairman of FMC Corporation, retired from the Board after 10 years of valuable service and became a director emeritus of the Bank.

In an improving economic climate, and with the guidance of our Board, the contributions of our staff and the support of our shareholders, we anticipate another fine year for Wells Fargo in 1977, our 125th year of service.

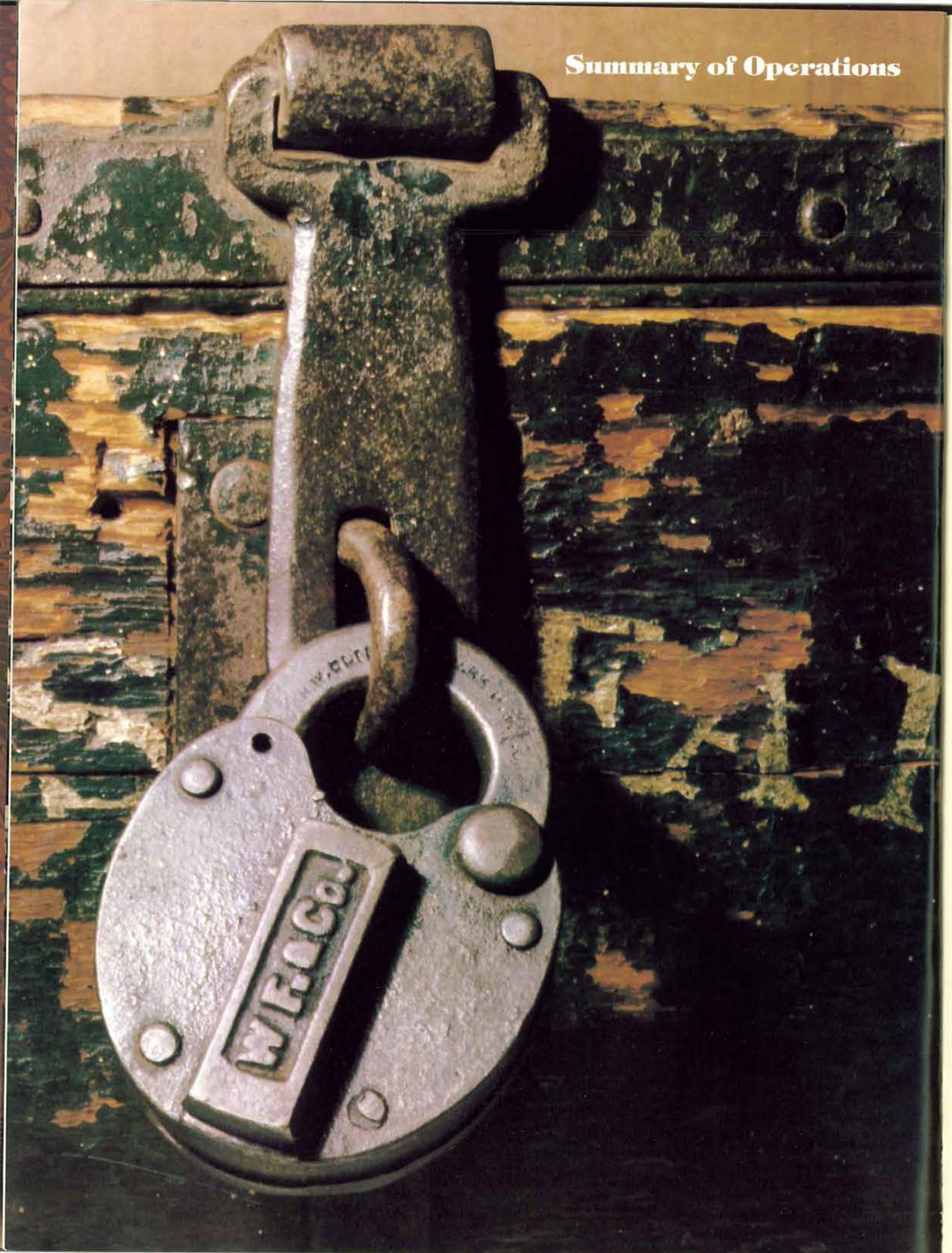
Ernest C. Arbuckle

Ernest C. Arbuckle,
Chairman of the Board

Richard P. Cooley

Richard P. Cooley,
President and Chief Executive Officer

March 3, 1977



Summary of Operations

CONSUMER BANKING

The year 1976 was active and profitable for Wells Fargo's Retail Banking Group. Through our well-diversified branch office system, the Bank introduced several new services, increased deposits substantially and generated strong commercial loan volume in a year when many other financial institutions experienced loan declines.

Two new divisions have been established in the Group — one in late 1975 and the other in 1976 — to administer particular categories of loans. They are: the Consumer Loan Division, which directs the areas of dealer-generated loans, automobile and mobile home installment loans, automobile leasing, Master Charge, and insurance premium financing; and the Commercial Banking Division, which is designed to serve California business firms with sales volume ranging from $1 million to about $50 million. Both Divisions, staffed with specialists in their respective areas of responsibility, will bring greater expertise to these important market segments for the Bank.

The Bank also launched several services during 1976 which promise to be popular and profitable. In the area of lending, Wells Fargo introduced the Homeowner Loan program for individuals who have equity in their homes and wish to convert a portion of it to cash; the Express Credit program which offers qualifying customers a pre-arranged revolving line of credit that may range from $3,000 to $15,000; and the Custom Charge program, an accounts receivable program for retailers in which Wells Fargo provides the merchant with custom-designed credit cards and assumes total responsibility for the credit operation. Wells Fargo also joined the National BankAmericard system in 1976, and in 1977 will begin to issue the system's credit cards, renamed VISA, to consumers. Starting in March 1977, Wells Fargo customers will be able to obtain both Master Charge and VISA cards through our Bank. Our merchant customers are now able to accept both Master Charge and BankAmericard cards for processing at Wells Fargo, providing them with significant convenience in handling their sales and accounts.

In the area of savings, Wells Fargo launched two programs with guaranteed interest rate features. The Golden Guarantee program is a tax-deferred retirement service for individuals not currently covered by a pension plan. The service provides a free checking account and a retirement savings plan with a guaranteed rate on savings deposits to the 60th birthday of the customer. Late in the year, a Guaranteed Growth certificate was introduced to enable savers to choose specific financial goals they wish to achieve in particular time periods. For example, a customer who wishes to have $5,000 in six years can invest $3,188.29 in one of these instruments at a rate guaranteed for the full six years, and will reach the $5,000 goal at the end of that period. The combination of maturities and savings choices offers savers more than 100 different investment plans from which to select.

Other innovative services announced by Wells Fargo in recent years have continued to do well and augment the Bank's profitability. The Wells Fargo Reward, introduced in 1975 to offer savers a package of banking services similar to that enjoyed by Gold Account customers, has proven extremely popular. The Bank now has more than 100,000 Reward accounts. Cash Mover, which offers business firms a business

checking account and an Earnings (savings) Account, has generated more than $125 million in savings deposits from business customers. WellService, the Bank's electronic check and credit card verification system for merchants, expanded strongly during 1976. By the end of the year, 476 merchants had joined the service and there were 922 WellService terminals in operation. In 1976, nearly $39 million in checks were verified through the WellService system.

Stimulated in part by the innovative deposit programs introduced in recent years, the Bank's passbook savings deposits again moved up strongly in 1976, passing the $3 billion mark for the first time. At year end, total passbook savings were nearly $3.5 billion, a rise of $914 million over the end of 1975. Wells Fargo now has nearly 1 million checking accounts and just over 1 million savings accounts.

The Retail Group's loan totals benefited from the improvement in California's housing market. The Bank's Variable Interest Rate (VIR) mortgage was adopted state-wide at midyear. By the end of the year, VIR loans represented the majority of new single-family residential loans being originated in terms of dollar volume. Real estate loans made in 1976 totaled $600 million, of which $370 million was invested in single-family homes. At the end of the year, the total amount of single-family home loans in the Bank's portfolio was $1.7 billion, including $198 million in VIR loans.

Wells Fargo continues to be one of the five largest commercial bank agricultural lenders in the nation. Farm loans outstanding at year end, including loans for personal expenditures, were $192 million. Although California farmers will face considerable problems if there is no relief from the second consecutive year of drought, Wells Fargo anticipates that its agricultural borrowers will be able to overcome the difficulties. The Retail Group will work with its farm customers in handling their financial needs.

During 1976, the Retail Group initiated several new internal programs designed to improve service to customers, complementing the Customer Service and Customer Service Representative programs that were emphasized in 1975. "Operation Streamline" is a project aimed at examining each banking procedure in Wells Fargo's branches to determine whether it is still

Like the stagecoach, gold scales or "balances" have become a symbol of a bygone era. Yet in their day they were as important to everyday business transactions as modern computers. Wells Fargo agents in isolated mining camps and settlements often used "pocket," or portable, gold balances to weigh the gold that was entrusted to the Company's care.

the most efficient way of handling transactions and documents. The object of this undertaking is to eliminate any unnecessary paperwork or procedures in order to give the branch staff more time to serve customers. In an allied project, all the Bank's forms are also being examined for effectiveness and customer readability. Those that are unnecessarily complex or confusing will be redesigned to more clearly convey their purpose.

The Retail Group also has developed a new Personal Banker program that will go into operation in 1977. A group of officers from a large number of branches were identified and trained in 1976 to widen their expertise in all types of bank services, from loan and savings plans to personal money management. In 1977, these officers will be assigned lists of 500 or more branch customers and will become the personal Wells Fargo contact to handle all the needs of these customers. Highly successful in its pilot trials, the program is another step in our Bank's goal of providing to its customers the finest service in the industry.

The Retail Group continued expansion of its branch system in 1976, with the opening of 13 new offices, bringing the total number of branches at year end to 332. A unique branch opening in 1976 was the Old Sacramento Office in the B.F. Hastings Building in the Old Sacramento State Historic Park. This office, faithfully restored by the State of California in authentic Gold Rush decor, is a functioning banking facility on weekdays and is a museum on weekends.

During 1977, the Retail Group plans to step up the pace of branch expansion in Southern California, where the Bank now has 71 offices. The current goal is to open at least 10 branches a year in the south through 1980. The Southern California Division, which celebrates its 10th anniversary in 1977, now has assets in excess of $1 billion and is generating increasingly strong contributions to earnings year by year.

CORPORATE BANKING

Net outstanding loan commitments of the Corporate Banking Group increased by more than $100 million in 1976, and total outstandings averaged in excess of $1 billion. Actual loans were down for the second consecutive year, however, because corporate loan demand remained below expectations. The entire banking industry saw a drop in the use of credit lines, although Wells Fargo experienced a smaller decline than the average for the industry.

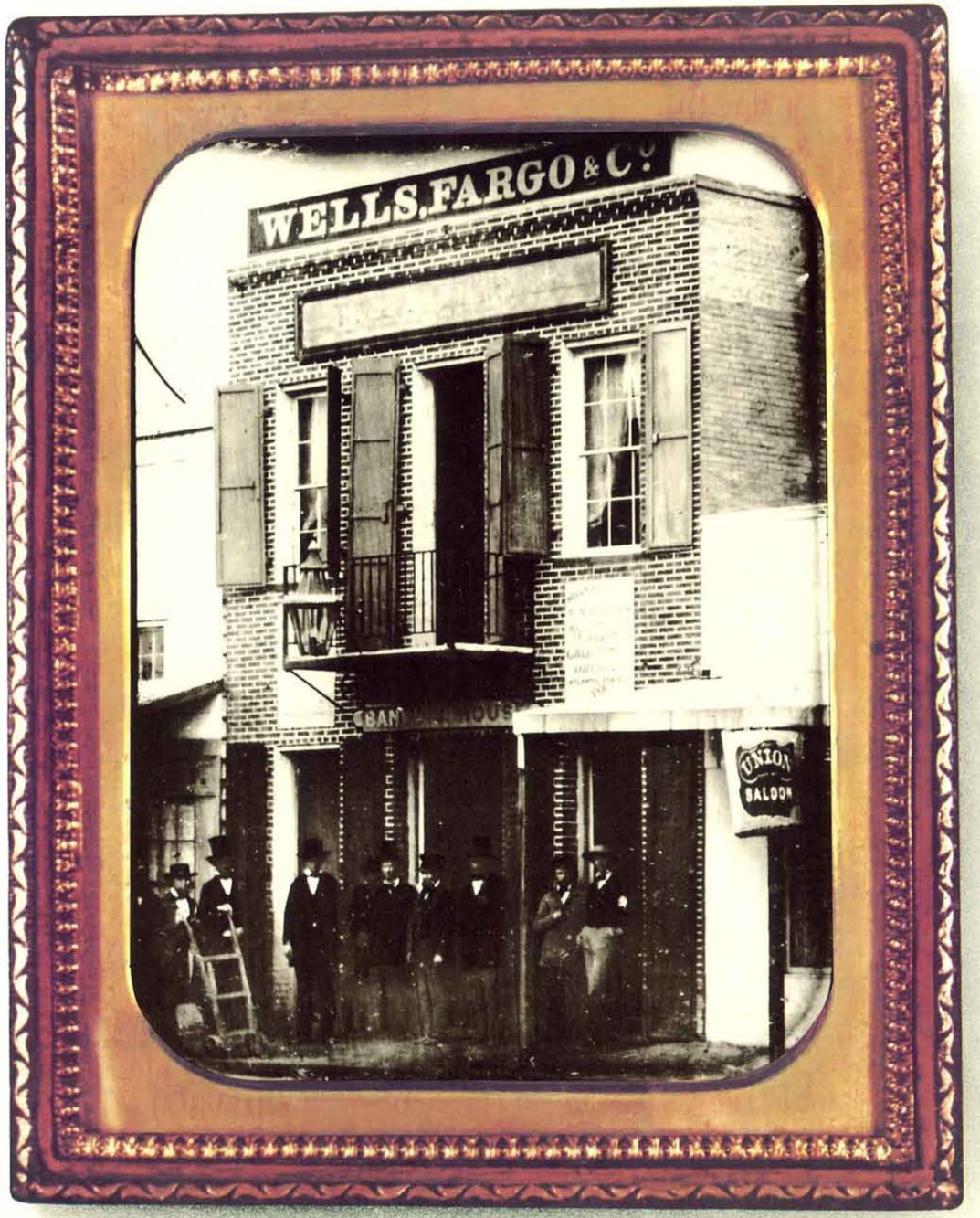
Corporate loan demand was moderate because American business continued to rebuild liquidity, hold down inventories, postpone investment decisions and add to retained earnings during the year. In addition, many corporations went to the bond and equity markets — both domestic and overseas — for a considerable share of needed funding.

The Corporate Banking Group is organized with a mix of geographic and selected industry specialties designed to bring the full range of Wells Fargo service to America's largest corporations. While the geographic divisions, which call on most of the Bank's major corporate customers nation-wide, experienced restrained loan demand, both they and the industry-oriented departments were able to develop new business and generate good gains in fee incomes.

One of the key specialized groups is the Energy Department in Los Angeles. This department is building expertise in the vital fields of petrochemicals and large "energy" utilities. It increased its commitments by well over $100 million in 1976, and participated in several of the nation's major energy-project financings.

The Special Industries Department gears its financial service to the high technology industries in California, especially in the electronics field. It has had an office in Palo Alto for several years to serve the active electronics industry on the San Francisco Peninsula, and in 1974 opened an office in Newport Beach to provide similar services to this industry in Southern California.

The Financial Institutions Division provides credit and services to securities dealers, western insurance companies, correspondent banks, and savings and loan associations. In addition, it provides security clearance and custody services to all financial institutions, and stock transfer and registration services for cor-



Only a few doors away from the entrance of today's headquarters on Montgomery Street in San Francisco, Wells Fargo commenced business in July 1852. Following the opening of that first, single office, captured here in a daguerreotype of the period, agencies were soon established in Sacramento, Stockton and Marysville, and by the end of its first half-year in business Wells Fargo could list 12 offices in operation.

porations. A Company subsidiary, Wells Fargo Securities Clearance Corporation, based in New York, provides rapid security clearance and custody services to firms in that key market. Through the efforts of the Financial Institutions Division, Wells Fargo has become a leading banker for security broker-dealers.

A new multinational service capability has been jointly developed by Corporate Banking and the International Banking Group, designed to provide first-rate financial service at home and abroad for U.S. multinational corporations. Internationally skilled officers in this activity are assigned to serve large corporate customers, working in partnership with their domestic counterparts.

The Corporate Finance Department, formed in late 1975, provided financial counseling and valuation studies for 45 companies in its first year. The department will add to its counseling service work for private placements and for acquisition and divestiture programs for companies of all sizes.

The Cash Management Department, formed in 1976, markets a complete array of cash management services to corporations, including lockbox and account reconcilement services. Recognizing that current information on a company's cash position is of utmost importance to corporate treasurers, Wells Fargo in 1976 introduced the new Information Express service, which enables corporations with multiple bank accounts to get daily information on their balances anywhere in the nation.

Because its structure now enables the Corporate Banking Group to respond quickly to changing market conditions and because of unexpectedly favorable rate spreads, the Group contributed to Wells Fargo's profits in a significantly larger proportion than is represented by its asset base.

REAL ESTATE INDUSTRIES

The Bank's Real Estate Industries Group expanded and strengthened its commercial real estate activities in 1976. In California, both the housing industry and the mortgage banking industry enjoyed an excellent year having a favorable impact on banks involved in housing and real estate-related finance.

Real Estate Industries added some $300 million in new construction loans during 1976, $100 million of which was for projects in Southern California. The Group consolidated servicing of real estate investment trust (REIT) accounts, domiciling all REIT accounts in the Northern California Division in San Francisco. Commitments to the REIT industry were down to $304 million by year end from the 1975 year-end figure of $346 million. Outstandings at the end of 1976 were $180 million.

Net charge-offs on REIT loans handled by the Group amounted to $4 million in 1976, compared with charge-offs of $6.4 million in 1975.

The Group has continued to make a $50-million line of credit available to Wells Fargo Mortgage Investors, the independently owned trust advised by a subsidiary of Wells Fargo & Company. As was true in 1975, the trust has made only moderate use of the line.

In order to provide better service to the real estate industry in Southern California, which is responsible for about 65 per cent of the California market, a new division of Real Estate Industries was established in Los Angeles. A loan production office was opened in San Diego, and one will open early in 1977 in Orange County. The Group also has a loan production office in Sacramento to serve the huge Central Valley market.

From the start, Wells Fargo provided a variety of banking and express services for pioneer Westerners: safekeeping of funds; buying and selling gold dust, bullion and specie; forwarding "merchandise and all other descriptions of freight, packages and parcels;" making purchases ...and delivering the U.S. Mail. To transfer funds between the West and the East the Company issued First, Second and Third of Exchanges. One document traveled by ship around Cape Horn, another by way of Panama and a third across country. Whichever arrived first was honored.

INTERNATIONAL BANKING

Earnings of the International Banking Group in 1976 continued strong, despite losses incurred by foreign affiliates. Business volume and interest income rose sharply, and loan losses of the Group in its own banking activities were much lower than the average for the Bank.

Wells Fargo reduced its holdings in its German affiliate, Allgemeine Deutsche Credit-Anstalt (ADCA), in two stages in 1976. During the year, the Bank made a before-tax charge against income of $10.5 million which reduced the value of our investment in ADCA to $12.5 million. At year end, Wells Fargo transferred approximately 9 per cent of ADCA's stock to another shareholder in exchange for supervisory services to be provided over the next eight years. The Bank's carrying value of its ADCA holding is now $6 million. Other details are on page 28 of "Management's Analysis."

Western American Bank, our affiliated merchant bank in London, has now recovered from the problems it experienced in 1974, although it has been necessary to charge off some of the loans we had acquired from the affiliate at that time. Specifically, Wells Fargo charged off loans to real estate investment trusts (REITs) and other entities amounting to $5.2 million in 1976 and $4.7 million in 1975. Western American showed profitable results in 1976 and in 1975.

The International Group has been actively involved in loan syndications in the past year. The Group managed or co-managed 46 syndications amounting to $4.9 billion of loans. Wells Fargo underwrote $863 million of this amount and retained $422 million for its own portfolio. We served as lead bank for 14 of these syndications, totaling $547 million.

Although Wells Fargo has been most active in the Latin American market in the past, we began to diversify our loan syndication efforts geographically, serving as lead bank for syndications in Africa and Southeast Asia, as well as in Latin America, in 1976.

The International Banking Group successfully stressed geographic diversification of all its lending activities. At year-end, approximately 41 per cent of loans and acceptances were to Mexico and to nations in Latin America; 11 per cent were in the United States and Canada; 22 per cent were in Asia and the Pacific Basin; 16 per cent were in Europe, and 10 per cent were to nations in the Middle East and Africa.

As part of its growth, expansion and changing relative emphasis on selected geographic markets, the International Banking Group opened a wholly-owned subsidiary, Wells Fargo and Company Canada, Limited, in Toronto in 1976, while actively planning new facilities in Jakarta, Manila, Istanbul and Copenhagen. Further, we have received Federal Reserve approval to open an offshore branch in Singapore. These new facilities reflect our desire to penetrate select global markets as well as to assure ourselves, through direct presence in these markets of proper credit monitoring and evaluation.

The International Banking Group has altered its approach to global markets in recent years, giving less emphasis to minority investments in affiliates overseas and far more stress to development of our own personnel and facilities. This change in approach has assured Wells Fargo of better control of its international activities. It has enhanced our potential for growth, diversification and profitability.

TRUST & INVESTMENT ADVISORY SERVICES

As measured by fee revenue and by the market value of the assets for which Wells Fargo is trustee or investment manager, Wells Fargo's trust and investment advisory activities showed strong gains in 1976. In large part, the gains were due to above-average increases in stock and bond prices during the year, an active and effective national marketing program to attract pension, profit sharing and other new business from the institutional market, and above-average increases in personal trust business.

50 Largest Common Stock Holdings in Managed Trust Accounts

Issuer of Security	Market Value ($ Thousands)	Shares (Thousands)	% of Common Shares Outstanding
IBM	93,045	333	.22
General Electric	80,466	1,447	.64
American Telephone & Telegraph	66,492	1,047	.17
Exxon	62,494	1,165	.26
General Motors	57,585	734	.26
Procter & Gamble	56,064	599	.73
Caterpillar Tractor	51,697	891	1.03
Standard Oil of California	49,237	1,201	.71
Stauffer Chemical	37,777	759	3.50
Eastman Kodak	36,622	426	.26
Standard Oil of Indiana	29,897	501	.34
*Wells Fargo	29,012	1,074	5.34
Phillips Petroleum	28,235	427	.56
Sears Roebuck	24,011	348	.22
Dow Chemical	23,801	549	.30
BankAmerica	23,112	764	.53
Mobil Corporation	20,864	321	.30
Minnesota Mining & Mfg.	20,560	363	.31
Atlantic Richfield	20,122	348	.36
Texaco	20,102	724	.27
Citicorp	17,723	541	.43
Reynolds, R.J.	16,793	248	.54
Gulf Oil	16,728	579	.30
American Express	15,976	393	.55
Lucky Stores	15,936	1,045	2.77
American Home	15,920	497	.86
Weyerhaeuser	14,620	314	.25
Pacific Gas & Electric	14,011	606	.69
Union Carbide	13,341	216	.35
Columbia Gas	13,205	435	1.34
Merck	13,045	191	.25
Ford	12,829	209	.22
General Telephone	12,728	399	.31
Johnson & Johnson	11,670	150	.26
E.I. duPont	11,450	85	.17
Levi Strauss	10,974	403	1.81
Beatrice Foods	10,862	383	.46
Philip Morris	10,513	170	.22
Texas Eastern	10,448	256	1.05
Shell Oil	10,414	132	.19
Continental Oil	10,160	271	.25
Crown Zellerbach	9,922	220	.88
Willamette Industries	9,747	283	2.24
Safeway Stores	9,611	192	.74
Deere & Co.	9,533	301	.50
Xerox	9,333	160	.20
American Can	9,321	239	1.25
Chubb Corporation	9,202	230	1.87
St. Paul Companies, Inc.	9,172	255	1.22
Panhandle Eastern Pipe.	9,151	192	1.32

*The Trust Division makes no discretionary purchases of the common stock of Wells Fargo & Company for trust accounts, nor does the Division recommend its purchase to clients.

Above: A picture of a dog and treasure box accompanied by the words "Alert and Faithful" had been used by Wells Fargo as a symbol of safety and dependability. In keeping with this tradition, Wells Fargo agent Lewis Bay photographed his dog, Jack, atop a Wells Fargo treasure box at the Midwinter Fair in San Francisco in 1894. By 1900, the Company's express operations were conducted over a network of 3300 express offices around the world.

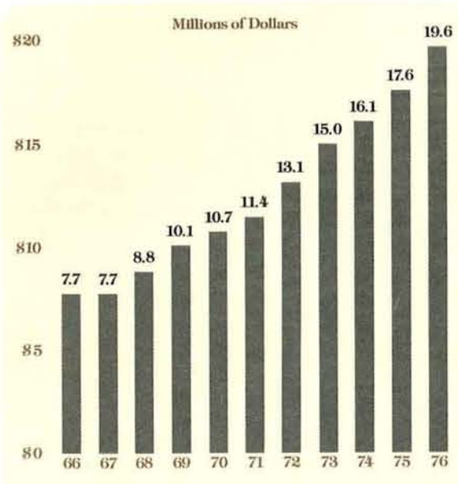
Left: Wells Fargo's stagecoach empire reached its peak between 1866 and 1869 when the Company controlled most of the mail and transportation facilities west of the Missouri River. The most durable symbol of this era is the famous Concord coach, a product of the Abbot-Downing work rooms in Concord, New Hampshire. A light superstructure and sturdy under-carriage enabled the Concords to meet the rigors of travel along rugged western trails.

Trust Division In 1976, trust income reached a new high of $19.6 million, an increase of 11.9 per cent over 1975. Over the past 10 years the Division's income has increased at an average compound annual rate of 9.8 per cent, and it has increased at a rate of 11.5 per cent over the past five years. For the second consecutive year, Wells Fargo's Trust Division moved up in its ranking among large trust units. In 1976, it was reported that the Division had moved from sixteenth to fifteenth in terms of income during the previous year.

The Division continues to focus its attention on the market for employee benefit services as the area with the greatest long-term growth potential. Substantial progress in this area was reflected by the 41 per cent increase in pension assets during 1976; they rose from $1.4 billion to more than $2 billion.

In March, the Real Estate Equity Fund was opened to participation by Keogh Plan trusts, which increased to seven the number of investment options Wells Fargo offers to self-employed individuals. At the same time, the three Keogh Investment Fund options — The Real Estate Equity Fund, The Equity Securities Fund and The Fixed Income Fund — were registered with the Securities and Exchange Commission, enabling the Trust Division to expand its Keogh market to include out-of-state residents.

TRUST DIVISION CASH INCOME
Years Ending December 31



Two new collective investment funds were opened in 1976 for Wells Fargo customers. On August 1, a new short-term investment fund was created to provide employee benefit fund customers with an additional investment alternative. During the first five months of operation, the market value of the fund increased to $8.3 million. Late in the year, a new Market Fund was established for personal trusts. This collective investment fund is managed to match closely the rate of return of the stock market as measured by the Standard & Poor's 500 Stock Index. At year end the Market Fund was valued at about $60 million.

During the year, the Trust Division also initiated a pilot ranch management program in selected areas throughout the state, drawing on Wells Fargo's agricultural expertise and augmenting the more traditional areas of real property management for testamentary trusts and executorships.

Investment Advisors In 1976, Wells Fargo Investment Advisors was selected as general equity manager for the Pension Benefit Guaranty Corporation, the federal agency created under the Pension Reform Act of 1974 to insure retirement benefits and manage the assets of terminated plans. The Division also was appointed as investment advisor for a number of other major institutional accounts. Seminars were held in several cities during the year to acquaint corporate officers with Wells Fargo's approach to investment management, the related concepts underlying its Index Fund and the decision process for allocating assets among investment alternatives.

The "index matching" concept, in which investment portfolios are managed to match closely the rate of return of the stock market, as measured by the Standard & Poor's 500 Stock Index, was highly publicized during 1976. While this concept is a valuable tool, the greater part of about $4 billion managed by Investment Advisors is invested judgmentally. As an asset management organization, Investment Advisors is structured to add value by its carefully conceived investment approach. The approach integrates the advantages of modern capital market knowledge with classical finance concepts, and the result is a disciplined process with many important improvements over traditional investment practice in the areas of security analysis, portfolio management and the setting of investment objectives.

As the idea of index matching gained increasing acceptance in 1976, the Wells Fargo Index Fund for Employee Benefit Trusts showed an even larger gain in asset size than in the previous year. The market value of the fund, amounting to about $152 million at the beginning of the year, totaled nearly $400 million at year end.

In all, Investment Advisors manages 14 commingled investment funds for personal, charitable and retirement trusts, and the value of these funds increased during the year from about $500 million to over $900 million. While the increase is partially attributable to higher security prices, the greater part came from new contributions. These funds offer participants many significant advantages over separately managed accounts. For the benefit of personal trust accounts invested in the funds, a new common trust fund unit was formed in 1976 to offer better service on investment-related matters.

The Division's Institutional Counsel Service expanded its client base significantly and now advises almost 100 bank trust and investment departments, investment counselors, insurance companies, endowments and foundations, and self-managed retirement plans. This service, provided to other asset managers on a fee basis, offers Wells Fargo's investment research, portfolio strategy and capital market analysis.

In 1976, Investment Advisors took its first step abroad by opening an office in London. This office represents the Institutional Counsel Service, which has subscribers in the United Kingdom and Europe, and generally will provide Wells Fargo's investment advisory services to the European market.

"For gallant conduct..."
To the drivers, messengers, agents and other Company employees who displayed heroism and courage, Wells Fargo was generous in its rewards. When famed stagecoach driver James Miller saved a large money shipment in the mid-1860's, he was rewarded with "the largest bullion watch in Nevada," fashioned from two pounds of silver.

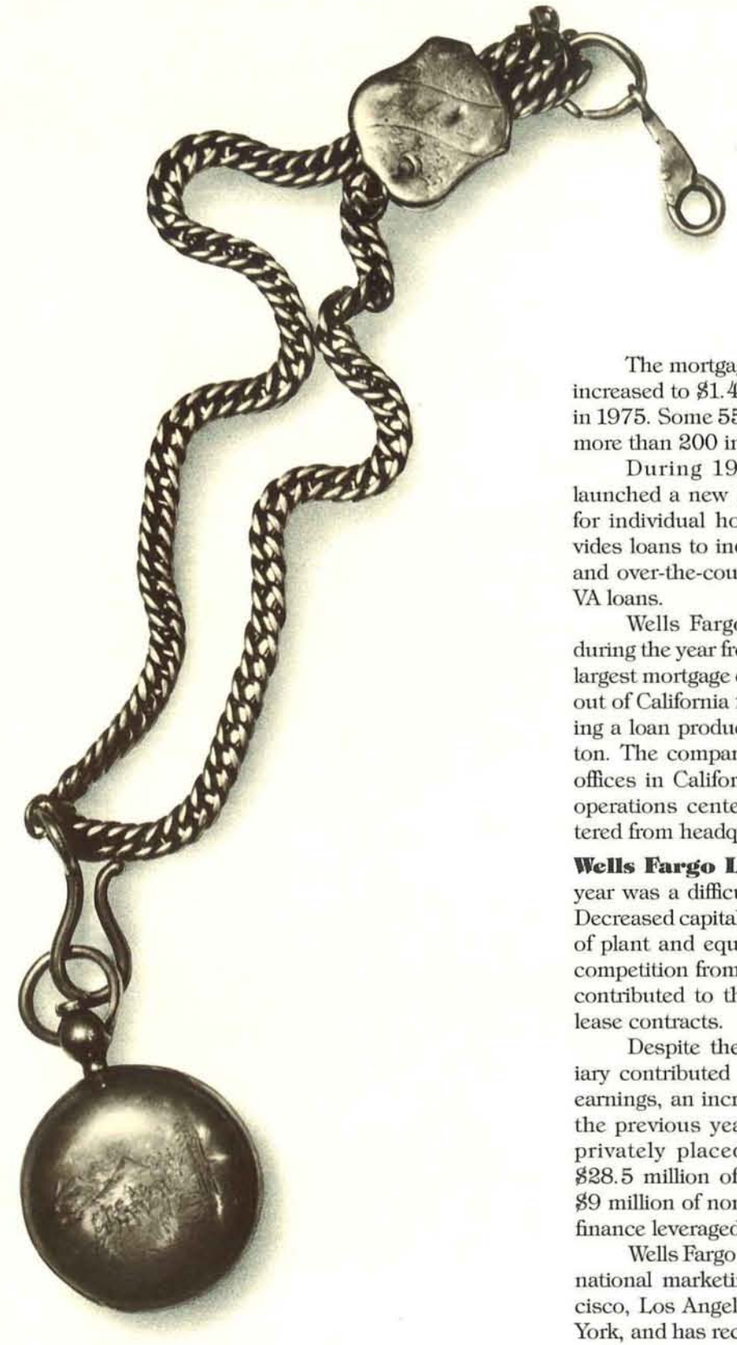
NON-BANK SUBSIDIARIES

Wells Fargo & Company's non-bank subsidiaries continued to increase their contribution to profits in 1976. Particularly impressive profit gains were achieved by each of the three largest subsidiaries.

In 1976, the non-bank subsidiaries contributed $7 million in net profits to the parent company, or 11 per cent of income before security transactions. This compares to a contribution of $4.9 million, or 8.7 per cent, in 1975. (The 1975 figure has been restated, as described in footnote 17, page 49.)

Assets of the subsidiaries totaled $390 million at year-end 1976. They were capitalized at that time at $71.4 million, of which $43.9 million was equity and $27.5 million was subordinated debt. The return on average assets of the subsidiaries was more than 2 per cent in 1976.

Wells Fargo Mortgage Company The improvement in the housing industry in California and much of the nation gave the mortgage company an excellent operating environment in 1976. Wells Fargo Mortgage contributed $2.5 million in net profits to the Company, compared with $1.4 million in 1975. (The 1975 figure has been restated, as described in footnote 17, page 49.)



The mortgage company's servicing portfolio increased to $1.4 billion in 1976, from $1 billion in 1975. Some 55,000 loans are now serviced for more than 200 investors.

During 1976, the mortgage company launched a new Residential Spot Loan program for individual home buyers. The program provides loans to individuals for resales, refinances and over-the-counter loans, including FHA and VA loans.

Wells Fargo Mortgage improved its rank during the year from twenty-second to nineteenth largest mortgage company in the nation. It moved out of California for the first time in 1976, opening a loan production office in Seattle, Washington. The company also has 15 loan production offices in California, which are serviced by the operations center in Santa Rosa and administered from headquarters in San Francisco.

Wells Fargo Leasing Corporation Last year was a difficult one for the leasing industry. Decreased capital spending by business, deferrals of plant and equipment expansion and intense competition from alternative sources of funds all contributed to the challenge of originating new lease contracts.

Despite the obstacles, the leasing subsidiary contributed over $3.2 million to corporate earnings, an increase of almost 20 per cent over the previous year. During 1976, the company privately placed with non-affiliated lenders $28.5 million of senior debt. Additionally, over $9 million of non-recourse debt was arranged to finance leveraged leases.

Wells Fargo Leasing seeks business through national marketing offices located in San Francisco, Los Angeles, Chicago, Houston and New York, and has recently received approval from the Federal Reserve to open a new office in Cleveland. The company continues to emphasize the leasing of transportation-related assets and plans a major expansion into agricultural equipment leasing. It now has equipment operating in each of the 50 states.

In 1905, the banking and express departments of Wells Fargo & Company went their separate ways, with the Bank remaining in business in San Francisco and merging with the Nevada National Bank. A year later the Bank had to cope with disaster, the earthquake and fire of April 18, 1906, that destroyed much of San Francisco. "Building destroyed, Vaults intact, Credit unaffected," the Bank telegraphed its correspondents.

As the city began clearing the rubble and rebuilding, Wells Fargo set up temporary headquarters in a private residence away from the ruins of the business district. Keeping records in children's composition books around a dining room table, the Bank provided uninterrupted services to its customers.

Wells Fargo Realty Advisors The recovery in housing and real estate in 1976 also contributed to the strength of Wells Fargo Realty Advisors, a subsidiary formed in 1970 to advise Wells Fargo Mortgage Investors, a publicly owned real estate investment trust. With favorable conditions prevailing in the real estate and money markets, the after-tax profits of Wells Fargo Realty Advisors rose to $1.3 million for 1976, up 55 per cent from the prior year.

Realty Advisors had mortgage loan and other investment commitments for its own account of $175 million at the end of 1976, of which $119 million had been funded. The portion of its portfolio which was non-earning was reduced from $18 million to $11 million during the year.

The trust, Wells Fargo Mortgage Investors, is listed on the New York Stock Exchange. At year-end 1976, it held mortgage loan and property ownership investments of $173 million. Dividend payments to the trust's shareholders were resumed during January 1976 after having been suspended for nine months in the previous year due to adverse developments in the real estate sector of the economy.

As part of a plan to develop new lending opportunities, Wells Fargo Realty Advisors is opening new offices in Denver and Dallas, to complement its existing offices in Los Angeles, San Francisco, Phoenix and Houston.

Other Subsidiaries The three other subsidiaries of Wells Fargo & Company also had an active year in 1976, and made a modest contribution to the parent company's profits. These subsidiaries are: Wells Fargo Realty Services, Inc.; Wells Fargo Securities Clearance Corporation; and Wellsco Data Corporation.

Wells Fargo Realty Services is a corporate trustee in the recreational real estate industry. It provides service to 85 developers and administers more than $213 million in receivables.

Wells Fargo Securities Clearance Corporation acts as the Company's agent in the New York financial community. In 1976, it benefited from the resurgence of confidence in the stock market.

The activities of Wellsco Data Corporation were in large part returned to the Bank organization in 1974 and its remaining activity is primarily sales of data processing services on a limited scale.

COMMITMENTS TO THE COMMUNITY

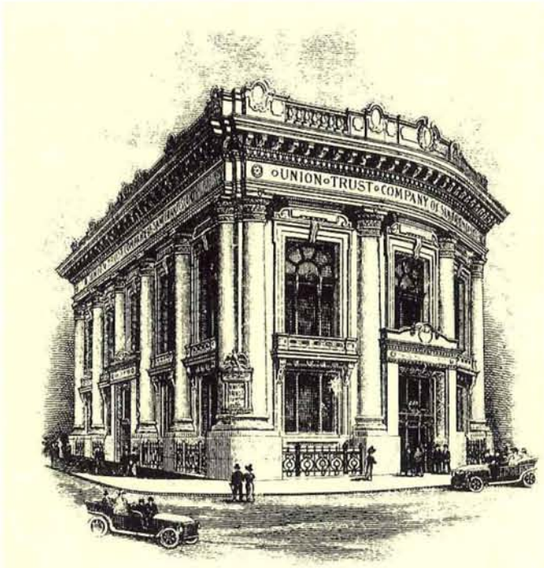
In the area of corporate responsibility, Wells Fargo has implemented a number of programs that both contribute to the well-being of our staff and society at large, and which are either profitable, of minimal cost or of important long-range benefit to the corporation. Profit-generating or cost-saving activities include our energy and waste paper conservation programs; those of minimal cost include our improved personnel programs which in turn help decrease our turnover rates and training expenses; and those of long-range benefit include such activities as the affirmative action programs and the Bicentennial Awards Program, which enhance the stature of the corporation as an organization seeking to help improve society.

The Company's programs in this area are monitored on a continuing basis by a Corporate Responsibility Committee which meets twice a month to review the conduct of the organization in all its spheres of activities — including relationships with customers, employees, shareholders, minorities and the community — and to propose new approaches to aid the corporation in adapting to changing social needs.

In its relationships with its customers, the Bank has adopted a number of programs to improve service and provide greater disclosure. The Customer Service program, introduced in 1975, is a continuing effort to handle customer complaints and resolve differences in a fast, fair and effective manner. All complaints are acknowledged within two business days and, if feasible, all problems are resolved within 10 business days. Wells Fargo is also reviewing and revising all forms and disclosure brochures to ensure that any information provided to customers is presented in the clearest possible manner. Additionally, Wells Fargo has a task force studying ways to ensure that customer privacy is even better safeguarded.

Wells Fargo was active in pursuing its commitments to its employees in 1976. We have long had a strong affirmative action program, which was improved and refined in 1976.

At year end, total staff was approximately 12,500, of which some 8,900 were women and 3,900 were minorities. In the category of officers,



In the decades following the merger of Wells Fargo & Company's Bank in San Francisco with the Nevada National Bank in 1905, there were two other key mergers that provided the foundation for today's aggressive and dynamic banking organization. In 1923, the Bank merged with the Union Trust Company, established in 1893, to form the Wells Fargo Bank & Union Trust Company. The next important merger took place in 1960, when Wells Fargo joined forces with the American Trust Company, which traced its history back to 1854.

managers and professionals, nearly 42 per cent were women and almost 15 per cent were minorities. With increasing numbers of highly motivated and qualified women and minorities entering the job market, Wells Fargo is stepping up its pace of seeking, hiring, and moving these individuals into more responsible positions.

Two important programs were adopted in 1976 for employees. Beginning January 1, the Bank established an Employee Assistance program to offer confidential aid to any employee whose job performance is adversely affected by a serious personal or family problem. In its first year of operation, 132 employees sought assistance through the program and were referred to outside medical, psychological or other counseling services for assistance.

A second new program is being pilot tested, in which employees can apply for paid leaves for either social service or personal growth. Employees who have been with the Company three or more years may apply for a Social Service Leave extending up to six months to work either with a social agency or on programs designed to attack social problems. Employees who have been with Wells Fargo 15 years or more may apply for a Personal Growth Leave of up to three months to pursue an educational or cultural activity in which they have a serious interest. Currently, six employees have qualified for leaves for such diverse activities as tutoring jail inmates, working at a school for the physically handicapped, and counseling cancer patients. Only three employees will be on such leaves at any given time.

Toward the end of the year, the Company established an annual Social Service Award to be given to as many as three employees who have provided outstanding service to the community. The first award will be made in 1977. Wells Fargo also shortened its employment forms to ask only for job-related information, directed the privacy task force to examine the safeguards on confidentiality of employee records, and provided employees with a comprehensive and impartial handbook with information on the 1976 elections.

With the formation of a one-bank holding company in 1969, Wells Fargo & Company began to expand into new areas of finance in the West and around the globe. Today, with 332 banking offices in California, with six successful non-bank subsidiaries, and with branches, representatives, affiliates and subsidiaries worldwide, Wells Fargo looks ahead to a dynamic future.

The Bank has a number of socially-oriented loan programs. For instance, Wells Fargo is one of only two California banks that have remained in the federally insured student loan program, because we believe we have a major commitment to aiding young Californians improve their educational status. At year-end 1976, we had 30,587 loans outstanding to students, totaling $43.4 million.

Since 1968, Wells Fargo has had an aggressive and profitable minority business loan program, which continued to grow strongly in 1976. During the year, 66 Small Business Administration (SBA) guaranteed loans were made, totaling $4.8 million. This brings the total number of SBA guaranteed loans made since the program's inception to 918, or $42.6 million. In 1976, the Bank made 55 direct, non-guaranteed loans amounting to $1.1 million, bringing total loans made under the direct program since 1968 to 501 loans for nearly $7.8 million. Total losses since the program began have been $628,880, or an average loss rate of 1.74 per cent. These loan figures do not include all loans made to minority-owned firms, but represent those that would not qualify under our regular borrowing standards.

During 1976, Wells Fargo adopted a lending program for residential housing that does not meet normal credit standards. A special lending officer has been designated to review home loan applications that might otherwise be rejected to find if there are ways to qualify the properties for a loan.

The Bank recently loaned the San Francisco Redevelopment Agency $3 million for relending to property owners in the city's Western Addition, to be used to rehabilitate their properties. The funds are available at a 6¾ per cent interest rate.

Wells Fargo also has a special consumer loan program named Low Income Finance Terms (LIFT) designed for individuals who might not otherwise qualify for regular loans. Since its introduction in 1972, 2,655 LIFT loans totaling about $3.1 million have been made. Net charge-offs of LIFT loans, which are made at the same rate of interest as other consumer loans, are running around 3.7 per cent; to date we have charged off 163 loans amounting to approximately $120,000. This is higher than our usual rate of charge-offs for consumer loans, but well within our expectations for this type of credit.

Wells Fargo acknowledges the importance of its role as a responsible consumer. All departments and divisions that purchase goods and services have been asked to actively seek and support minority vendors, and branches have been asked to submit the names of minority-owned firms in their communities from which the Bank might purchase supplies.

During 1976, more than $830,000 in goods or services were purchased from minority vendors, ranging from construction and maintenance services to furniture to printing and photography. The Bank will continue to stress this effort and will work to increase its minority purchase totals.

As a consumer, Wells Fargo also works to conserve the amount of energy and paper it uses. Toward this end, the Bank has not used night lighting for either decorative or advertising purposes for several years. In addition, smaller, more economical automobiles are now purchased for the auto fleet.

Paper waste from the Bank's Data Processing Center, its Head Office complex and some regional operations centers is segregated from other waste and then sorted and sold to a paper processor. The waste paper is re-pulped and used again as second grade paper. In 1976, more than 604 tons of paper were recycled. Revenue from the sale of waste paper during the year was $48,000.

As a corporate citizen, Wells Fargo has a number of other programs designed to support communities and their activities in the four areas of health and welfare, education, civic and cultural, and urban affairs. In 1976, this amounted to just over $993,451, or 0.8 per cent of pre-tax income. This was close to the Company's guideline of donating 1 per cent of pre-tax income to worthwhile charitable and civic endeavors.

An Educational Gift Matching program was established in 1974 to encourage staff members to support institutions of higher education. The Company matches donations by employees up to a limit of $1,000 per calendar year per employee. By the end of 1976, $58,542 in matching funds had been contributed by the Company to 135 educational institutions.

"Toward Our Third Century," the Bank's Bicentennial Awards Program sponsored in cooperation with The Smithsonian Institution, was concluded in July 1976 with the award of $100,000 in prizes to 55 Americans from across the nation.

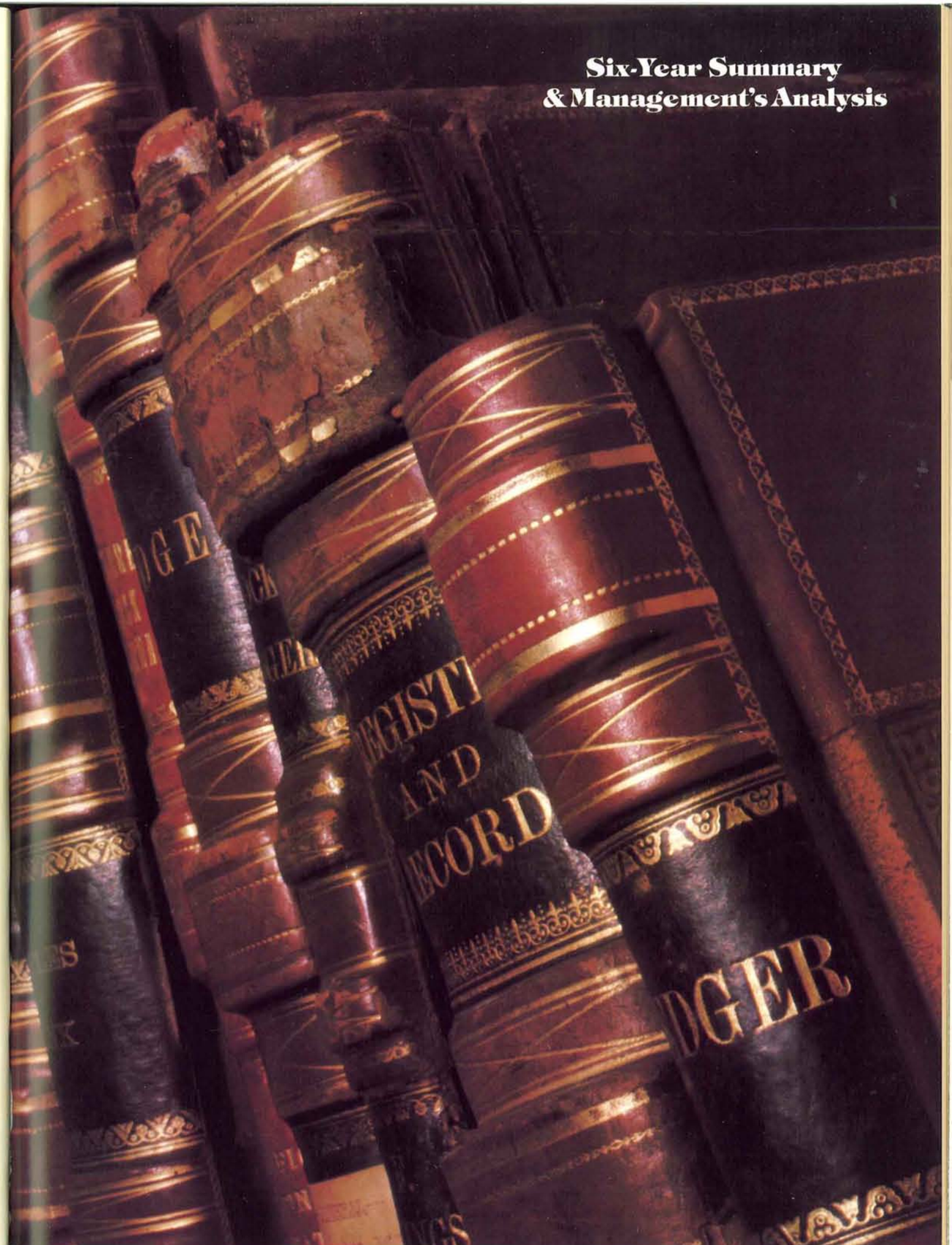
A group of nine distinguished Americans made the final award selections. They were: Bernard Bailyn, Harvard University historian; Erik Barnouw, Columbia University; Fletcher L. Byrom, chairman and chief executive officer, Koppers Company, Inc.; Joan Ganz Cooney, president, Children's Television Workshop; Arthur J. Goldberg, former associate justice, U.S. Supreme Court; Edith Green, former member, U.S. House of Representatives; Wilson C. Riles, California superintendent of public instruction; Charles M. Schulz, creator of the syndicated comic strip, **Peanuts,** and Walter S. Sullivan, science editor, **New York Times.**

The top essay, film and tape entries were printed or summarized in a brochure that was distributed to educators, legislators and other opinion leaders. A copy of the brochure will be sent to each shareholder with the report of the 1977 annual meeting. A film featuring the winners and their ideas and perceptions of the nation's next 100 years has been produced and is available for showings to schools and civic groups.

An ethics seminar for selected officers and directors was held at the Center for Ethics and Social Policy of the Graduate Theological Union in Berkeley. This was a follow-up to a 1974 seminar, at which 16 members of the Board of Directors and top management discussed the social challenges confronting corporations and new criteria for decision making.

In 1977, Wells Fargo will continue to review, upgrade and expand its myriad programs designed to enhance the social, cultural and physical environment in which we conduct our business.

Six-Year Summary & Management's Analysis



Consolidated Six-Year Summary of Operations:

WELLS FARGO & COMPANY
AND SUBSIDIARIES

(In Thousands)[1]	1976	1975	1974	1973	1972	1971	Analysis: Change 1976/1975	Analysis: Five-Year Compound Growth Rate
Interest Income								
Interest and Fees on Loans and Funds Sold	$696,959	$696,755	$772,226	$549,571	$343,620	$296,198	—%	18.7%
Interest and Dividends on Securities	108,225	103,964	101,016	80,224	60,874	56,693	4.1	13.8
Other Interest Income	73,696	68,231	92,608	78,461	37,939	33,066	8.0	17.4
Total Interest Income	878,880	868,950	965,850	708,256	442,433	385,957	1.1	17.9
Interest Expense								
Interest on Deposits	414,832	438,261	520,442	367,592	216,689	192,690	(5.3)	16.6
Interest on Borrowings	64,980	81,515	173,512	120,830	29,922	22,153	(20.3)	24.0
Total Interest Expense	479,812	519,776	693,954	488,422	246,611	214,843	(7.7)	17.4
Net Interest Income	399,068	349,174	271,896	219,834	195,822	171,114	14.3	18.5
Provision for Loan Losses	46,379	50,429	21,864	11,086	7,880	6,479	(8.0)	48.2
Net Interest Income after Provision for Loan Losses	352,689	298,745	250,032	208,748	187,942	164,635	18.1	16.5
Other Operating Income	68,917	68,960	65,428	66,253	59,545	52,837	(0.1)	5.5
Other Operating Expense	297,059	276,902	246,298	209,982	191,506	167,802	7.3	12.1
Income before Income Taxes and Securities Transactions	124,547	90,803	69,162	65,019	55,981	49,670	37.2	20.2
Less Applicable Income Taxes	61,076	34,658	19,088	20,900	16,887	15,318	76.2	31.9
Income before Securities Transactions	63,471	56,145	50,074	44,119	39,094	34,352	13.0	13.1
Securities Gains (Losses) Net of Income Tax Effect	40	646	(2,705)	(660)	338	(4,967)	—	—
Net Income	$ 63,511	$ 56,791	$ 47,369	$ 43,459	$ 39,432	$ 29,385	11.8	16.7
Income Per Share								
Income before Securities Transactions	$3.16	$2.80	$2.53	$2.25	$2.10	$1.85	12.9	11.3
Net Income	$3.16	$2.83	$2.39	$2.21	$2.12	$1.58	11.7	14.9
Average Shares Outstanding	20,087,803	20,017,813	19,804,343	19,633,968	18,643,285	18,543,162		
Ratios:								
Income before Securities Transactions to Average Stockholders' Equity	12.16%	11.67%	11.20%	10.58%	10.89%	9.99%		
Stockholders' Equity per Share at Year End	$27.08	$24.97	$23.10	$21.85	$20.47	$18.95		
Market Prices of Common Stock:								
High for Year	$27	$20⅛	$27	$29½	$29½	$24⅜		
Low for Year	$15⅞	$13¼	$9⅝	$19¾	$19¼	$18½		
Year End	$27	$15½	$13	$22¾	$28⅜	$20⅜		
Other Data:								
Number of Stockholders at Year End	17,447	18,329	18,354	16,077	15,909	15,544		
Company Staff at Year End (Full-Time Equivalent)	12,500	12,143	12,186	11,514	10,887	10,441		
Number of Offices of Bank at Year End	335	322	316	303	299	287		

(1) Minor reclassifications of prior period data have been made so that the data for these years will now conform with the present accounting policies of Wells Fargo & Company and Subsidiaries.

Management's Analysis of Financial Operations

The material presented in this section is designed to clarify and illustrate items in the "Consolidated Six-Year Summary of Operations" on pages 24 and 25 and to provide greater detail on the financial results of 1976 than appears in the "Consolidated Summary."

Wells Fargo had a successful year in 1976 as the economies of California and the United States improved considerably from the recession and as spreads between interest paid for and interest received on funds improved. The Company was also successful in controlling expenses during the year.

Income before securities transactions in 1976 rose to $63,471,000, equal to $3.16 per share. The comparable figures for 1975 were $56,145,000 and $2.80 per share. Income after securities transactions in 1976 was $63,511,000, or $3.16 per share, compared with $56,791,000, or $2.83 per share the previous year. The gain was achieved despite an $11,041,000 after-tax loss on the Company's holdings in Allgemeine Deutsche Credit-Anstalt (ADCA). In 1975, the Company had an after-tax loss of $3,353,000 from ADCA.

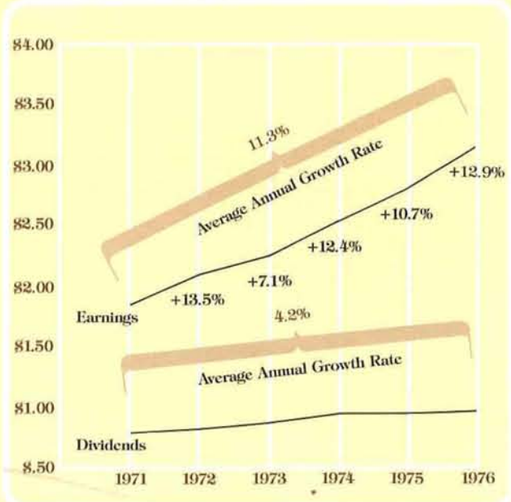
Table 1: Quarterly History

	Income Per Share Before Securities Transactions	Net Income Per Share	Dividends Declared Per Share	Dividends Paid Per Share
1975:				
1st Quarter	$ .66	$ .66	$ .24	$ .24
2nd Quarter	.67	.67	.24	.24
3rd Quarter	.71	.62	.24	.24
4th Quarter	.76	.88	.24	.24
Total 1975	$2.80	$2.83	$ .96	$ .96
1976:				
1st Quarter	$ .71	$ .62	$ .24	$ .24
2nd Quarter	.75	.86	.25	.24
3rd Quarter	.87	.87	.25	.25
4th Quarter	.83	.81	.25	.25
Total 1976	$3.16	$3.16	$. 99	$ .98

Over the last five years, earnings per share (EPS) before securities transactions have increased at an average annual growth rate of 11.3 per cent. The smallest increase was 7.1 per cent in 1973, and the largest was 13.5 per cent in 1972. The EPS gain was 12.9 per cent in 1976.

The annual average growth in dividends paid per share for the last five years was 4.2 per cent. Since it has been the Company's objective in the last few years to strengthen the capital base through retention of earnings, the dividend payout ratio has not kept pace with the increase in earnings. The Company now believes that the payout ratio is at the right level and anticipates that dividend increases will more closely approximate earnings increases. Dividends were increased to $1 per share annually in the second quarter of 1976 and were again increased to $1.12 per share annually in the first quarter of 1977, up 12 per cent from the previous annual rate.

GRAPH A
EARNINGS AND DIVIDENDS PER SHARE



Earnings are Income before Securities Transactions.

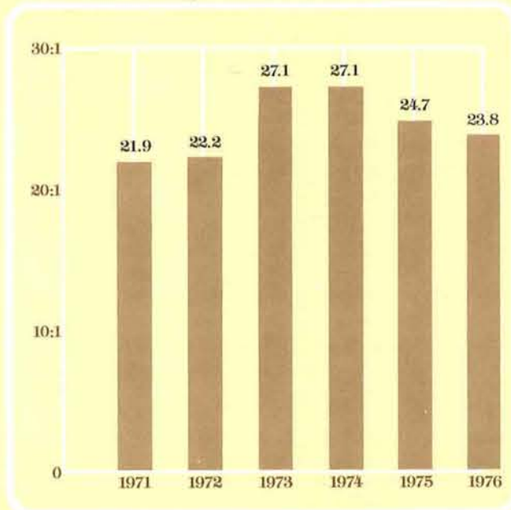
GRAPH B
RETURN ON STOCKHOLDERS' EQUITY

This is the ratio of Income before Securities Transactions for the year to Average Stockholders' Equity for the year.

PERFORMANCE RATIOS

In 1973, the Company adopted policies of controlling asset growth and improving margins through intensive asset-liability management. As a result, return on equity—income before securities transactions as a percentage of average stockholders' equity—increased from 10.58 per cent in 1973 to 12.16 per cent in 1976.

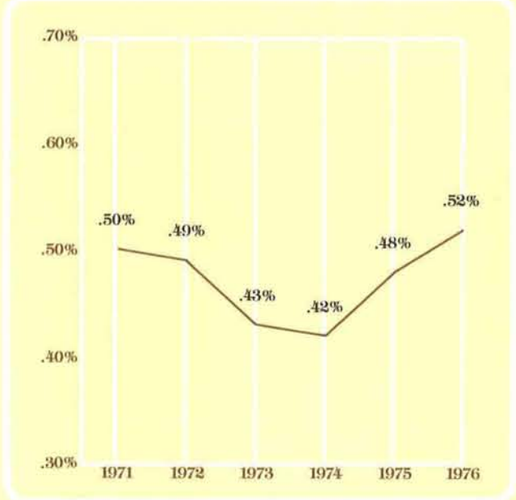
GRAPH C
ASSET TO EQUITY RATIOS At Year End



The Company's leverage ratio—assets divided by stockholders' equity—has also been strengthening over the past two years. A relatively high ratio was experienced in 1974 due to heavy loan demand. At that point, Wells Fargo decided it was inadvisable to use higher leverage ratios to satisfy increased market demand and, during 1975 and 1976, the Company's leverage ratio was lowered to a level close to the average ratio for the largest 15 bank holding companies.

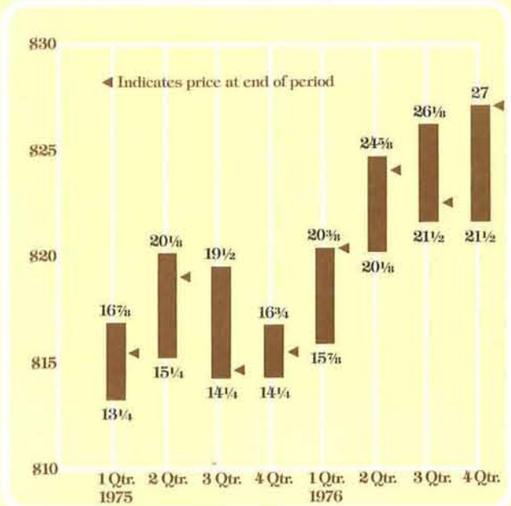
Return on average assets for the Company—income before securities transactions divided by average total assets—fell to a low of .42 per cent in 1974, but now has rebounded to .52 per cent for 1976. Achievement of better spreads and the control of expense has been responsible for the improved return on average assets.

GRAPH D
RETURN ON AVERAGE TOTAL ASSETS



This is the ratio of Income before Securities Transactions to Average Total Assets for each year.

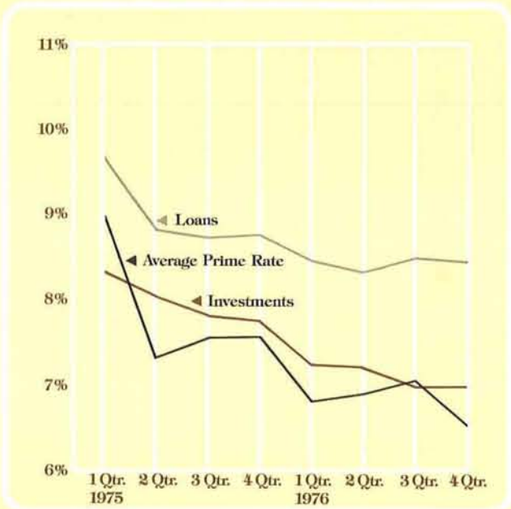
GRAPH E
PRICE RANGE OF COMMON STOCK



REVIEW OF 1976 RESULTS

Interest Differential Interest rates drifted downward throughout 1975 and 1976, a reversal of their movement in 1973 and 1974. Because of Wells Fargo's commitment to maximizing the Company's interest differential — which is the difference between interest income on a taxable-equivalent basis plus fees, and interest expense — the Company places strong emphasis on asset pricing strategies, utilization of dependable and low-cost funding sources, and the matching of asset and liability maturities.

GRAPH F
SELECTED ASSET YIELDS



Investment Yield on Taxable-Equivalent Basis

The amount of the interest differential is influenced by two factors: the volume of earning assets and the spread between the yield earned on them and the interest paid on funds used to finance these assets. For 1975 and 1976, much of the increase in the interest differential was due to improvement in the spread. The spread rose from 3.09 per cent in 1974 to 3.81 per cent in 1975, and to 3.97 per cent in 1976. Improvement in the spread was in part caused by the sizable growth of lower-cost passbook savings deposits.

The volume of earning assets from 1975 to 1976 was up 5 per cent compared with a decrease of 1 per cent from 1974 to 1975. The demand for loans by large national companies declined throughout both years reflecting the disinclination of U.S. companies to borrow to finance capital expenditures and

GRAPH G
SPREAD*

*Interest Differential divided by Average Earning Assets

inventories because of continued uncertainty about government policy as well as inflation expectations. Counteracting this trend have been increases in commercial loans in California; in real estate lending, both interim and long-term, and in international lending.

The interest differential is also affected by the level of non-accrual loans and renegotiated loans. If interest due on all non-accrual (excluding loans charged off) and renegotiated loans had been accrued at the original contractual rate, it is estimated that after-tax income would have been $8,740,000 (44¢ per share) higher in 1976 and $7,500,000 (38¢ per share) higher in 1975.

Other Operating Income Trust fee income was up 11.9 per cent over 1975 due primarily to increased volume.

One of the biggest increases in 1976 over 1975 was international fee income, due primarily to increased syndication fees, which totaled $7,300,000 and was $3,500,000 over 1975.

Equity investment income showed losses in both 1975 and 1976, primarily due to the Company's holdings in ADCA, a German bank. In 1973, the Company purchased a 25 per cent interest in ADCA for $33,124,000. In 1975, the Company's share of ADCA's loss was $5,470,000, resulting in an after-tax loss for Wells Fargo of $3,353,000, or 17¢ per share. In December of 1975, the Company's interest in ADCA decreased from 25 per cent to 17.2 per cent because the Company did not participate in

the purchase of additional capital shares issued by ADCA. During 1976, the Company reserved for a loss on ADCA of $10,500,000, resulting in an after-tax loss of $6,640,000 or 33¢ per share. The Company reached an agreement as of December 31, 1976 with another shareholder of ADCA whereby the Company's interest in ADCA was reduced from 17.2 per cent to 8 per cent in exchange for supervisory services to the Company concerning ADCA by the shareholder during the next eight years.

As a result of this agreement, the Company reduced the carrying value of the ADCA holdings to $6,027,000, and charged against income an additional $6,959,000, which resulted in an after-tax loss on ADCA of $4,401,000 or 22¢ per share. The total 1976 reduction in earnings attributable to ADCA was $17,459,000, causing an after-tax loss on ADCA of $11,041,000, or 55¢ per share.

No further write-downs of ADCA will be necessary because the other main shareholder of ADCA has agreed to purchase the remaining interest in ADCA at the Company's request at a specified time or times at the current carrying value, expressed in Deutsche Marks. Beginning in 1977, the accounting method used for the ADCA investment will change from the equity to the cost method.

Table 2: Breakdown of Other Operating Income

(In Thousands)	1976	1975	Change
Service Charges on Deposit Accounts	$24,254	$24,537	$ (283)
Trust Income	19,649	17,566	2,083
International Commissions, Syndication Fees and Foreign Exchange	14,847	7,871	6,976
Service Fees	8,562	6,988	1,574
Domestic Commissions	4,168	3,350	818
Escrow Fees	2,099	1,379	720
Trading Profits and Commissions	1,690	2,959	(1,269)
Equity Investment Income (Loss)	(14,327)	(3,668)	(10,659)
All Other	7,975	7,978	(3)
Total	$68,917	$68,960	$ (43)

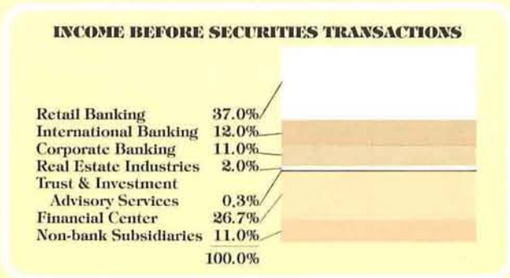
Other Operating Expense The Company was successful in controlling and monitoring expenses throughout 1976. The category of "Other Operating Expense" increased only 7.3 per cent in 1976, compared with a 12.4 per cent increase in 1975. The 1976 rise was the smallest annual increase experienced in any of the last five years. The cornerstone of the Company's expense control policies is to insure that expenditures are justified and that sizable paybacks are achieved promptly.

Table 3: Breakdown of Other Operating Expense

(In Thousands)	1976	1975	Change
Salaries	$145,746	$135,171	$10,575
Employee Benefits	32,126	29,401	2,725
Net Occupancy Expense	31,636	29,648	1,988
Equipment Expense	19,234	19,389	(155)
Postage, Stationery and Supplies	16,360	15,101	1,259
Telephone and Telegraph	7,953	7,737	216
Travel and Entertainment	6,698	5,901	797
Professional Services	6,238	4,306	1,932
Advertising	5,932	5,248	684
Federal Deposit Insurance	3,395	3,759	(364)
Security Protection	2,802	2,628	174
All Other	18,939	18,613	326
Total	$297,059	$276,902	$20,157

Salaries are, by far, the largest "Other Operating Expense." Salaries increased by only 7.8 per cent in 1976, compared with a 12.9 per cent increase in 1975. None of the other categories increased significantly, and two categories registered year-to-year declines.

GRAPH H
EARNINGS BY GROUP



Internal Profitability Graph H divides the Company's total operations by responsible groups and shows the earnings performance of each group as a percentage of the total. Certain activities that contribute to the Company's overall liquidity have been combined into the Financial Center Group. The principal components of this group are the Bank's money market and securities trading division, the Parent Company and the Bank's capital accounts. The Company has developed these percentages using certain procedures, estimates and assumptions as follows:

- Assets and related earnings are allocated to the appropriate operating group, even though they are

domiciled in another group for customer convenience.

- Appropriate transfers have been made to reflect services provided by one group to another.
- An internal transfer price system, using the actual cost of purchased funds, has been used as a means of compensating or charging groups that provide or receive funds.
- Capital funds of the Bank have not been allocated and as a result the Financial Center Group accrues income at the transfer rate.
- Expenses that are administrative overhead and other assets have been allocated among the groups.

Although the group breakdown is useful for evaluating the Company's consolidated operating results, the underlying assumptions and estimates may be revised in the future.

Liquidity Management In the management of the cash position, the Company follows a conservative approach in acquiring interest-sensitive money market funds both at home and abroad. No heavy reliance is placed on any single source of purchased funds. Maturities are staggered to reduce interest rate risk and to maintain orderly repayment schedules. In 1976, the Company's reliance on purchased funds was reduced from 1975 levels because consumer deposits grew strongly.

The Company also maintains a short-maturity investment portfolio structure which enhances its liquidity position. The liquidity of the portfolio improved in 1976 as indicated by the reduction in the market depreciation in the investment account from $67.3 million—4.0 per cent of portfolio—at year-end 1975 to $8.2 million—0.5 per cent—at year-end 1976, reflecting improved bond market conditions and the high quality of securities held in the portfolio.

Table 5: Breakdown of Muni Portfolio

The credit ratings of the Company's state and municipal obligations held at December 31, 1976, as determined by reference to an independent rating service, were as follows:

Rating	Percent of Total
Aaa	28.7%
Aa	18.6
A-1	22.9
A	19.2
Baa	5.6
Caa*	1.3
Not Rated	3.7
	100.0%

*New York City Obligations.

CREDIT-RISK MANAGEMENT

Credit analysis and review are integral parts of the lending process. The credit function begins with a request for credit from a borrower and continues with a review of the request by a properly authorized credit officer, loan supervisor and credit review committees. Many factors are considered in evaluating a prospective loan, including the borrower's financial condition, estimates of the borrower's future cash flows, general economic conditions, availability of appropriate lendable funds and the impact of such a loan on the various types of concentrations within the portfolio. Based on these factors, the application is approved or denied.

Once a loan is granted, the borrower's financial condition is monitored and reviewed on a periodic basis. Additional independent reviews are performed by internal credit examiners through inspection of credit files, collateral and performance history. Loans requiring special attention are generally transferred to departments within the Company which specialize in problem loans.

During 1976, the following structural changes were made to improve the management of the loan portfolio:

- Lending and approval authorities were realigned within each of the major groups.
- The credit training program was redesigned and lengthened to insure that newly hired management trainees receive stronger basic credit skills before assuming a line lending function.
- An early-warning credit review program was implemented to accelerate the recognition of and response to potential problem loans.
- New data collection systems were established to provide detailed loan information about industry concentrations, geographic distribution, rate sensitivity and maturity run-off.

LOAN PORTFOLIO

There are currently no troublesome industry concentrations within the Company's loan portfolio except for Real Estate Investment Trusts (REITs). Total loans outstanding to REITs at December 31, 1976 were approximately $180,000,000 (2.1 per cent of the total loan portfolio) out of total REIT commitments of $304,000,000. On December 31, 1975, total loans outstanding to REITs were

Table 4: Maturities & Yields—Taxable-Equivalent Basis as of December 31, 1976

(In Thousands)	Total Amount	Average Maturity (In Yrs.-Mos.)	Within 1 Year Amount	Within 1 Year Yield	1–5 Years Amount	1–5 Years Yield	5–10 Years Amount	5–10 Years Yield	After 10 Years Amount	After 10 Years Yield
Book Value:										
U.S. Treasury	$ 982,654	1-7	$559,448	6.2%	$372,322	6.9%	$ 50,884	7.7%	$ —	—%
Federal Agencies	244,052	1-4	134,785	7.2	109,153	7.3	114	7.9	—	—
States and Political Subdivisions	396,948	8-10	28,822	8.6	104,688	8.9	103,246	8.4	160,192	8.2
Other Bonds, Notes and Debentures	91,626	5-0	35,856	6.9	24,598	8.3	—	—	31,172	6.8
Total	1,715,280		$758,911		$610,761		$154,244		$191,364	
Stocks*	11,440									
	$1,726,720									
Market Value:										
Investments with Maturities	$1,707,917		$766,105		$622,259		$150,151		$169,402	
Stocks*	10,607									
Total	$1,718,524									

*Not including Foreign Investments in "Other Assets."

Table 6: Analysis of Loan Portfolio

(In Thousands)	December 31 1976 One Year or Less	Over One Year Through Five Years Predetermined Rate	Over One Year Through Five Years Floating Rate	Over Five Years Predetermined Rate	Over Five Years Floating Rate	Total	1975 Total
Selected Loan Maturities							
Construction and Land Development	$ 222,678	$ 4,870	$ 109,046	$ 5,173	$ 28,456	$ 370,223	$ 352,900
Other Real Estate Loans	55,519	94,992	4,952	286,869	37,811	480,143	381,075
Total Real Estate	278,197	99,862	113,998	292,042	66,267	850,366	733,975
REITs and Mortgage Companies	184,264	27,306	16	7,819	—	219,405	181,232
All Other Financial Institutions	154,954	23,801	33,289	2	2,341	214,387	256,437
Loans for Purchasing and Carrying Securities	147,298	1,780	14,290	—	—	163,368	146,871
Loans to Farmers	147,119	7,399	16,911	2,017	1,499	174,945	135,778
Other Commercial	967,753	138,461	339,556	67,359	114,655	1,627,784	1,717,243
Total Commercial	1,601,388	198,747	404,062	77,197	118,495	2,399,889	2,437,561
Total Domestic	1,879,585	298,609	518,060	369,239	184,762	3,250,255	3,171,536
Loans Attributable to Foreign Operations including Loans Domiciled in Domestic Offices	768,672	49,526	833,687	28,877	475,887	2,156,649	1,669,572
Total Selected Loan Maturities	$2,648,257	$348,135	$1,351,747	$398,116	$660,649	5,406,904	4,841,108
Other Loan Categories							
Secured by 1-4 Family Residential Property						1,700,865	1,527,920
Monthly Payment Loans						1,084,793	1,042,775
Credit Card Loans						266,082	208,508
Total Loans						$8,458,644	$7,620,311

$190,000,000 (2.5 per cent of the total loan portfolio) out of total REIT commitments of $346,000,000. These loans are included in commercial loans and loans of overseas offices. The undisbursed portion of these commitments primarily represents back-up lines of credit to REITs in sound financial condition.

International loans involve exposures that are different from those encountered in loans to domestic borrowers. International exposures include foreign exchange risks as well as possible changes in a country's political environment. The Company follows a general policy of minimizing foreign exchange exposure by either requiring loan repayments in U.S. dollars or by using foreign exchange contract hedges. In addition, foreign country exposure is minimized by diversifying loans geographically, with no country concentration exceeding 2.3 per cent of the Company's total assets.

Table 7: International Loan and Acceptance Breakdown by Extent of Country Development

(Dollars in Millions)	December 31, 1976 Amount	December 31, 1976 Per Cent	December 31, 1975 Amount	December 31, 1975 Per Cent
Major Industrialized (per capita income in excess of $2,000)	$ 708	29.3%	$ 617	32.4%
Other Developed (per capita income $700 to $2,000)	918	38.0	714	37.5
Oil Exporting	384	15.9	294	15.4
Developing:				
Higher Income (per capita income $375 to $700)	305	12.6	233	12.2
Middle Income (per capita income $200 to $375)	88	3.6	45	2.4
Lower Income (per capita income less than $200)	13	0.6	3	0.1
	$2,416	100.0%	$1,906	100.0%

Table 7 gives a breakdown of the international loan and acceptance portfolio as of December 31, 1976 and 1975 by the extent of the country's level of development. The per capita income data was obtained from the International Bank for Reconstruction and Development.

LOAN CHARGE-OFF POLICIES

To insure that loans are charged off in a timely manner, the Company has established a number of policies with respect to credit administration which are being followed at all levels of management. Commercial, international, real estate and consumer loans over $100,000 are normally transferred to non-accrual status when it becomes apparent that payment of interest or recovery of principal is questionable or when a loan is rated unsatisfactory by internal or external credit examiners. Only in special situations is a loan that is more than 90 days delinquent as to interest or principal not transferred to non-accrual status. Once a loan is placed on non-accrual status, any interest accrued but not yet paid is charged against income unless there are circumstances that indicate that the accrued interest is collectible. Interest income on non-accrual loans is recognized only when cash payments received are not applied to principal balances. Non-accrual loans are restored to accrual status when, in the opinion of management, the financial condition of the borrower has improved to the extent that collection of both interest and principal appears assured.

In some cases where borrowers are experiencing financial difficulties, loans may be renegotiated to provide terms significantly below the original contractual terms. After renegotiation, any delinquent interest receivable is reversed and the loan is placed on a cash basis for purposes of income recognition. A loan remains on this basis until collectibility on a restructured basis appears assured.

Table 8: Non-Earning & Partially Earning Loans

(In Millions)	December 31, 1976 Non-Accrual Loans	December 31, 1976 Renegotiated Loans(2)	December 31, 1976 Loans 60 Days Past Due(1)	December 31, 1975 Non-Accrual Loans	December 31, 1975 Renegotiated Loans(3)
Real Estate Loans	$ 34.0	$14.0	$33.7	$ 45.5	$ —
Commercial Loans:					
REITs and Mortgage Companies(3)	57.3	66.1	1.7	55.4	16.0
Other	105.4	9.9	39.9	101.2	—
Consumer Loans	6.6	—	8.3	1.0	—
International Loans(3)	25.5	—	1.0	27.7	—
Total	$228.8	$90.0	$84.6	$230.8	$16.0

(1)Excluding Non-Accrual and Renegotiated
(2)Loans over $0.5 and interest rate reduced significantly
(3)Includes REIT loans of $4 and $16.2 for 1976 and 1975, respectively

Table 8 presents comparative data for non-accrual and renegotiated loans by loan category for the years ending December 31, 1975 and 1976. Loans 60 days or more past due as of December 31, 1976 are also shown. Management's classification of a loan in a non-accrual, renegotiated or 60-day-past-due status does not necessarily mean that the loan principal will not be ultimately collected. Most loans on non-accrual or renegotiated status are supervised by special departments of the Bank whose staffs are experienced in working out problem loans. If, in the opinion of such departments, the ultimate amount recoverable is less than the book value of the loan, or the collection of the amount is expected to be protracted, the loan is written down by charging the reserve for loan losses.

At times, the Company acquires legal ownership of a property in lieu of payment of loan amounts owing. At December 31, 1976, the Company owned $26.1 million in property acquired in settlement of various loans. This compares with $23.6 million in such property at December 31, 1975.

GRAPH I
LOAN LOSS PROVISION VS. NET CHARGE-OFFS

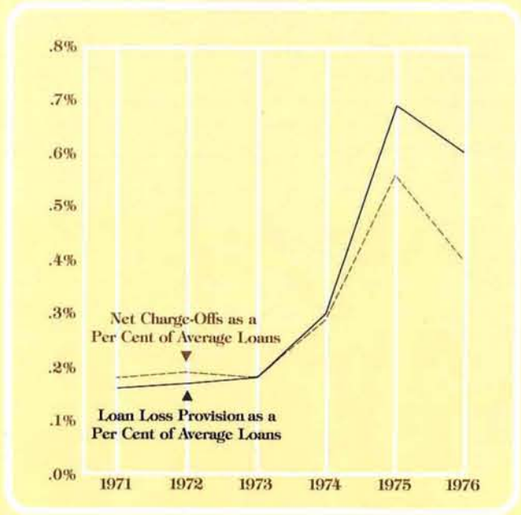


Table 9: Net Charge-Offs by Loan Category

(In Thousands)	1976	1975	1974
Real Estate Loans:			
1-4 Family Residential	$ 45	$ 25	$ 40
Other	2,475	52	6
Commercial Loans:			
REITs and Mortgage Companies	2,788	1,784	312
Others	11,120	19,707	10,275
Consumer Loans:			
Monthly Payment	2,650	5,497	4,437
Credit Card	4,714	6,025	4,894
International Loans*	7,517	7,793	1,102
Total	$31,309	$40,883	$21,066

*Includes charge-offs for loans to REITs of $1,170 in 1976 and $4,600 in 1975.

PROVISION FOR LOAN LOSSES

The provision for loan losses shown in the "Consolidated Statement of Income" in 1976 was $46,379,000, compared with $50,429,000 in 1975. Net charge-offs as a percentage of average loans are falling much faster than the loan loss provision as a percentage of average loans. Net charge-offs for 1976 were $31,309,000 (recoveries totaling $9,842,000) compared with 1975 net charge-offs of $40,883,000 (recoveries totaling $10,044,000).

RESERVE FOR LOAN LOSSES

A major concern of management is to properly provide for probable future losses on the loan portfolio by maintaining a reserve for loan losses in the "Consolidated Balance Sheet." Increases are made in the reserve for loan losses by adding the provision for loan losses charged against earnings in the "Consolidated Statement of Income." Decreases are made by charging loan amounts against the reserve when such loan amounts appear to be uncollectible. If amounts are recovered on loans previously charged off, the reserve for loan losses is accordingly increased. At any given date, the amount of the reserve for loan losses is usually less than total loans outstanding to borrowers who are experiencing varying degrees of financial difficulty. However, experience has shown that the probability of all these loans becoming completely uncollectible is remote. It, therefore, is the responsibility of management to determine some lesser amount which will be sufficient to absorb probable future loan losses.

The management of the Company uses several different methods and procedures in assessing and verifying the adequacy of its loan loss reserve. The more important methods and procedures performed on a quarterly basis are:

1 Statistical data is maintained that compares loans classified as to quality by an internal loan review department and bank regulatory agencies to subsequent net losses (charge-offs less recoveries). By relating these, statistically, management can arrive at a loss experience factor that, when applied to balances outstanding, will result in estimates of ultimate net losses for each loan quality classification. These loss factors are updated annually and applied to the different loan quality classifications at the end of each quarter. The resulting total is then compared with the reserve for loan losses.

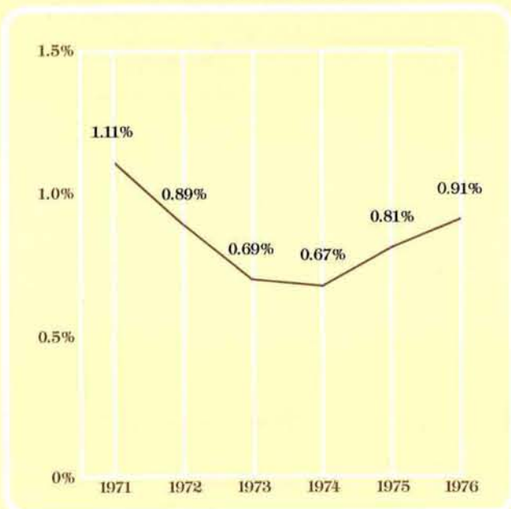
2 A review is performed of all loans over $100,000 which are on non-accrual or renegotiated status or are otherwise classified, and probable losses on these loans are estimated. The total of these probable losses is then combined with the results of step (1) and compared with the amount in the reserve for loan losses.

3 Other procedures are also followed including a review of loan portfolio concentrations, a review of expected economic conditions and consideration of loan growth trends. All of these factors are weighed in evaluating the reserve for loan losses at the end of each quarter.

4 The reserve for loan losses as a percentage of loans outstanding is reviewed and compared with trends within the banking industry. This ratio increased to 0.91 per cent at December 31, 1976, compared with 0.81 per cent and 0.67 per cent at year-end 1975 and 1974, respectively. The Company's ratio at year-end 1976 compares favorably within the industry when consideration is given to the $1.7 billion in fully amortizing loans secured by residential property where the loss experience has been minimal.

GRAPH J

RATIO OF RESERVE FOR LOAN LOSSES TO YEAR-END LOANS



Through these methods and procedures, the management of the Company satisfies itself as to the adequacy of the reserve for loan losses. Furthermore, the Company's outside independent certified public accountants review the adequacy of the reserve for loan losses in connection with their annual examination of the consolidated financial statements, including a review of the Company's evaluation methods as well as audit tests of the procedures followed.

In addition to the protection provided by the reserve, it is important for investors and depositors to be assured that the Company is able to absorb loan charge-offs out of current earnings. The ratio of pre-tax earnings (excluding the provision for loan losses) divided by net charge-offs was 5.46 in 1976 compared with 3.45 in 1975. The management of the Company considers the reserve for loan losses as of December 31, 1976 adequate to cover probable losses on the loans outstanding as of that date. It must be emphasized, however, that the determination of the amount reserved for possible loan losses using the Company's procedures and methods rests upon various judgments and assumptions about future economic conditions and other factors affecting loans. No assurance can be given that the Company will not in any particular period sustain loan losses which are sizable in relation to the amount reserved, or that subsequent evaluations of the loan portfolio, in light of conditions and factors then prevailing, will not require significant changes in the reserve for loan losses.

Under recently adopted Securities and Exchange Commission disclosure requirements, bank holding companies are required to allocate their reserve for loan losses against the principal loan categories of the loan portfolio as shown in Table 10. The specific identification technique followed in preparing this table means that all large loans have been reviewed and estimates of potential losses with respect to these loans have been made and summarized by loan category. The $10,735,000 shown as unallocated represents an estimate of probable losses that currently cannot be specifically identified on a loan-by-loan basis.

Table 10: Loan Portfolio Breakdown & Allocation of the Reserve for Loan Losses

(In Thousands)	December 31, 1976 Loan Balance Outstanding	Allocation of the Reserve for Loan Losses
Real Estate Loans:		
Secured by 1-4 Family Residential Properties	$1,700,865	$ —
Other	850,366	4,000
Commercial Loans:		
REITs and Mortgage Companies	219,405	23,000
Other	2,180,484	17,000
Consumer Loans:		
Monthly Payment	1,084,793	5,000
Credit Card	266,082	7,000
International Loans	2,156,649	10,000
Unallocated Portion of the Reserve for Loan Losses	—	10,735
	$8,458,644	$76,735

It is difficult to determine where the problem areas are within a loan portfolio and the unallocated portion of the reserve is a hedge against these problems. Banks and all other credit institutions face this difficulty. Based on past experience, it can be expected that at any given time troubled loan situations are developing within a loan portfolio. Yet, it is difficult for bankers or any credit evaluator to pinpoint exactly which loans have deteriorated and by how much. It was only a short time ago, for example, that the REIT industry merited prime borrowing status, but today the REIT industry is recovering from major problems.

Recent developments that definitely must be considered in evaluating bank loan portfolios are the drought in California and the harsh winter in the Midwest and East. To evaluate the impact of these conditions on the various loan concentrations within a loan portfolio is difficult because each borrower will be affected differently. One borrower may thrive while another suffers a serious setback.

Although the allocation of the reserve for loan losses using a specific identification technique has been performed, the management of the Company continues to believe that it is impossible to break the reserve into component parts in a precise manner (except for consumer loans) and that the adequacy of the reserve for loan losses must be considered in light of the entire loan portfolio. Therefore, the allocation as shown in Table 10 may require revision at a future date in order to reflect events that may occur after December 31, 1976.

Financial Statements

Consolidated Statement of Income

WELLS FARGO & COMPANY
AND SUBSIDIARIES

(In Thousands)	Year Ended December 31, 1976	Year Ended December 31, 1975	Change
Interest Income			
Interest and Fees on Loans	$693,463	$683,191	$10,272
Interest on Funds Sold	3,496	13,564	(10,068)
Interest and Dividends on Investment Securities:			
U.S. Treasury Securities	59,883	27,974	31,909
Securities of Other U.S. Government Agencies and Corporations	25,228	36,684	(11,456)
Obligations of States and Political Subdivisions	15,846	29,134	(13,288)
Other Securities	7,268	10,172	(2,904)
Interest on Overseas Deposits	37,658	33,547	4,111
Interest on Trading Account Securities	3,478	3,569	(91)
Direct Lease Financing Income	32,560	31,115	1,445
Interest Income	878,880	868,950	9,930
Interest Expense			
Interest on Deposits	414,832	438,261	(23,429)
Interest on Borrowed Money	45,901	63,223	(17,322)
Interest on Long-Term Debt	19,079	18,292	787
Interest Expense	479,812	519,776	(39,964)
Net Interest Income	399,068	349,174	49,894
Provision for Loan Losses	46,379	50,429	(4,050)
Net Interest Income after Provision for Loan Losses	352,689	298,745	53,944
Other Operating Income			
Trust Income	19,649	17,566	2,083
Service Charges on Deposit Accounts	24,254	24,537	(283)
Other Income	23,324	23,898	(574)
Trading Account Profits and Commissions	1,690	2,959	(1,269)
Other Operating Income	68,917	68,960	(43)
Other Operating Expense			
Salaries	145,746	135,171	10,575
Employee Benefits	32,126	29,401	2,725
Net Occupancy Expense	31,636	29,648	1,988
Equipment Expense	19,234	19,389	(155)
Other Expense	68,317	63,293	5,024
Other Operating Expense	297,059	276,902	20,157
Income before Income Taxes and Securities Transactions	124,547	90,803	33,744
Less Applicable Income Taxes	61,076	34,658	26,418
Income before Securities Transactions	63,471	56,145	7,326
Securities Gains Net of Income Tax Effect of $(48) and $(782)	40	646	(606)
Net Income	$ 63,511	$ 56,791	$ 6,720
Income Per Share			
Income before Securities Transactions	$3.16	$2.80	$0.36
Securities Gains — Net of Tax	—	.03	(.03)
Net Income	$3.16	$2.83	$0.33

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheet

WELLS FARGO & COMPANY
AND SUBSIDIARIES

ASSETS

(In Thousands)	December 31, 1976	December 31, 1975	Change
Cash and Due from Banks	$ 1,348,184	$ 1,465,515	$(117,331)
Overseas Deposits	460,396	484,388	(23,992)
Investment Securities:			
U.S. Treasury Securities	982,654	721,244	261,410
Securities of Other U.S. Government Agencies and Corporations	244,052	438,102	(194,050)
Obligations of States and Political Subdivisions	396,948	430,871	(33,923)
Other Securities	103,066	104,758	(1,692)
Total Investment Securities	1,726,720	1,694,975	31,745
Trading Account Securities	66,140	76,201	(10,061)
Funds Sold	108,450	238,850	(130,400)
Loans:			
Commercial Loans	2,399,889	2,437,561	(37,672)
Real Estate Loans	2,551,231	2,261,895	289,336
Consumer Loans	1,350,875	1,251,283	99,592
International Loans of U.S. Offices	1,415,686	989,285	426,401
Loans of Overseas Offices	740,963	680,287	60,676
Total Loans	8,458,644	7,620,311	838,333
Less: Reserve for Loan Losses	76,735	61,665	15,070
Unearned Discount	91,912	97,466	(5,554)
Total Net Loans	8,289,997	7,461,180	828,817
Direct Lease Financing	282,975	282,419	556
Premises and Equipment	133,392	131,746	1,646
Customers' Acceptance Liability	248,271	219,973	28,298
Accrued Interest Receivable	125,537	121,206	4,331
Other Real Estate Owned	26,053	23,621	2,432
Other Assets	152,549	172,149	(19,600)
Total Assets	$12,968,664	$12,372,223	$596,441

The accompanying notes are an integral part of these statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

(In Thousands)	December 31, 1976	December 31, 1975	Change
Demand Deposits	$ 2,931,142	$ 2,906,705	$ 24,437
Savings Deposits	3,485,736	2,571,437	914,299
Savings Certificates	1,391,107	1,384,953	6,154
Certificates of Deposit	1,601,707	1,721,376	(119,669)
Other Time Deposits	313,811	430,926	(117,115)
Deposits in Overseas Offices	722,950	808,914	(85,964)
Total Deposits	10,446,453	9,824,311	622,142
Funds Borrowed	966,976	1,092,447	(125,471)
Commercial Paper Outstanding	191,280	146,698	44,582
Acceptances Outstanding	249,088	220,489	28,599
Accrued Taxes and Other Expenses	152,988	153,425	(437)
4½% Capital Notes of Wells Fargo Bank, N.A., due 1989	50,000	50,000	—
3¼% Convertible Capital Notes, due 1989	14,589	18,408	(3,819)
Debentures, Notes and Mortgages	208,356	214,850	(6,494)
Other Liabilities	143,072	151,494	(8,422)
Total Liabilities	12,422,802	11,872,122	550,680
Stockholders' Equity:			
Common Stock — $5 par value, authorized 30,000,000 shares, outstanding 20,158,265 shares on December 31, 1976 and 20,026,842 on December 31, 1975	100,791	100,134	657
Capital Surplus	188,579	185,377	3,202
Retained Earnings	256,492	214,590	41,902
Total Stockholders' Equity	545,862	500,101	45,761
Total Liabilities and Stockholders' Equity	$12,968,664	$12,372,223	$596,441

The accompanying notes are an integral part of these statements.

Consolidated Statement of Stockholders' Equity

WELLS FARGO & COMPANY
AND SUBSIDIARIES

(In Thousands)	Common Stock	Capital Surplus	Retained Earnings	Total Stockholders' Equity
Balance December 31, 1974	$100,050	$186,504	$175,749	$462,303
Net Income—1975			56,791	56,791
Conversion of Convertible Notes	84	410		494
Cash Dividends Declared			(19,219)	(19,219)
To reflect a Decrease in the Proportionate Ownership of Allgemeine Deutsche Credit-Anstalt (ADCA)		(1,537)		(1,537)
Other			1,269	1,269
Net Increase (Decrease)	84	(1,127)	38,841	37,798
Balance December 31, 1975	$100,134	$185,377	$214,590	$500,101
Net Income—1976			63,511	63,511
Conversion of Convertible Notes	647	3,172		3,819
Cash Dividends Declared			(19,888)	(19,888)
Stock Issued Under Stock Option Plan	10	30		40
Other			(1,721)	(1,721)
Net Increase	657	3,202	41,902	45,761
Balance December 31, 1976	$100,791	$188,579	$256,492	$545,862

Consolidated Statement of Changes in Financial Position

WELLS FARGO & COMPANY
AND SUBSIDIARIES

(In Thousands)	Year Ended December 31, 1976	Year Ended December 31, 1975
Sources of Financial Resources		
Net Income	$ 63,511	$ 56,791
Deposits	622,142	84,021
Decreases in:		
Cash and Due From Banks	117,331	—
Funds Sold	130,400	240,742
Loans	—	212,911
Overseas Deposits	23,992	14,132
Other—Net	952	15,416
Total	$958,328	$624,013
Application of Financial Resources		
Cash Dividends	$ 19,888	$ 19,219
Loans	828,817	—
Cash and Due From Banks	—	226,926
Direct Lease Financing	556	44,719
Securities (Including Trading)	21,684	(2,793)
Decreases in:		
Borrowings	87,383	335,942
Total	$958,328	$624,013

The accompanying notes are an integral part of these statements.

Consolidated Statement of Condition

WELLS FARGO BANK, N.A.
AND SUBSIDIARIES

Assets (In Thousands)	December 31, 1976	December 31, 1975	Change
Cash and Due from Banks	$ 1,332,586	$ 1,436,338	$(103,752)
Overseas Deposits	460,396	484,388	(23,992)
Investment Securities:			
U.S. Treasury Securities	982,654	721,244	261,410
Securities of Other U.S. Government Agencies and Corporations	243,420	437,469	(194,049)
Obligations of States and Political Subdivisions	396,948	430,871	(33,923)
Other Securities	92,032	96,854	(4,822)
Total Investment Securities	1,715,054	1,686,438	28,616
Trading Account Securities	66,140	76,201	(10,061)
Funds Sold	108,450	238,850	(130,400)
Loans (Net of Reserve for Loan Losses and Unearned Discount)	8,074,132	7,309,278	764,854
Direct Lease Financing	134,472	140,124	(5,652)
Premises and Equipment	132,320	130,996	1,324
Customers' Acceptance Liability	248,271	219,973	28,298
Accrued Interest Receivable	123,719	120,223	3,496
Other Real Estate Owned	13,668	11,148	2,520
Other Assets	131,711	141,144	(9,433)
Total Assets	$12,540,919	$11,995,101	$ 545,818
Liabilities and Stockholders' Equity (In Thousands)			
Demand Deposits	$ 2,937,065	$ 2,908,942	$ 28,123
Savings Deposits	3,485,886	2,571,487	914,399
Savings Certificates	1,391,107	1,384,953	6,154
Certificates of Deposit	1,601,707	1,721,376	(119,669)
Other Time Deposits	313,811	430,926	(117,115)
Deposits in Overseas Offices	722,950	808,914	(85,964)
Total Deposits	10,452,526	9,826,598	625,928
Funds Borrowed	924,501	1,047,576	(123,075)
Long-Term Debt	43,766	68,350	(24,584)
Acceptances Outstanding	249,088	220,489	28,599
Accrued Taxes and Other Expenses	122,064	127,866	(5,802)
Other Liabilities	122,890	121,366	1,524
Total Liabilities (Excluding Subordinated Notes)	11,914,835	11,412,245	502,590
Subordinated Notes:			
8¼% Capital Notes to Wells Fargo & Company, due 1998	25,000	25,000	—
4½% Capital Notes due 1989	50,000	50,000	—
Total Subordinated Notes	75,000	75,000	—
Stockholders' Equity:			
Capital Stock	94,461	94,461	—
Surplus	251,512	247,693	3,819
Surplus Representing Convertible Capital Note Obligation Assumed by Parent Corporation	14,589	18,408	(3,819)
Undivided Profits	190,522	147,294	43,228
Total Stockholders' Equity	551,084	507,856	43,228
Total Liabilities and Stockholders' Equity	$12,540,919	$11,995,101	$ 545,818

The accompanying notes are an integral part of these statements.
Member of Federal Reserve System and Federal Deposit Insurance Corporation.

Notes to the Consolidated Financial Statements

(Except for per share amounts, dollar amounts are in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Wells Fargo & Company and subsidiaries (the Company) conform to generally accepted accounting principles and to general practices within the banking industry. The following is a description of the most significant of these policies.

Consolidation The consolidated financial statements of the Company include the accounts of Wells Fargo & Company (Parent), Wells Fargo Bank, N.A. and its subsidiaries (the Bank) and non-bank subsidiaries. Foreign branches and a foreign subsidiary of the Bank are consolidated on a line-by-line basis. Significant intercompany accounts and transactions have been eliminated in consolidation.

Certain accounts in the 1975 financial statements have been reclassified for comparative purposes to conform with the 1976 account presentations.

Bank regulatory authorities require that goodwill arising from the acquisition of certain foreign equity investments and certain domestic banking assets be charged to the Bank's UNDIVIDED PROFITS at the time of purchase. In accordance with generally accepted accounting principles, this goodwill is restored in the Company's consolidated financial statements and is amortized over the estimated benefit period, not exceeding forty years.

Foreign Currency Exchange Adjustments Gains or losses arising from foreign currency trading operations are reported currently. Unperformed forward contracts are valued at currently quoted forward rates, and the resulting unrealized gain or loss is reported currently. Actual gains or losses on forward contracts which represent "swap" transactions related to lending or funding operations are identified and accrued as interest income or expense over the term of the contract.

Assets and liabilities denominated in foreign currencies are translated principally at current rates of exchange; income statement items are translated monthly using the average rate. Exchange adjustments arising from translation are reported currently in the income statement. Exchange adjustments in the Bank's international investment subsidiary, previously deferred, were charged against income in 1975.

Securities Securities are held for both investment and trading purposes. Trading account securities are valued on an individual basis at the lower of cost or market. Debt securities held for investment purposes are valued at cost, adjusted for amortization of premium and accumulation of discount. Marketable equity securities held for investment are included in OTHER SECURITIES and are carried at cost, which approximates market.

Gains or losses on the sale of trading account securities are considered part of normal operations and are reported under the heading TRADING ACCOUNT PROFITS AND COMMISSIONS. Interest earned on trading account securities is shown separately. Gains or losses on the sale of investment securities are recognized only upon realization and are shown separately in the consolidated statement of income.

Foreign equity securities, all of which are less than majority-owned, are included in OTHER ASSETS. Investments wherein the Company exercises significant influence over operating and financial policies are accounted for under the equity method. The other foreign investments are accounted for under the cost method.

Premises and Equipment Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed primarily using the straight-line method. Estimated useful lives range from 40-50 years for buildings, 5-15 years for equipment and 5 years for automobiles.

Income Taxes The Company files a consolidated federal income tax return in which the taxable incomes of the various entities are computed primarily using the cash receipts and disbursements method of accounting as permitted by the tax statutes.

Deferred income taxes, included in ACCRUED TAXES AND OTHER EXPENSES, are provided for timing differences between income as reported in the financial statements and as reported for income tax purposes.

Income taxes are accrued on the undistributed earnings of a foreign subsidiary and on equity investments under the assumption that all such earnings will be distributed as dividends in the future to the investor company.

Tax reductions arising from the investment tax credit on property purchased and used by the Company are recognized as a reduction of tax expense in the current period. Investment tax credit on property purchased for lease to customers is recognized as DIRECT LEASE FINANCING INCOME over the term of the related lease.

Unearned Discount For loans, unearned discount is shown as a reduction of the loan balance and is recognized as income on a declining basis ("rule of 78s" method) over the term of the loan.

For leases, unearned income is netted against the related receivable and is accrued as income primarily using the sum-of-months method.

Reserve for Loan Losses The Company provides for possible loan losses on the reserve method. For the Bank, the provision for loan losses charged to expense for financial statement purposes is based on a review and evaluation of various factors affecting the collectibility of loans. The other subsidiaries of the Company calculate a provision based on a method most appropriate to practices within the subsidiary's industry.

Other Real Estate Owned Other real estate acquired through foreclosure or deed in lieu of foreclosure is generally carried at the lower of cost or estimated net realizable value upon disposition. When property is acquired, any excess of the loan balance over the estimated net realizable value of the property is charged to the RESERVE FOR LOAN LOSSES.

Income Per Share Income per share is computed by dividing income by the average number of shares and common stock equivalents outstanding during the year. Common stock equivalents include outstanding stock options and warrants. Income per share assuming full dilution is not presented as the reduction in the net income per share is less than 3 per cent.

Retirement Plan The Company's retirement plan is non-contributory and covers substantially all employees. Pension costs are actuarially computed and are funded as accrued.

2. INVESTMENT SECURITIES

The following data is provided with respect to consolidated investment securities:

	Market Value December 31, 1976	Market Value December 31, 1975
U.S. Treasury Securities	$1,000,913	$ 727,247
Securities of Other U.S. Government Agencies and Corporations	250,310	438,386
Obligations of States and Political Subdivisions	366,792	362,529
Other Securities	100,509	99,526
Total Investment Securities	$1,718,524	$1,627,688
Accumulation of Discount	$ 832	$ 1,326

Included in the consolidated security holdings at December 31, 1976 were $68,699 of direct obligations of the State of California (market value $62,585). No other state or municipal issuer held by the Company exceeded 5 per cent of the year-end STOCKHOLDERS' EQUITY.

3. FOREIGN EQUITY SECURITIES

Foreign Equity Securities accounted for using the equity method of accounting totaled $36,446 at December 31, 1976 and $51,553 at December 31, 1975, including unamortized goodwill of $2,864 at December 31, 1976 and $9,339 at December 31, 1975. Included in Foreign Equity Securities is the investment in Allgemeine Deutsche Credit-Anstalt (ADCA). The carrying value of the investment was reduced to $6,027 at December 31, 1976 as the result of an agreement between the Company and another shareholder of ADCA whereby the Company's interest in ADCA was reduced from 17.2 per cent to 8 per cent in exchange for supervisory services to the Company concerning ADCA during the next eight years. In December of 1975 the Company's interest in ADCA decreased from 25 per cent to 17.2 per cent because of the issuance of additional capital shares by ADCA in which the Company did not participate.

The 1976 reduction in the Company's pre-tax earnings as a result of the foregoing was $17,459, causing an $11,041 after-tax loss. In 1975 the Company's share of ADCA's losses was $5,470 before taxes and $3,353 after tax benefits.

4. PLEDGED SECURITIES AND LOANS

United States government securities, other securities and loans carried at $786,684 on December 31, 1976 and $792,570 on December 31, 1975 were pledged to secure U.S. government deposits, other public funds, trust deposits and for other purposes, as required or permitted by law.

5. PREMISES AND EQUIPMENT

The following table presents comparative data for consolidated premises and equipment:

	Cost	Accumulated Depreciation & Amortization	Net
At December 31, 1976:			
Land	$ 27,047	$ —	$ 27,047
Bank Premises	86,333	30,124	56,209
Furniture and Equipment	64,448	35,501	28,947
Leasehold Improvements	30,062	8,873	21,189
Total	$207,890	$74,498	$133,392
At December 31, 1975:			
Land	$ 25,647	$ —	$ 25,647
Bank Premises	82,685	25,722	56,963
Furniture and Equipment	60,715	32,727	27,988
Leasehold Improvements	28,779	7,631	21,148
Total	$197,826	$66,080	$131,746

6. RESERVE FOR LOAN LOSSES

The changes in the consolidated reserve for loan losses were as follows:

	1976	1975
Balance at Beginning of Period	$61,665	$52,119
Additions:		
Provision Charged to Expense		
Bank	45,708	48,600
Non-Bank Subsidiaries	671	1,829
Total Additions	46,379	50,429
Deductions:		
Net Charge Offs		
Loans Charged Off	41,151	50,927
Recoveries	(9,842)	(10,044)
Total Deductions	31,309	40,883
Balance at End of Period	$76,735	$61,665

For federal income tax purposes, the balance of the reserve for loan losses was $93,216 at December 31, 1976 and $92,911 at December 31, 1975.

7. CAPITAL AND CONVERTIBLE CAPITAL NOTES

The 4½% Capital Notes of the Bank may be currently redeemed at the option of the Bank at a 1.8 per cent premium and at decreasing premiums through 1983 and thereafter at par.

The 3¼% Convertible Capital Notes, originally issued by the Bank, may be currently redeemed at the option of the Company at a 1.3 per cent premium and at decreasing amounts in the future. These notes are convertible into common stock of the Company at $29.50 per share. The Company has assumed joint and several liability for all payments of principal and interest on the convertible capital notes and has agreed to reimburse the Bank if for any reason it should be required to make payments thereon.

The Capital and Convertible Capital Notes indenture contains provisions which, among other things, restrict the payment of dividends by the Bank and specify the maintenance of minimum amounts of the Bank's capital funds.

The Notes are subordinated to obligations to depositors and certain other creditors of the Bank.

8. DEBENTURES, NOTES AND MORTGAGES

The debentures, notes and mortgages of the Company consist of the following obligations:

	December 31, 1976	1975
7⅜% Sinking Fund Debentures due 1997	$ 75,000	$ 75,000
8⅛% Notes due 1998	50,000	50,000
4¼%-4½% Collateral Trust and Mortgage Bonds due to 1993 of ATC Building Company, and other mortgages	22,865	18,770
7¼% Swiss Franc Notes due 1976 of Wells Fargo International Investment Corporation	—	30,480
6½% Euro-Deutsche Mark Debentures due 1988 of Wells Fargo International Investment Corporation	18,991	19,100
8%-10½% Senior Notes (with original maturities of more than three years) due in varying amounts to 1988 of Wells Fargo Leasing Corporation	41,500	21,500
	$208,356	$214,850

Principal payments on the above indebtedness are due in the next five years as follows:

1977	1978	1979	1980	1981
$1,148	$1,146	$4,906	$11,169	$11,183

The 7⅜% Sinking Fund Debentures will require an annual sinking fund of $2,500 beginning November 15, 1982 which will retire 50 per cent of the debentures prior to maturity. Beginning November 15, 1982, the Company has the non-cumulative right at its option to increase its sinking fund payment in any year by an additional amount not to exceed $2,500 which would be used to redeem debentures at par plus accrued interest. Beginning on November 15, 1982, the Company may redeem, in addition to sinking fund redemptions, debentures at a premium of 3.69 per cent and at decreasing premiums thereafter.

The 8⅛% Notes will require mandatory annual principal payments of $1,700 beginning November 1, 1983. At its option, beginning November 1, 1983, the Company has the non-cumulative right of increasing principal payments by $1,700 a year. Beginning on November 1, 1983, the Company may prepay principal at a premium of 4.063 per cent and at decreasing premiums thereafter.

The 4¼%-4½% Bonds are payable in annual installments of $1,000 until 1988 and then annual installments of $500 until 1993. The Bonds are secured by deeds of trust on $38,935 of Bank premises, at cost. The bonds can presently be redeemed at a 1.710 per cent premium for the 4¼% Bonds and a 2.485 per cent premium for the 4½% Bonds.

The Euro-Deutsche Mark Debentures will be redeemed in 10 annual installments of DM 5,000,000 beginning November 1, 1979. In addition, redemptions can be made at a 2.5 per cent premium beginning November 1, 1979 and at decreasing amounts thereafter. Payment of principal and interest on the Euro-Deutsche Mark Debentures has been guaranteed by the Company.

The borrowing agreements for the notes, debentures and mortgages include provisions which restrict the disposition of assets, the creation of property liens, the sale or issuance of the capital stock of the subsidiaries of the Company, the amount of funded debt and the payment of cash dividends. The Company was in compliance with the provisions of the borrowing agreements at December 31, 1976 and December 31, 1975.

9. COMMERCIAL PAPER

Commercial paper represents obligations of the Company with original maturities not to exceed 270 days. Outstanding amounts and rates are as follows:

	Year Ended December 31, 1976	1975
Average amount outstanding	$145,415	$151,892
Average rate	5.54%	6.41%
Highest month-end balance	$195,744	$175,690
Rate on outstandings at year end	4.86%	6.16%

In connection with these obligations, the Company had available lines of credit with unaffiliated banks totaling $182,000 at December 31, 1976 and $162,000 at December 31, 1975. During 1976 and 1975 none of the lines of credit was used.

10. COMMON STOCK

Common stock of the Company may be issued at future dates as the result of various actions previously taken by the Company.

Warrants to purchase a total of 400,000 shares of common stock of the Company at a price of $24.63 per share were attached to the Euro-Deutsche Mark Debentures, are currently detachable and expire on October 1, 1988.

In connection with the 3¼% Convertible Capital Notes due 1989, the Company has, at December 31, 1976, reserved 494,552 shares of unissued common stock.

Under the Company's stock option plan, various key employees were granted non-qualified options for up to 10 years to purchase the Company's common stock at an option price equal to the fair market value of the stock at the date of grant. The terms of the options provide that the optionee may exercise the option in part and at that time elect to forfeit up to 50 per cent of the shares under his option, and in lieu thereof receive cash or stock of the Company in an amount equal to the appreciation in the fair market value of the shares at that date over the exercise price.

The status of options outstanding, exercisable and exercised is summarized below:

Outstanding Options At December 31, 1976

Year of Grant	Number of Shares	Option Price and Fair Value at Date of Grant: Per Share	Aggregate
1974	203,000	$20.25	$4,111
1973	99,000	$21.88	2,166
TOTAL	302,000		$6,277

Options which became Exercisable during the Two Years Ended December 31, 1976

Year Options became Exercisable	Number of Shares	Option Price: Per Share	Aggregate	Fair Value at Date Options became Exercisable: Per Share	Aggregate
1976	206,000	$20.25	$4,172	$22.25	$4,584
1975	99,000	$21.88	$2,166	$15.63	$1,547

Options Exercised during the Two Years Ended December 31, 1976

Year Exercised	Number of Shares	Option Price: Per Share	Aggregate	Fair Value at Date Options Exercised: Per Share	Aggregate
1976	2,000	$20.25	$40	$25.88	$52

During 1976 options for 1,000 shares granted in 1974 were forfeited; the optionee elected to receive cash equal to the appreciation of the fair market value over the exercise price of the shares.

At the time options are exercised, the par value of the shares is credited to Common Stock and the excess of the proceeds over par value is credited to Capital Surplus.

At December 31, 1976 options for up to 96,000 shares remained available for grant. The corresponding number of options available at December 31, 1975 was 95,000.

11. EMPLOYEE BENEFITS

The contributions to the Retirement Plan (the Plan) totaled $4,020 in 1976 and $2,923 in 1975. The increase in contributions to the Plan for 1976 primarily resulted from changes made to the Plan to conform it to the Employee Retirement Income Security Act of 1974.

At December 31, 1975, the date of the most recent actuarial calculation of the Plan, if the assets of the Plan had been liquidated and the proceeds used to purchase annuities at the then available rates of return, those proceeds would have been sufficient to provide for all vested Plan benefits.

In addition to the Retirement Plan, all employees hired before September 1975 participate in profit sharing plans. Those hired after that date participate after three years of service. Contributions were $5,344 in 1976 and $8,170 in 1975.

12. FOREIGN EXCHANGE ADJUSTMENTS

The aggregate exchange gains arising during the year and included in the determination of net income were $756 in 1976 and $2,187 in 1975. Exchange adjustments, previously deferred, were charged against income in 1975 amounting to $3,591.

13. INCOME TAXES

Current and deferred tax provisions reflected in the consolidated statement of income including the tax effect of securities gains were as follows:

	Federal	State & Local	Foreign	Total
1976: Current	$18,811	$12,550	$8,881	$40,242
Deferred	17,980	2,115	787	20,882
	$36,791	$14,665	$9,668	$61,124
1975: Current	$ 6,395	$11,346	$5,310	$23,051
Deferred	8,425	119	3,845	12,389
	$14,820	$11,465	$9,155	$35,440

The variances in the amounts for 1975 from the previously reported estimates result from adjustments when the 1975 tax returns were filed and from inclusion of the tax effect of securities gains in the total provision.

At December 31, 1976, the Company had income taxes payable of $97,492 of which $13,861 was currently payable. At December 31, 1975, the Company had income taxes payable of $74,670 of which $7,657 was currently payable.

The components of the deferred income tax provision in 1976 and 1975 and the tax effect of each were as follows:

	1976	1975
Revenue and expense recognized on the accrual method for financial statements but on the cash basis for tax purposes	$22,220	$ 522
Conversion of leases from finance to operating method	9,697	13,744
Loan loss deduction for income tax purposes less than for financial statements	(8,754)	(2,166)
Net losses on equity investments recognized on financial statements, but not for income tax purposes	(7,184)	(2,293)
Investment tax credit claimed currently, but deferred for financial statement purposes	5,053	5,681
Other items—Net	(150)	(3,099)
	$20,882	$12,389

The effective tax rate on income before securities gains for 1976 and 1975 of 49.0 per cent and 38.2 per cent, respectively, was computed as follows:

	Per Cent of Pre-Tax Income before Securities Transactions	
	1976	1975
Tax provision at the statutory federal income tax rate	48.0%	48.0%
Increases (reductions) in taxes resulting from:		
State and Municipal bond income	(6.0)	(15.4)
State and local taxes on income net of federal income tax benefit	6.0	5.9
Net capital losses	2.6	1.2
Other items	(1.6)	(1.5)
	49.0%	38.2%

The effective tax rate on securities gains differs from the federal income tax rate of 48 per cent because of state income taxes, net of federal income tax benefit.

For financial statement purposes, the Company had deferred investment tax credit on property purchased for lease to customers of $7,925 at December 31, 1976 and $6,269 at December 31, 1975.

14. CONTINGENT LIABILITIES

The Bank is defendant in certain legal proceedings, and is one of the defendants in several class action suits which involve claims against all defendants of substantial sums of money and/or issues which could affect certain of the operations of the Bank in the future. In the opinion of management of the Company and the Bank, the outcome of litigation will not have a material adverse effect on the financial position of the Company or the Bank.

In the normal course of business, there are various commitments outstanding and contingent liabilities such as foreign exchange contracts and guaranteed commitments to extend credit which are not reflected in the accompanying financial statements. No material losses are anticipated by management as a result of these transactions. Commitments under stand-by letters of credit outstanding at December 31, 1976 totaled $236,026.

15. LEASE COMMITMENTS

For disclosure purposes, the Company has classified its lease commitments as a lessee as either finance or operating leases. Finance leases comprehend all leases which are for 75 per cent or more of the economic life of the subject asset and/or where the lessor has been reasonably assured of the recovery of the fair market value of the asset plus a reasonable rate of return. Leases not meeting one or both of the above criteria have been classified as operating leases.

Net rental expense for 1976 was $24,300 which included $10,181 of finance lease expense and $4,164 of operating lease expense. The net rental expense for 1975 was $23,100 of which $10,164 was finance lease expense and $3,703 was operating lease expense. The amounts of sublease income included in the above were not material.

Existing lease commitments which are primarily for the use of real property contain escalation clauses and other restrictive covenants. The clauses and covenants did not materially affect the Company's consolidated financial position. The following table summarizes the noncancelable long-term lease commitments at December 31, 1976:

	Finance Leases	Operating Leases	
1977	$ 10,590	$ 4,213	$ 14,803
1978	10,661	3,319	13,980
1979	10,623	2,885	13,508
1980	10,627	2,539	13,166
1981	10,489	2,026	12,515
1982-1986	45,298	5,726	51,024
1987-1991	42,159	3,640	45,799
1992-1996	25,109	1,987	27,096
1997 and after	26,397	1,788	28,185
	$191,953	$28,123	$220,076

Some of the lease commitments include the payment of taxes, insurance and other expense in the total periodic payment. It is not possible in all instances to separate such costs from the total lease payment. The following schedule of present value of finance lease commmitments is therefore presented on a dual basis:

	Finance Leases	
	Net of Taxes, Insurance and Other Expenses	Including Taxes, Insurance and Other Expenses
Interest Rate used in Present Value Computation		
Range	6.0%-10.0%	5.0%-9.0%
Weighted Average		
1976	8.20%	7.82%
1975	8.25%	7.87%
Present Value of Finance Leases		
December 31, 1976	$60,315	$31,604
December 31, 1975	$62,300	$29,988

The present value of the related subleases was not material.

The effect of the net financing lease commitments compared with charges for depreciation and interest had the leases been capitalized amounts to less than 3 percent of average income for the three years ended December 31, 1976 and for the three years ended December 31, 1975.

16. SUMMARY OF QUARTERLY FINANCIAL INFORMATION

The following financial information for the quarters of the year ended December 31, 1976 is unaudited. In the opinion of management, all adjustments necessary to present fairly the results of operations for the periods shown have been made.

	1976 Quarter Ended			
	March 31,	June 30,	Sept. 30,	Dec. 31,
Interest Income	$212,328	$213,490	$223,089	$229,973
Interest Expense	117,834	118,236	122,039	121,703
Net Interest Income	94,494	95,254	101,050	108,270
Other Income	15,894	18,555	19,250	15,218
Provision for Loan Losses	12,156	12,316	12,310	9,597
Other Expense & Income Taxes	84,020	86,511	90,570	97,034
Income before Securities Transactions	$ 14,212	$ 14,982	$ 17,420	$ 16,857
Net Income	$ 12,470	$ 17,266	$ 17,402	$ 16,373
Per Share:				
Income before Securities Transactions	$0.71	$0.75	$0.87	$0.83
Net Income	$0.62	$0.86	$0.87	$0.81

During 1976 adjustments were made to the Company's investment in ADCA which totaled $17,459. These quarterly adjustments, included in Other Income, were for the quarters ended March 31—$1,500; June 30—$3,000; September 30—$3,000; December 31—$9,959. The adjustment in the quarter ended December 31, 1976 was partially based upon an agreement reached with another shareholder of ADCA which is more fully described in Note 3.

17. CONDENSED FINANCIAL INFORMATION

The combined condensed financial information presented includes the accounts of the Company's wholly-owned subsidiaries engaged in mortgage banking, real estate lending and lease financing.

Combined Condensed Balance Sheet

	December 31, 1976	December 31, 1975 (Restated)
Assets		
Cash—On deposit with Wells Fargo Bank, N.A.	$ 4,277	$ 411
Loans and Related Investments—Net	228,163	164,124
Direct Lease Financing—Net	147,874	142,295
Other Assets	9,828	7,877
Total Assets	$390,142	$314,707
Liabilities and Stockholder's Equity		
Borrowings	$ 63,321	$ 42,967
Intercompany Borrowings	239,650	199,475
Accrued Liabilities	43,194	35,245
Total Liabilities	346,165	277,687
Stockholder's Equity	43,977	37,020
Total Liabilities & Stockholder's Equity	$390,142	$314,707

Combined Condensed Statement of Income and Retained Earnings

	For Year Ended December 31, 1976	For Year Ended December 31, 1975 (Restated)
Interest Income		
Interest and Fees on Loans	$ 20,076	$ 16,985
Direct Lease Financing Income	14,672	13,811
Total Interest Income	34,748	30,796
Interest Expense		
Interest on Borrowings:		
Wells Fargo & Company	11,640	13,367
Others	5,118	2,383
Total Interest Expense	16,758	15,750
NET INTEREST INCOME	17,990	15,046
Provision for Losses	1,370	2,564
NET INTEREST INCOME LESS PROVISION FOR LOSSES	16,620	12,482
Other Operating Income	7,779	7,106
Other Operating Expense	10,588	10,095
Income before Income Taxes	13,811	9,493
Less Applicable Income Taxes	6,854	4,601
NET INCOME	6,957	4,892
Retained Earnings—Beginning of Year		
As Previously Reported	14,000	8,228
Adjustment	(880)	—
As Restated	13,120	8,228
Retained Earnings—End of Year	$ 20,077	$ 13,120

Condensed Combined Statement of Changes in Financial Position

	Year Ended December 31, 1976	Year Ended December 31, 1975 (Restated)
Sources of Financial Resources		
From Operations, including Non-Fund Items	$ 16,903	$ 14,018
Borrowings	20,354	27,967
Intercompany Borrowings	37,076	448
Decreases in:		
Cash	—	307
Other—Net	544	346
	$ 74,877	$ 43,086
Applications of Financial Resources		
Increases in:		
Cash	$ 3,866	$ —
Loans	64,921	11,569
Direct Lease Financing	6,090	31,517
	$ 74,877	$ 43,086

In 1975, Wells Fargo Mortgage Company entered into an agreement with Wells Fargo Bank, N.A. whereby the Mortgage Company would receive income on certain Bank loans which the Mortgage Company serviced. This agreement was retroactively rescinded in 1976 and income received by the Mortgage Company was refunded to the Bank. As a result, 1975 financial statements of the Mortgage Company have been restated, reducing income before taxes $1,945; income taxes $1,065; and net income $880.

Accountants' Report

The Board of Directors and Stockholders
of Wells Fargo & Company:

We have examined the consolidated balance sheets of Wells Fargo & Company and subsidiaries as of December 31, 1976 and 1975 and the related consolidated statements of income, stockholders' equity, and changes in financial position for the years then ended and the consolidated statements of condition of Wells Fargo Bank, N.A. and subsidiaries as of December 31, 1976 and 1975. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the consolidated financial position of Wells Fargo & Company and subsidiaries at December 31, 1976 and 1975 and the results of their operations and changes in their financial position for the years then ended and the consolidated financial position of Wells Fargo Bank, N.A. and subsidiaries at December 31, 1976 and 1975, all in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

Peat, Marwick, Mitchell & Co.
Certified Public Accountants

San Francisco, California
January 17, 1977

Condensed Consolidating Statements

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1976

WELLS FARGO & COMPANY
AND SUBSIDIARIES

(In Thousands)	Wells Fargo & Company (Parent)	Wells Fargo Bank, N.A.	Finance Subsidiaries: Wells Fargo Mortgage Company	Finance Subsidiaries: Wells Fargo Realty Advisors	Finance Subsidiaries: Wells Fargo Leasing Corporation	Other Non-Bank Subsidiaries	Eliminations and Reclassifications*: Debit	Eliminations and Reclassifications*: Credit	Consolidated December 31, 1976
CONDENSED BALANCE SHEET									
Assets									
Cash and Due from Banks	$ 5,345	$ 1,792,982	$ 3,320	$ 273	$ 684	$11,411		$ 5,435(1)	$ 1,808,580
Securities	16,557	1,781,194	626	624				6,141(1)	1,792,860
Funds Sold		108,450							108,450
Loans—Net		8,074,132	111,789	103,989			$ 87(1)		8,289,997
Direct Lease Financing		134,472			147,874		629(1)		282,975
Investment in Subsidiaries	612,414							612,414(2)	—
Intercompany Loans	307,368							307,368(3)	—
Other Assets	5,580	649,689	5,325	15,230	408	1,758	15,302(2)	7,490(1)	685,802
Total Assets	$947,264	$12,540,919	$121,060	$120,116	$148,966	$13,169	$ 16,018	$938,848	$12,968,664
Liabilities									
Deposits		$10,452,526					$ 6,073(1)		$10,446,453
Borrowings	$393,899	983,598		$ 2,721	$ 60,600		9,617(1)		1,431,201
Intercompany Borrowings		59,669	$107,050	98,900	33,700	$ 56	299,375(3)		—
Accrued Liabilities	7,503	494,042	2,927	3,422	36,845	11,062	2,660(1) 7,993(3)		545,148
Total Liabilities	401,402	11,989,835	109,977	105,043	131,145	11,118	325,718		12,422,802
Stockholders' Equity	545,862	551,084	11,083	15,073	17,821	2,051	597,112(2)		545,862
Total Liabilities and Stockholders' Equity	$947,264	$12,540,919	$121,060	$120,116	$148,966	$13,169	$922,830	$ —	$12,968,664
CONDENSED STATEMENT OF INCOME									
Interest Income									
Interest and Fees on Loans		$ 676,551	$ 9,425	$ 10,651		$ 6		$ 326(1)	$ 696,959
Interest and Dividends on Securities		111,004		4		37		658(1)	111,703
Interest on Intercompany Loans	$ 14,413	11				45	$ 14,469(1)		—
Other Interest	565	55,320			$ 14,672		339(1)		70,218
Total Interest Income	14,978	842,886	9,425	10,655	14,672	88	14,808	984	878,880
Interest Expense									
Interest on Deposits		414,766					66(1)		414,832
Interest on Borrowings	20,125	39,325	483		4,635		412(1)		64,980
Interest on Intercompany Borrowings		2,786	3,085	5,990	2,565			14,426(1)	—
Total Interest Expense	20,125	456,877	3,568	5,990	7,200		478	14,426	479,812
NET INTEREST INCOME (EXPENSE)	(5,147)	386,009	5,857	4,665	7,472	88	15,286	15,410	399,068
Provision for Loan Losses		45,708	35	636					46,379
NET INTEREST INCOME LESS PROVISION FOR LOAN LOSSES	(5,147)	340,301	5,822	4,029	7,472	88	15,286	15,410	352,689
Equity in Earnings of Subsidiaries	66,626						66,626(4)		—
Other Operating Income	280	61,443	5,698	1,311	766	1,472	2,053(1)		68,917
Other Operating Expense	1,845	284,318	5,938	2,461	2,888	1,538		1,929(1)	297,059
INCOME BEFORE INCOME TAXES AND SECURITIES TRANSACTIONS	59,914	117,426	5,582	2,879	5,350	22	83,965	17,339	124,547
Less Applicable Income Taxes (Benefit)	(3,557)	57,769	3,057	1,617	2,180	10			61,076
Income before Securities Transactions	63,471	59,657	2,525	1,262	3,170	12	83,965	17,339	63,471
Securities Gains Net of Tax	40	40					40		40
NET INCOME	$ 63,511	$ 59,697	$ 2,525	$ 1,262	$ 3,170	$ 12	$ 84,005	$ 17,339	$ 63,511

*ELIMINATIONS AND RECLASSIFICATIONS:
(1) Eliminates intercompany deposits and accounts, and reclassifies certain amounts to conform to consolidated presentation.
(2) Eliminates Parent Company's investment in consolidated subsidiaries and sets up goodwill of $12,575 ($19,379 at December 31, 1975).
(3) Eliminates intercompany borrowings.
(4) Eliminates Parent Company's equity in earnings of consolidated subsidiaries.

Financial Summary[1]

AVERAGE BALANCES, RATES PAID AND YIELDS

(Yields on Taxable-Equivalent Basis, Balances in Millions)

WELLS FARGO & COMPANY
AND SUBSIDIARIES

	1976		1975		1974		1973		1972	
	Average Balances	Yields or Rates (Interest Only Basis)	Average Balances	Yields or Rates (Interest Only Basis)	Average Balances	Yields or Rates (Interest Only Basis)	Average Balances	Yields or Rates (Interest Only Basis)	Average Balances	Yields or Rates (Interest Only Basis)
Uses:										
Cash and Due from Banks	$ 1,137		$ 1,105		$ 1,134		$ 984		$ 893	
Overseas Deposits	605	6.22%	472	7.11%	772	8.69%	963	6.39%	640	4.83%
Securities:										
U.S. Treasury Securities	887	6.75	387	7.23	239	6.58	346	5.96	341	5.64
Securities of Other U.S. Government Agencies and Corporations	355	7.11	515	7.12	610	6.85	444	6.35	232	5.48
Obligations of States and Political Subdivisions	390	8.19	636	9.32	760	9.09	594	7.46	715	7.20
Other Securities (Excluding Equity Investments)	112	6.49	138	7.37	116	8.15	130	7.36	62	5.68
Total Investment Securities	1,744	7.13	1,676	8.00	1,725	7.89	1,514	6.78	1,350	6.44
Trading Account Securities	63	5.71	56	7.16	109	10.47	112	7.85	43	5.58
Funds Sold	65	5.38	197	6.89	148	9.34	32	7.94	59	4.92
Loans:										
Commercial Loans	2,297	7.46	2,512	8.63	2,755	11.19	2,525	8.55	2,060	6.31
Real Estate Loans	2,368	7.98	2,211	7.86	2,100	7.79	1,738	7.12	1,393	6.79
Consumer Loans	1,180	11.78	1,096	11.79	988	11.32	787	10.04	579	9.68
International Loans of U.S. Offices	1,262	8.41	644	8.97	395	11.12	367	8.93	223	7.41
Loans of Overseas Offices	657	7.63	874	9.42	941	11.91	807	9.65	421	7.13
Total Loans	7,764	8.44	7,337	8.99	7,179	10.30	6,224	8.50	4,676	6.99
Less: Reserve for Loan Losses	73		57		50		49		49	
Total Net Loans	7,691		7,280		7,129		6,175		4,627	
Direct Lease Financing	274	12.72	264	12.49	168	11.63	109	10.31	58	9.26
Total Earning Assets	10,515	8.17	10,002	8.78	10,101	9.78	8,954	7.99	6,826	6.67
All Other Assets	706		619		556		431		334	
Total Assets	$12,285		$11,669		$11,741		$10,320		$ 8,004	
Sources:										
Demand Deposits	$ 2,733		$ 2,562		$ 2,503		$ 2,342		$ 2,136	
Savings Deposits	3,051	5.00%	2,351	4.98%	1,897	4.97%	1,739	4.63%	1,736	4.01%
Savings Certificates	1,358	6.48	1,343	6.54	1,198	7.01	977	5.76	902	5.34
Certificates of Deposit	1,705	6.26	1,849	7.73	1,272	10.49	733	8.41	315	5.20
Other Time Deposits	345	5.64	360	6.43	525	9.11	593	6.77	555	4.73
Deposits in Overseas Offices	846	5.69	953	7.06	1,670	9.64	1,781	7.24	1,062	5.31
Funds Borrowed	745	5.08	894	5.96	1,433	10.01	1,197	8.68	545	4.38
Commercial Paper	145	5.54	147	6.77	115	10.65	52	8.33	4	4.33
Long-Term Debt	290	6.58	286	6.40	274	6.49	203	6.21	126	4.68
Total Interest Paying Liabilities	8,485	5.65	8,183	6.35	8,384	8.28	7,275	6.71	5,245	4.70
Other Liabilities	545		443		407		286		264	
Stockholders' Equity	522		481		447		417		359	
Total Liabilities and Stockholders' Equity	$12,285		$11,669		$11,741		$10,320		$ 8,004	
Analysis:										
Yield on Earning Assets, including Fees		8.53%		9.01%		9.96%		8.20%		6.88%
Cost of Funds Supporting Assets		4.56		5.20		6.87		5.45		3.60
Net Spread		3.97%		3.81%		3.09%		2.75%		3.28%

(1) Minor adjustments of prior period data have been made so that the data for these years will now conform with the present accounting policies of Wells Fargo & Company and Subsidiaries.

Financial Summary[1]

AVERAGE BALANCES, RATES PAID AND YIELDS

(Yields on Taxable-Equivalent Basis, Balances in Millions)

WELLS FARGO & COMPANY
AND SUBSIDIARIES

	1976		1975		1974		1973		1972	
	Average Balances	Yields or Rates (Interest Only Basis)	Average Balances	Yields or Rates (Interest Only Basis)	Average Balances	Yields or Rates (Interest Only Basis)	Average Balances	Yields or Rates (Interest Only Basis)	Average Balances	Yields or Rates (Interest Only Basis)
Uses:										
Cash and Due from Banks	$ 1,137		$ 1,105		$ 1,134		$ 984		$ 893	
Overseas Deposits	605	6.22%	472	7.11%	772	8.69%	963	6.39%	640	4.83%
Securities:										
U.S. Treasury Securities	887	6.75	387	7.23	239	6.58	346	5.96	341	5.64
Securities of Other U.S. Government Agencies and Corporations	355	7.11	515	7.12	610	6.85	444	6.35	232	5.48
Obligations of States and Political Subdivisions	390	8.19	636	9.32	760	9.09	594	7.46	715	7.20
Other Securities (Excluding Equity Investments)	112	6.49	138	7.37	116	8.15	130	7.36	62	5.68
Total Investment Securities	1,744	7.13	1,676	8.00	1,725	7.89	1,514	6.78	1,350	6.44
Trading Account Securities	63	5.71	56	7.16	109	10.47	112	7.85	43	5.58
Funds Sold	65	5.38	197	6.89	148	9.34	32	7.94	59	4.92
Loans:										
Commercial Loans	2,297	7.46	2,512	8.63	2,755	11.19	2,525	8.55	2,060	6.31
Real Estate Loans	2,368	7.98	2,211	7.86	2,100	7.79	1,738	7.12	1,393	6.79
Consumer Loans	1,180	11.78	1,096	11.79	988	11.32	787	10.04	579	9.68
International Loans of U.S. Offices	1,262	8.41	644	8.97	395	11.12	367	8.93	223	7.41
Loans of Overseas Offices	657	7.63	874	9.42	941	11.91	807	9.65	421	7.13
Total Loans	7,764	8.44	7,337	8.99	7,179	10.30	6,224	8.50	4,676	6.99
Less: Reserve for Loan Losses	73		57		50		49		49	
Total Net Loans	7,691		7,280		7,129		6,175		4,627	
Direct Lease Financing	274	12.72	264	12.49	168	11.63	109	10.31	58	9.26
Total Earning Assets	10,515	8.17	10,002	8.78	10,101	9.78	8,954	7.99	6,826	6.67
All Other Assets	706		619		556		431		334	
Total Assets	$12,285		$11,669		$11,741		$10,320		$ 8,004	
Sources:										
Demand Deposits	$ 2,733		$ 2,562		$ 2,503		$ 2,342		$ 2,136	
Savings Deposits	3,051	5.00%	2,351	4.98%	1,897	4.97%	1,739	4.63%	1,736	4.01%
Savings Certificates	1,358	6.48	1,343	6.54	1,198	7.01	977	5.76	902	5.34
Certificates of Deposit	1,705	6.26	1,849	7.73	1,272	10.49	733	8.41	315	5.20
Other Time Deposits	345	5.64	360	6.43	525	9.11	593	6.77	555	4.73
Deposits in Overseas Offices	846	5.69	953	7.06	1,670	9.64	1,781	7.24	1,062	5.31
Funds Borrowed	745	5.08	894	5.96	1,433	10.01	1,197	8.68	545	4.38
Commercial Paper	145	5.54	147	6.77	115	10.65	52	8.33	4	4.33
Long-Term Debt	290	6.58	286	6.40	274	6.49	203	6.21	126	4.68
Total Interest Paying Liabilities	8,485	5.65	8,183	6.35	8,384	8.28	7,275	6.71	5,245	4.70
Other Liabilities	545		443		407		286		264	
Stockholders' Equity	522		481		447		417		359	
Total Liabilities and Stockholders' Equity	$12,285		$11,669		$11,741		$10,320		$ 8,004	
Analysis:										
Yield on Earning Assets, including Fees		8.53%		9.01%		9.96%		8.20%		6.88%
Cost of Funds Supporting Assets		4.56		5.20		6.87		5.45		3.60
Net Spread		3.97%		3.81%		3.09%		2.75%		3.28%

(1) Minor adjustments of prior period data have been made so that the data for these years will now conform with the present accounting policies of Wells Fargo & Company and Subsidiaries.

Directors

WELLS FARGO & COMPANY
and its principal subsidiary, Wells Fargo Bank, N.A.

Ernest C. Arbuckle
Chairman of the Board

Kenneth K. Bechtel
Director and Member of the Executive Committee
Industrial Indemnity Company
(insurance)

William R. Breuner
President, John Breuner Company
(retailer of home furnishings)

Robert L. Bridges
Partner, Thelen, Marrin, Johnson & Bridges, Attorneys at Law

Richard P. Cooley
President and Chief Executive Officer

Helen K. Copley
Chairman of the Corporation
The Copley Press, Inc.
(newspaper publishing)

James K. Dobey
Vice Chairman of the Board

James Flood
Trustee, Flood Estate (a family trust under the will of James L. Flood)

W. P. Fuller III
Vice President, Western Region of PPG Industries (glass, paint and chemicals)

Richard E. Guggenhime
Partner, Heller, Ehrman, White & McAuliffe, Attorneys at Law

George S. Ishiyama
President, Ishiyama Corporation
(raw materials exporting)

Mary E. Lanigar
Retired Partner, Arthur Young & Co.
(certified public accountants)

Roger D. Lapham, Jr.
Chairman and Managing Director
Rama Corporation, Ltd.
(insurance brokerage holding company)

Edmund W. Littlefield
Chairman of the Board and Chief Executive Officer
Utah International Inc.
(mining and ocean shipping)

Malcolm MacNaughton
Chairman of the Board
Castle & Cooke, Inc. (food processing, land development, merchandising and shipping services)

J. W. Mailliard III
Chairman of the Board
Bromar, Inc.
(manufacturers' agents, importers and brokers of food products)

Arjay Miller
Dean, Graduate School of Business
Stanford University

Paul A. Miller
Chairman of the Board and Chief Executive Officer
Pacific Lighting Corporation
(natural gas—holding company)

Robert T. Nahas
President, R. T. Nahas Company
(real estate and construction)

Ellen M. Newman
President
Ellen Newman Associates
(consumer relations consultants)

B. Regnar Paulsen
Chairman of the Board and President
Rice Growers Association of California

Atherton Phleger
Partner, Brobeck, Phleger & Harrison, Attorneys at Law

Advisory Members of the Board of Directors—
Wells Fargo & Company and Wells Fargo Bank

James F. Dickason
President
The Newhall Land and Farming Company
(agricultural, recreational, petroleum and land development)

John A. Young
Executive Vice President
Hewlett-Packard Company
(electronic equipment manufacturing and marketing)

Director Emeritus
Wells Fargo Bank

James M. Hait
Retired Chairman
FMC Corporation (food machinery and chemicals)

Management

WELLS FARGO & COMPANY

420 Montgomery Street
San Francisco, California 94104

***Chairman of the Board**
Ernest C. Arbuckle

***President and Chief Executive Officer**
Richard P. Cooley

***Vice Chairman of the Board**
James K. Dobey

***Vice Chairman**
Ralph J. Crawford, Jr.

Executive Vice Presidents
Thomas A. Bigelow
Robert L. Kemper
Carl E. Reichardt
Richard M. Rosenberg

Senior Vice President
Robert L. Joss

Senior Vice President and Treasurer
Donald E. Seese

Vice President and Secretary
Philip G. Bowser

Vice President and Chief Credit Examiner
Jack A. Byers

General Auditor
Orion A. Hill, Jr.

*Member of the Executive Office

WELLS FARGO BANK

Head Office: 464 California Street
San Francisco, California 94104

***Chairman of the Board**
Ernest C. Arbuckle

***President and Chief Executive Officer**
Richard P. Cooley

***Vice Chairman of the Board**
James K. Dobey

***Vice Chairman**
Ralph J. Crawford, Jr.

Vice President and Secretary
Philip G. Bowser

Vice President and Cashier
Harold R. Arthur

General Auditor
Orion A. Hill, Jr.

*Member of the Executive Office

SOUTHERN CALIFORNIA EXECUTIVE OFFICE
770 Wilshire Boulevard
Los Angeles, California 90017

A. William Barkan
Executive Vice President

Gilman B. Haynes, Jr.
Senior Vice President

CORPORATE BANKING GROUP

John R. Breeden
Executive Vice President

Corporate Banking—Northern California
Robert E. Hunter, Jr.
Vice President

Corporate Banking—Southern California
W. Peter McAndrew
Senior Vice President

Corporate Banking—United States
Harold B. Bray, Jr.
Senior Vice President

Loan Administration
Glenhall E. Taylor, Jr.
Senior Vice President

Financial Institutions
E. Alan Holroyde
Senior Vice President

Special Industries
John Z. Bulkeley
Vice President

Corporate Finance
Leonard A. Yerkes III
Vice President

CREDIT POLICY

Carl E. Reichardt
Executive Vice President

FINANCE AND ASSET MANAGEMENT GROUP

Robert L. Kemper
Executive Vice President

Controller's Division
Donald E. Seese
Senior Vice President and Controller

Investment Division
George F. Casey, Jr.
Senior Vice President

Management Sciences
Frank N. Newman
Vice President

Legal Department
Lane P. Brennan
Vice President and Counsel

Richard J. Borda
Senior Vice President

Investment Advisors Division
James R. Vertin
Senior Vice President

Trust Division
George A. Hopiak
Senior Vice President and
Senior Trust Officer

INTERNATIONAL GROUP

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Executive Vice President

Robert N. Bee
Senior Vice President

Carlos Rodriguez-Pastor
Senior Vice President

Gerrit E. Venema
Senior Vice President

SUBSIDIARIES:

Wells Fargo & Co. Canada Limited
1 First Canadian Place, Suite 4045
Toronto, Ontario M5X-1A9 Canada

Arthur L. Lathrop
Vice President, Wells Fargo Bank

Wells Fargo Bank International
40 Wall Street
New York, New York 10005

Robert B. Leet
Executive Vice President

Wells Fargo Interamerican Bank
700 Brickell Avenue
Miami, Florida 33131

J. Raimundo Morales
Vice President and Manager

Wells Fargo Limited
Winchester House, 80 London Wall
London, England

The Rt. Hon. Lord Sherfield, GCB, GCMG
Chairman

Henry Parish III
Managing Director

BRANCHES:

Luxembourg Branch
22, rue Zithe
Luxembourg, Luxembourg

Albert Feilen
Assistant Vice President
and General Manager

Tokyo Branch
Fuji Building
2-3, 3-chome, Marunouchi
Chiyoda-ku, Tokyo, Japan

R. Wickham Baxter
Vice President and
General Manager

Nassau Branch
Nassau, Bahamas

REPRESENTATIVE OFFICES:

Argentina: Buenos Aires

Australia: Sydney
Frank E. Pierro
Vice President and Representative

Brazil: Sao Paulo
Jacques de La Chauviniere
Vice President and Representative

Colombia: Bogota
Gustavo Arango Bernal
Vice President and Representative

Germany: Frankfurt
Kurt W. Ziegler
Vice President and Representative

Hong Kong
Norman Y. Tao
Vice President and Representative

Iberian Peninsula: Madrid, Spain
Antonio Diez de Rivera
Vice President and Representative

Mexico: Mexico City, D.F.
Dennis H. Nason
Vice President and Representative

Nicaragua: Managua
Richard H. Neve
Assistant Vice President
and Representative

Singapore
James D. Cullen
Assistant Vice President
and Representative

Venezuela: Caracas
Walter A. Bustard
Vice President and Representative

AFFILIATES:

Allgemeine Deutsche Credit-Anstalt
Frankfurt, Germany

Arrendadora Serfin S.A.
(Formerly IDASA)
Mexico City, D.F., Mexico

Banco de America
Managua, Nicaragua

Broadbank Corporation Limited
Auckland, New Zealand

Credit Chimique
Paris, France

Dubai Bank Limited
Dubai

Ecuatoriana de Financiamientos S.A.
Guayaquil, Ecuador

Empresas Financieras
Continental S.A.
Panama City, Panama

Financiera Nacional S.A.
Caracas, Venezuela

Martin Corporation Group Limited
Sydney, Australia

Shanghai Commercial Bank Limited
WMS Capital Corporation Limited
Hong Kong

Western American Bank
(Europe) Limited
London, England

LOAN REVIEW AND EXAMINATION

Jack A. Byers
Vice President and Chief Loan Examiner

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Edward M. Hall
Vice President

OPERATIONS GROUP

Thomas A. Bigelow
Executive Vice President

Computer Systems Division
William F. Zuendt
Vice President

Bank Operating Procedures
John C. Kilhefner
Vice President

Support Services Division
Watson M. McKee, Jr.
Senior Vice President

Real Property Management
Gerard E. Downey
Vice President

PERSONNEL DIVISION

Robert L. Joss
Senior Vice President

PLANNING AND ECONOMICS

William F. Ford
Vice President

Ward C. Krebs
Senior Vice President

PUBLIC AND GOVERNMENTAL AFFAIRS

Jackson L. Schultz
Vice President

PUBLIC RELATIONS

George F. Caulfield
Vice President

REAL ESTATE INDUSTRIES GROUP

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Executive Vice President

Northern California Division
D. Patrick McGuire
Vice President

Southern California Division
John C. Kelterer
Vice President

Loan Administration
DeWitt C. Moon
Vice President

RETAIL BANKING GROUP

Richard D. Jackson
Executive Vice President

Richard M. Rosenberg
Executive Vice President and
Deputy Manager

Bay Division, San Francisco
George G. Skou
Senior Vice President

Peninsula Division, San Jose
Daniel S. Livingston
Senior Vice President

Southern California Division,
Los Angeles
John H. Griffith
Senior Vice President

Valley Division, Sacramento
James R. Gibson
Senior Vice President

Commercial Banking Division
Russell F. Dwyer
Senior Vice President

Consumer Loan Division
Eugene E. Cochrane
Senior Vice President

Loan Administration
Leslie C. Smith
Senior Vice President

Real Estate Loans
Fielding McDearmon
Senior Vice President

Commercial Loans
Ralph E. Peters
Vice President

Consumer Loans
W. Wayne Akert
Vice President

Urban Affairs
Robert J. Gicker
Vice President

Wells Fargo & Company
Non-Bank Subsidiaries

WELLS FARGO LEASING CORPORATION

425 California Street
San Francisco, California 94104

R. Thomas Decker
President

WELLS FARGO MORTGAGE COMPANY

600 Montgomery Street
San Francisco, California 94111

Henry F. Trione
Chairman of the Board

John G. Montgomery
President

WELLS FARGO REALTY ADVISORS

330 Washington Street
Marina Del Rey, California 90291

Paul Hazen
President

WELLS FARGO REALTY SERVICES, INC.

572 East Green Street
Pasadena, California 91101

Thomas A. Gray
President

WELLS FARGO SECURITIES CLEARANCE CORPORATION

27 William Street
New York, New York 10005

Ronald G. Hillman
President

WELLSCO DATA CORP.

525 Market Street
San Francisco, California 94105

STOCK EXCHANGE LISTINGS

New York Stock Exchange
Pacific Stock Exchange
London Stock Exchange
Frankfurter Boerse

TRANSFER AGENTS

Wells Fargo Bank, N.A.
Corporate Trust Department
475 Sansome Street
San Francisco, California 94111

Morgan Guaranty Trust Company
30 West Broadway
New York, New York 10015

REGISTRARS OF STOCK

Bank of America N.T. & S.A.
55 Hawthorne Street
San Francisco, California 94105

Citibank, N.A.
11 Wall Street
New York, New York 10015

NOTICE TO SHAREHOLDERS

The annual meeting of
Wells Fargo & Company
will be held at 2 p.m.
on April 19, 1977
at 420 Montgomery Street
San Francisco, Ca.

Readers wishing more
detailed information
about Wells Fargo &
Company may obtain
copies of the Company's
Form 10-K upon request
from:
Corporate Secretary
Wells Fargo & Company
P.O. Box 44000
San Francisco
California 94144