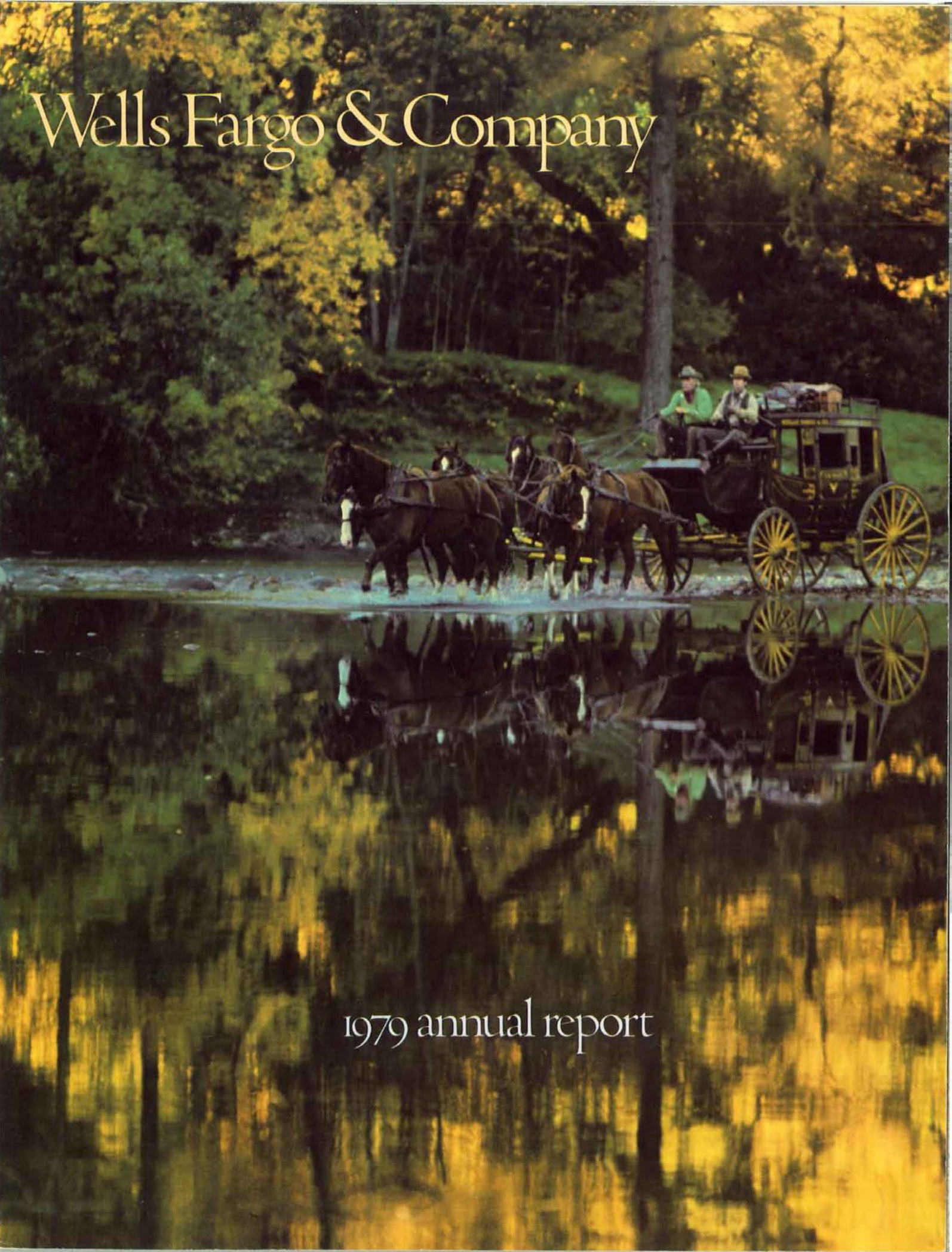
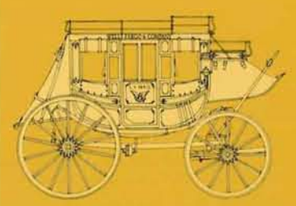
Wells Fargo & Company



1979 annual report

CONTENTS



HIGHLIGHTS

	Wells Fargo & Company and Subsidiaries	*1979*	*1978*	*Change* Amount	*Change* Percent
		(Dollars in thousands, except per-share data)			
For the year	Income before securities transactions	$ 130,202	$ 115,881	$ 14,321	12.4
	Securities transactions, net of tax	(6,786)	(5,735)	(1,051)	(18.3)
	Net income	$ 123,416	$ 110,146	$ 13,270	12.0
	Dividends declared	$ 39,023	$ 31,467	$ 7,556	24.0
	Per share				
	Income before securities transactions(1)	$5.75	$5.16	$.59	11.4
	Net income(1)	$5.45	$4.91	$.54	11.0
	Dividends declared	$1.72	$1.40	$.32	22.9
At year end	Assets	$20,593,124	$18,611,436	$1,981,688	10.6
	Deposits	$15,831,015	$14,818,671	$1,012,344	6.8
	Loans	$15,193,410	$12,895,669	$2,297,741	17.8
	Investment securities	$ 1,682,957	$ 1,825,428	$ (142,471)	(7.8)
	Stockholders' equity	$ 834,095	$ 742,602	$ 91,493	12.3
	Book value per share(2)	$36.58	$32.94	$3.64	11.1

(1) Based on average number of common shares outstanding of 22,657,695 for 1979 and 22,442,612 for 1978.

(2) Based on the number of common shares outstanding at December 31, of 22,802,458 for 1979 and 22,543,046 for 1978.

LETTER TO SHAREHOLDERS

Wells Fargo & Company continued its earnings gains during 1979, a year marked by economic turbulence and international instability. The gains reflected healthy growth in virtually all areas of the Company's activity. The Retail Banking Group again made the most significant contribution to earnings, but we also benefited from an excellent performance by our Corporate Banking Group and by the activities of our commercial real estate units.

The average volume of domestic commercial loans rose 18 percent during the year, but average international loans were reduced by 14 percent, due largely to the Company's continuing emphasis on high credit quality and satisfactory terms in overseas lending rather than high volumes.

Aggressive marketing of the new 26-week money market certificates resulted in Wells Fargo's garnering $1.6 billion in deposits in these instruments by the end of 1979, only a year and a half after this important new vehicle for consumer deposits was introduced. Our strong deposit base, during a period when the cost of funds climbed sharply, contributed to our increase in earnings. In addition, the new deposits also mean added customer relationships for Wells Fargo and enhance its reputation as a bank for "serious savers."

Earnings (income before securities transactions) for 1979 increased to $130.2 million, or $5.75 per share, compared with $115.9 million and $5.16 per share in the previous year. The 1979 figures represented gains of 12.4 percent for earnings and 11.4 percent for per-share earnings. The difference in the percentage gains is accounted for by an increase in the number of shares outstanding.

Net income for 1979 (income after securities transactions) was $123.4 million, or $5.45 per share, compared with $110.1 million, or $4.91 per share, in 1978. That represented increases of 12 percent and 11 percent, respectively. Net income was lower than earnings because of the sale of approximately $218 million of low-yielding bonds in the fourth quarter, the proceeds of which were used principally to fund higher yielding assets.

Reflecting the increase in earnings, Wells Fargo's board of directors at its February 1980 meeting voted to increase the quarterly dividend rate on the Company's common stock to 48 cents a share from 43 cents, an increase of nearly 12 percent.

During the year, Wells Fargo & Company assets rose above $20 billion for the first time, and at the end of 1979 stood at $20.6 billion. This was an increase of 10.6 percent over the previous year-end figure of $18.6 billion. Total loans grew to $15.2 billion from $12.9 billion, and total deposits increased to $15.8 billion from $14.8 billion.

The global political situation remains volatile, and overseas developments may affect the growth of our International Banking Group during the coming year. Based on its continuous country risk evaluation, Wells Fargo has taken steps to reduce its loans and investments in areas where political or economic risk is believed to be greater than normal.

Political and economic events in Iran continue to focus attention on commercial dealings with that nation. Wells Fargo has approximately $31 million in loans to entities in Iran, most of which it considers to be in default. The Bank has filed legal actions covering a substantial part of the Iranian indebtedness in an effort to protect its credit position. Management believes that there are sources of potential repayment for the Iranian loans and that they will ultimately be repaid.

Domestically, 1979 was a year marked by dramatic changes in the money markets. The prime lending rate charged by banks increased from 11¾ percent to a record level of 15¾ percent in November

Serving as chairman and chief executive officer of Wells Fargo & Company is Richard P. Cooley, left, who maintains his office in Los Angeles and directs the Company's growth in the important Southern California market.

Carl E. Reichardt, right, became president of Wells Fargo & Company in 1979 and maintains his office at the Company's corporate headquarters in San Francisco.

1979. At year end the prime was 15¼ percent. Despite the high interest rate climate and distressingly high inflation rate, the national economy fared better than had been anticipated at the beginning of the year, and California had a healthy business year. This economic strength was reflected in the Company's loan and deposit gains.

As a result of rising loan volume and increased consumer loan losses, the provision for loan losses was raised during the year to $63 million from $48 million. Net charge-offs during 1979 totaled $40 million as compared with $31 million in 1978. A significant portion of the increased charge-offs related to higher than anticipated losses in consumer loans purchased on a non-recourse basis from automobile dealers, as discussed in the second quarter report. These unusual losses amounted to a net of $8.4 million over the full year. New controls and review procedures implemented as a result of these losses should provide us with a sounder loan portfolio in the future.

There is no question that inflation remains the most difficult economic problem facing our nation, and Wells Fargo fully supports the steps taken by the Federal Reserve Board aimed at slowing inflation by restraining unproductive loan growth and by curbing increases in the nation's money supply. Management expressed this support during the year by tightening loan requirements in a number of areas. The most recent action of the Federal Reserve in moving interest rates to even higher levels will undoubtedly put significant pressure on the banking industry's profitability during the year as margins narrow.

Several regulatory and legislative actions affected Wells Fargo's operations during 1979. In the previous year, federal banking regulations were changed to permit bank customers to automatically transfer funds from savings to checking accounts. As a result, Wells Fargo introduced a Checking/Interest Plan and a Savings Overdraft Coverage Plan. In the spring of 1979, a U.S. District Court ruled that the Federal Reserve Board did not have the authority to permit this change, and ordered such accounts abolished at year end unless Congress enacted legislation authorizing automatic transfers. Both houses of Congress subsequently passed bills that included the authorization, but they were unable to reach agreement on other issues contained in the two bills. As a temporary move, Congress voted to permit automatic transfer services to be continued until March 31, 1980. It is expected that this year Congress will act to permanently authorize automatic transfers from savings to checking accounts.

In 1979, Congress also considered legislation to ease the burden of Federal Reserve System membership by reducing the reserve requirements for members. Because of the expense of maintaining reserves, many banks have dropped Federal Reserve membership during the last few years at a significant cost to the United States Treasury. The position of most remaining members, including Wells Fargo, is that reserves should be lowered but that all financial institutions, members as well as non-members, should be required to keep reserves. We believe this will provide competitive equality, encourage more banks to stay in the system and alleviate the drain on the Treasury. Since no conclusion was reached last year on this legislation, the issue will be in the forefront in 1980.

In 1980 Congress also is likely to address a number of other important issues affecting the banking industry. Major changes that will be considered are whether to allow banks and thrift institutions to pay interest on personal demand deposits in the form of NOW (Negotiable Order of Withdrawal) accounts, and whether to eliminate those laws that not only place a ceiling on interest rates but also require that banks pay one-quarter percent less interest on most forms of savings deposits than thrift institutions. Wells Fargo supports the authorization of NOW accounts for all types of financial

Serving with Chairman Cooley and President Reichardt as members of Wells Fargo's Executive Office are Richard M. Rosenberg, left, and Robert L. Kemper, shown near the State Capitol in Sacramento. Mr. Kemper was elected vice chairman of the board in 1979. Mr. Rosenberg was elected a vice chairman in February 1980.

institutions if it is coupled with removal of the savings interest rate differential now given to thrift institutions. This would result in a fair payment of interest to bank savers.

Californians voted in 1979 to abolish the state's 10 percent usury law, from which the Bank was exempt but which had severely inhibited the activities of Wells Fargo Mortgage Company. Mortgage bankers were among the types of lenders bound by the usury law and could charge no more than 10 percent for mortgage loans at a time when market rates for such loans were moving steadily upward to a level of about 14 percent in November. With removal of the usury law, Wells Fargo Mortgage Company is once again active in making real estate loans in California and marketing them to investors across the nation.

During 1979, Wells Fargo continued its strong business thrust into Southern California. The five offices of First Central Coast Bank of San Luis Obispo were among eight new branches opened in the southern part of the state during the year. In November, the Bank's Real Estate Industries Group moved its headquarters to Southern California, the region where its commercial real estate lending activity is growing fastest.

Wells Fargo & Company will be the prime tenant in a 48-story structure under construction in downtown Los Angeles, which is to be known as the Wells Fargo Building. It is scheduled for completion in the fall of 1981. Ground was also broken in 1979 for a five-story data center in El Monte to handle the rapidly increasing amount of data processing and growing commercial operations being generated by branch expansion in Southern California. The data center, which will also serve as a back-up to Northern California data processing facilities, is scheduled to be completed in 1981.

Streamlined, automated banking will be an important trend in the 1980s, and Wells Fargo is opening the decade with an Express Banking Program designed to improve the convenience and efficiency of banking for the consumer. Express Stop automated teller machines are an important new service to be offered under the Express Banking concept. The Express Stop equipment allows customers to handle a number of basic deposit, withdrawal and payment transactions without entering a branch office, and the equipment is operational 24 hours a day. Express Stops are already in operation in Contra Costa County and will be installed in busy locations throughout the San Francisco Bay Area by mid-1980. Ultimately the Express Stop system will be expanded state-wide.

Wells Fargo & Company's non-bank subsidiaries continued their active growth in 1979. Wells Fargo Mortgage Company acquired Miller & Viele, an 82-year-old mortgage banking firm headquartered in Salt Lake City and with six branch offices in Utah and Wyoming. The consumer finance sibsidiary, Wells Fargo Credit Corporation, also expanded during the year as it opened offices in Denver, Oklahoma City, Tucson, and Tulsa. Wells Fargo Business Credit, the commercial finance subsidiary, opened offices during 1979 in Los Angeles and in Atlanta, Georgia. The non-bank subsidiaries accounted for approximately 6 percent of overall Company earnings.

To help finance the expansion of the non-bank subsidiaries as well as to fund other corporate activities, Wells Fargo & Company sold $150 million of six-year notes in July 1979, and issued another $150 million offering of three-year notes in January 1980. Both issues were very well received by investors.

To enable Wells Fargo to continue its long-standing commitment to the real estate industry while assuring greater liquidity in the real estate loan portfolio, the Company made its first offering of mortgage pass-through certificates in July, when $25 million of these certificates were sold to a private investor. The certificates are backed by conventional single-family mortgages originated by Wells Fargo Bank and serviced for the Bank by Wells Fargo Mortgage Company.

The Company also announced a new dividend reinvestment plan during 1979 that permits shareholders to purchase Wells Fargo common stock at a 5 percent discount from the market price. Shareholders may reinvest the cash dividends on their common stock and make optional cash investments up to $5,000 per quarter, without incurring any administrative or commission charges. This program will be an important source of new equity for the Company.

The year 1979 saw the retirement of three long-time and highly esteemed Wells Fargo executives. On July 1, James K. Dobey retired as chairman of the board and an officer of the Company after a 33-year career that began in 1946, when he joined American Trust Company as a credit analyst. He will remain on the board of Wells Fargo & Company where his experience in all areas of banking will continue to be invaluable.

Upon Mr. Dobey's retirement, Chief Executive Officer Richard P. Cooley, 56, formerly president of the Company, was elected chairman of the board. Mr. Cooley has moved his office to Los Angeles so that he can personally direct Wells Fargo's Southern California growth.

Carl E. Reichardt, 48, who joined the Company in 1970 as president of Wells Fargo Realty Advisors, succeeded Mr. Cooley as president of Wells Fargo & Company and also retains his position as president of Wells Fargo Bank.

In September, Ralph J. Crawford, Jr., vice chairman of the board, retired, ending a 32-year career with Wells Fargo. His position as vice chairman of the board was filled by Robert L. Kemper, 51, who has been with Wells Fargo since 1956 and served as an executive vice president since 1970.

Messrs. Cooley, Reichardt, Kemper and Vice Chairman Richard M. Rosenberg, 49, comprise the Company's Executive Office, which directs the over-all management of Wells Fargo.

The third significant retirement in 1979 was that of Executive Vice President Richard D. Jackson, a 40-year veteran of the Company, who directed the Retail Banking Group during its recent period of record growth.

In November, a number of organizational changes were implemented to structure Wells Fargo's operations more along market lines rather than the general geographic and functional pattern that prevailed in the past. Various operational and support functions of the Corporate and International Banking Groups were merged to increase efficiency and responsiveness to the needs of domestic and international corporations and financial institutions, and a Multi-National Banking Division was formed in the Corporate Banking Group.

Three new groups were established to serve specific requirements of our business. They are: Consumer Loan Group, which will provide financial services to dealers of autos, mobile homes, and business and industrial equipment and to home improvement contractors; a Corporate and Financial Services Group, to oversee development and marketing of electronic and fee-based services and to coordinate systems planning for Wells Fargo & Company; and a Funding Group, which will direct all of the short-term domestic and international funding activities of Wells Fargo & Company.

It is believed that these organizational changes will position Wells Fargo to provide better customer service, manage more complex activities and be more responsive to specific markets, thereby laying the base for greater profitability in coming years.

At the 1979 annual meeting of Wells Fargo & Company, two new directors were elected to replace James Flood and Richard E. Guggenhime, who had reached the mandatory retirement age of 70. Elected to move up to directors from advisory directorships were: Harry O. Reinsch, president of Bechtel Power Corporation, and Henry F. Trione, well known Northern California business and civic leader and founder of Sonoma Mortgage Company, predecessor to Wells Fargo Mortgage Company.

Again in 1979, Wells Fargo benefited from the enthusiasm and energy of its fine staff of more than 17,000 individuals worldwide. Their hard work and dedication to the Wells Fargo tradition of providing the best in financial services were vitally important to our success in a complex and difficult year.

In 1980, our nation and our Company will face new challenges in the economic, political and international spheres. We believe that our organizational changes, our continuing aggressive and innovative approach to all areas of our business, and the solid foundation for growth we have established in recent decades prepare us to meet the challenges of the banking industry in the year and decade ahead.

Richard P. Cooley

Richard P. Cooley
Chairman of the Board and Chief Executive Officer

Carl E. Reichardt

Carl E. Reichardt
President

March 3, 1980

REVIEW OF OPERATIONS:

SERVING THE CONSUMER

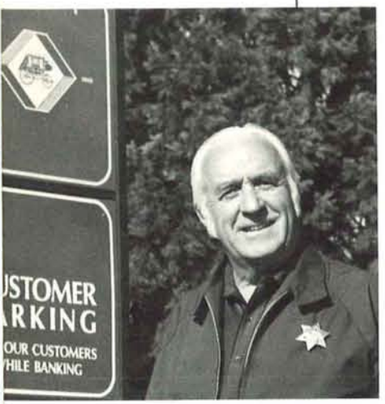
Wells Fargo offers an expanding variety of financial services for individual consumers. The focus of the Company's consumer service has historically been on California, which has 10 percent of the nation's population, over 11 percent of the personal income and a dynamic economy that generally performs better than that of the nation. However, through its network of subsidiaries, Wells Fargo now is also serving consumers elsewhere in the West.

In 1979 the demand for consumer loans, single-family real estate loans, credit card services, home equity loans and Wells Fargo's various personal trust and investment services continued to be strong. The overriding challenge during the year was to provide adequate funding for the robust loan demand. The Bank met this challenge with an aggressive deposit-gathering strategy.

The Treasury Certificate—a 26-week, $10,000 deposit instrument which enables the consumer to earn market rates of interest—was the Bank's major consumer marketing success in 1979. By the end of the year, Wells Fargo's Treasury Certificates accounted for nearly $1.6 billion in deposits and helped to counteract an outflow of lower-yielding savings deposits.

As a result of this strong marketing program, which was achieved through a coordinated program of branch staff efforts and advertising, total consumer savings deposits averaged $5.9 billion during 1979, compared with $5.2 billion in 1978.

In 1980, as a result of a change in federal legislation, California savers can enjoy another higher-yield deposit instrument, the new Long-Term Treasury Certificate. As with the 26-week certificate, this new deposit vehicle offers yields tied to U.S. Treasury rates. Since this new certificate requires a minimum deposit of only $100, it gives the small saver an opportunity to earn high rates for periods of 2½ years to 25 years.



Representative of Wells Fargo's first-rate Retail Banking staff are: Owen Anderson, top left, popular attendant at the Pajaro Valley office in Watsonville; Dee Dee Chin, top right, banking services officer at the Civic Center office, San Francisco; William Robeck, assistant vice president in the Customer Relations Center, San Francisco, shown below left with Linda Kirby, a banking services representative in the Center; and Personal Banking Officer Pat Waterhouse, Orange office.

Savers in California also continue to use the Bank's other attractive deposit programs such as the Golden Guarantee individual retirement accounts and the Wells Fargo Reward account, which incorporates a number of deposit-oriented services.

Consumer loans were again strong in 1979, as consumers demonstrated a willingness to continue to expand their borrowings. At year end, consumer loans—excluding credit cards—were $2.4 billion, a 16 percent increase over 1978.

Credit card activity was also strong during the year. The number of Master Charge accounts at the end of 1979 was just over 900,000, compared with about 840,000 a year earlier, and outstandings at year end were $364 million, compared with $338 million at the end of 1978. Wells Fargo was servicing nearly 380,000 Visa credit card accounts at the end of 1979, compared with some 330,000 the year before, and outstandings were $121 million, compared with $95 million in 1978.

Wells Fargo has long been a major bank lender to home buyers in California. In 1979, new mortgage loans made on one-to-four family residential properties amounted to nearly $1.2 billion. Wells Fargo's total single-family real estate portfolio at year end was $4 billion, compared with $2.9 billion at the end of 1978.

Wells Fargo's Retail Banking Group has been expanding strongly during the past decade into Southern California, where two-thirds of the state's 23 million persons provide one of the largest and fastest-growing banking markets in the country. The Bank added eight branches in Southern California in 1979, including five acquired in San Luis Obispo County through the merger in July with First Central Coast Bank of San Luis Obispo. At year end, Wells Fargo had 109 offices in the southern part of California and 373 throughout the state. The emphasis on branch expansion in 1980 again is on Southern California.

The Fox Hills office in Culver City is Wells Fargo's first solar heated/solar cooled branch. When opened in 1979, a glass wall was installed in the lobby so customers can view the equipment. At right is Kathleen Lewek, assistant vice president and manager of the office.

As the branch network grows, Wells Fargo will continue to invest in new computer facilities to provide efficient, high-volume financial services. This strength in providing convenient, accurate banking service has given birth to a new approach to the marketplace in 1980, which is called *Express Banking*™. The Express Banking Program will be implemented in concert with the bank's *Personal Banker*™ Program to give balance to the well established Wells Fargo image of personal service.

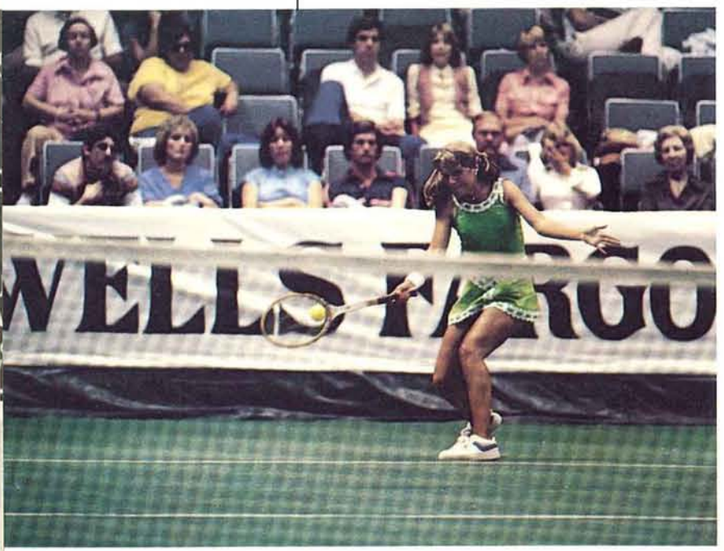
The newest service in Express Banking is the *Express Stop*™ automated transaction machine. The Bank plans to install over 50 Express Stops in San Francisco Bay Area locations in 1980. The program eventually will be extended statewide. Customers with Wells Fargo banking cards and secret access codes can use Express Stops to withdraw cash, make deposits, transfer funds from one account to another, make loan payments—in other words, handle most of the transactions that would otherwise require a visit inside the bank. Express Stops will be open 24 hours a day, seven days a week.

The human side of Express Banking involves the Personal Banker Program, which has been a strong competitive aid in the market for bank deposits. Wells Fargo's Personal Banking Officers are especially selected and trained to assist customers and sell other financial services in an effort to meet all of the banking needs of these individuals. Together, Wells Fargo's Personal Bankers and the electronic aspects of the Express Banking Program open a new decade of fast and convenient consumer banking without losing the personal service reputation long enjoyed by the Bank.

While the Retail Banking Group concentrates on meeting consumer needs in the most populous state, Wells Fargo Credit Corporation is introducing the Wells Fargo stagecoach to individual customers in other parts of the country. The credit corporation, a consumer finance subsidiary based in Scottsdale, Arizona, offers home equity loans, auto leasing, revolving credit lines and home improvement loans. Its portfolio of home equity loans grew to $182 million at the end of 1979, the firm's first full year of operation. The credit corporation expanded beyond the Phoenix area in 1979 by opening offices in Tucson, Denver, Tulsa and Oklahoma City, and further expansion into other markets across the country is planned. Through Wells Fargo Insurance Services, an agency, Central Western Insurance Company offers credit life insurance to loan customers of Wells Fargo Bank and Wells Fargo Credit Corporation.

The demand for Wells Fargo's personal trust and investment services in the affluent California market is strong. The Trust Division and Wells Fargo Investment Advisors work together to serve many customers jointly and to cross-sell retail banking services and expand the Bank's total customer base. The Trust Division has been building its Southern California capabilities in conjunction with the retail branch expansion there. It opened a new trust facility in Palm Springs in 1979, its 13th trust office in California. Working with the Personal Banking Officers around the state, the Trust Division identifies individuals who have assets large enough to require its assistance—from the creation of an appropriate type of trust to custody and record-keeping facilities to the administration of estates either directly or through its newly created agency for estate services, Estate Aid™.

Many trust customers are attracted to Wells Fargo by the national reputation for innovative investment management that Wells Fargo Investment Advisors has established, and they are likely prospects for the sophisticated management services the advisory group provides. Investment Advisors currently manages approximately $2.3 billion for individuals. During 1979 Investment Advisors implemented a unique new methodology for decision-making in personal accounts that permits portfolio managers to tailor the asset mix and the composition of the accounts to accommodate the individual customer's marginal tax situation, another example of Wells Fargo product development aimed at helping its customers cope with the contemporary financial environment.



Sixteen-year-old Tracy Austin won the Wells Fargo Tennis Open in San Diego last August. Sponsorship of this televised tournament reflected the Company's support of sports activities throughout the state.

Assistant Vice President Nancy Shelvy demonstrates one of 50 Express Stops being installed in the San Francisco Bay Area during 1980 to provide round-the-clock service to customers with Wells Fargo Banking Cards.

SERVING BUSINESS ACROSS THE NATION

Wells Fargo provides many important financial services to U.S. business firms, large and small. The Corporate Banking Group, the Trust Division and Wells Fargo Investment Advisors serve a large number of the nation's large and mid-sized corporations, while the Retail Banking Group handles the daily needs of thousands of California middle-size companies and small businesses.

As a leading national corporate banker, Wells Fargo provides the variety of financial services required by modern corporations, including lending, cash management, corporate finance, investment management, employee benefit trust services, equipment leasing, inventory financing, insurance premium financing and many others. It is one of the Company's strategic goals to significantly increase its volume of business with corporate customers in the 1980s.

The Corporate Banking Group, the leading bank unit serving this important market, made excellent progress during 1979. It achieved significantly higher profits by expanding both its lending volume and its fee-based services. A principal factor in its success is the market orientation of its organizational structure, with special attention given to selected industries such as aerospace, energy, public utilities, agribusiness and insurance.

Wells Fargo's continuing emphasis is on developing total banking relationships with prime customers in targeted market segments, building on the strong position we have developed in California, particularly among mid-sized companies. Our growing number of corporate customers require the full range of sophisticated financial services we provide, including trade finance for those firms seeking new sources of supplies from abroad and new foreign markets for their products, as well as fee-based services formerly utilized only by major corporations.

Wells Fargo's Corporate Finance Department serves a broad range of clients, from smaller private firms to large corporations, through its financial consulting services and an expanding mergers and acquisitions unit. This department was a natural outgrowth of Wells Fargo's pioneering work in applying modern investment theory to its trust and investment activities.

The Cash Management Services Department is the customer contact unit that markets many of Wells Fargo's depository and operational products such as Information Express, a computerized deposit data system. Many large and mid-sized companies maximize their cash flow by using Wells Fargo's cash management services for the efficient collection, control and disbursement of funds across the nation. Current research conducted among the major corporate customers gave the department particularly high marks for its innovative approaches in this important field.

Early in 1979, a new Business Services Division was formed to consolidate certain fee-based services, including WellService and other automated business services, offered through the California retail branches to thousands of merchants and other business customers. WellService is the check and credit card verification system which uses point-of-sale electronic terminals to enable merchants to verify checks drawn on any California bank, or transactions using any of the five leading credit cards. The volume of credit card transactions flowing through the WellService system grew 53 percent in 1979, to a total $431 million. Automated Business Services provides payroll services to some 2,000 California business firms.

At Mt. Zion Hospital in San Francisco, Vice President Lawrence Bacon, right, of Wells Fargo Investment Advisors, discusses the hospital's endowment fund with Joseph Blumline, president of Mt. Zion's board of trustees. Investment Advisors has managed the fund for more than 20 years.

Susan Guglielmo is a corporate banking officer in the Cash Management Services Department in Los Angeles.

Vice President William Kraas, far right, of the Corporate Finance Department and Assistant Vice President Sam Basu offer financial counseling to business firms.

Aerospace, defense and airline companies are the specialty of David Rosso, a Corporate Banking Group assistant vice president in Los Angeles.

Wells Fargo is one of the nation's leading lenders to agribusiness, which is California's largest industry. Our customers in this important market include not only growers, but suppliers, processors and distributors, as well. In an industry where economies of scale are important, more and more customers require large loans and sophisticated financial services for their varied activities. Wells Fargo's Corporate Banking Group serves this high-volume market with short-term loans for operating costs; intermediate and long-term loans for equipment, plantings and livestock; equipment leasing; mortgage loans; and receivables and inventory financing and export financing to help these customers expand their market horizons. At the same time, the Retail Banking Group's agricultural officers provide financial services to smaller, local agricultural customers throughout the state.

Wells Fargo Investment Advisors has experienced the largest increase in assets under management of any institutional money manager in the United States during the past five years—a major achievement in a highly competitive field. The division had under its management $4.5 billion of corporate retirement and other tax-exempt account assets at the end of 1979,an increase of 36 percent over 1978.

This division, which is an extensive user of modern capital market and portfolio theory in its creative approach to funds management, enhanced its national reputation for innovation during 1979 by developing three new funds after extensive research. The most impressive success was achieved by the *Yield Tilt*™ Market Fund for Employee Benefit Trusts, another Wells Fargo "first" in the pension field. It was launched in April and had attracted $457 million by the end of the year. The *Yield Tilt*™ Market Fund is designed to deliver a larger proportion of its yearly return in the form of dividend yield, as well as an above-market total return over time.

The remarkable growth record of Wells Fargo Investment Advisors pleases Senior Vice President James Vertin, who has been involved in managing the funds of Wells Fargo's institutional customers since 1952.

Tony Jones, assistant vice president and trust officer based in Beverly Hills, serves the pension and retirement fund needs of corporate and institutional customers throughout Southern California.

Thirty-year Wells Fargo employee Ralph Davis is a vice president in agricultural lending.

Wells Fargo's Trust Division, which enjoys a strong position as one of the oldest trust operations in the West, works closely with Wells Fargo Investment Advisors to serve corporate and institutional customers through such products as the Master Manager™ Service, an innovative package designed to meet the complex needs of employee benefit plan sponsors. The Master Manager Service, which was further improved in 1979, provides the Trust Division with supplemental analytical and investment capabilities, permitting it to offer expanded service to major institutional clients.

Another unit of the Company serving the corporate market is Wells Fargo Leasing Corporation which provides equipment financing services for manufacturing, processing, transportation and agricultural customers. Founded in 1972, this subsidiary initially grew by offering single-investor leases to customers in the West, and later by expanding nationally through a complete line of general equipment financing services. Its new business volume doubled in 1979 and its credit losses remained minimal. In the 1980s, Wells Fargo Leasing plans to expand further nationally as well as overseas, pursuing leases of all sizes, and working with other investors through syndication of larger transactions.

In addition to working closely with Wells Fargo Bank's commercial customers in California, Wells Fargo Leasing has its own sales force operating out of offices in New York, Chicago, Cleveland, Houston, Los Angeles, San Francisco, Fresno, and a new office in Charlotte that was opened in 1979, its first in the southeastern United States.

Middle market companies seeking loans on their accounts receivable, inventories or fixed assets are served by a subsidiary based in Dallas—Wells Fargo Business Credit—which extends Wells Fargo's commercial finance capabilities into new markets beyond California. Wells Fargo Business Credit opened sales offices in Los Angeles and Atlanta in 1979.

Vice President Linda Comet of Wells Fargo Leasing Corporation arranges the leasing of equipment such as these dockside gantry cranes at San Pedro Harbor in Los Angeles. The subsidiary also leases ships, containers, barges, trucks and other transportation equipment, along with manufacturing, processing and agricultural equipment.

SERVING THE COMMERCIAL REAL ESTATE INDUSTRY

Wells Fargo's commercial real estate lending activity and related services make the Company one of the most active of all bank holding companies in this important sector of the economy. Most of the Company's real estate activity is concentrated in the western and "sun belt" states, which share attractive growth characteristics.

The Company's total real estate loan volume exceeded expectations in 1979, and excellent results were reported by all three of the Company's commercial real estate units: the Bank's Real Estate Industries Group, Wells Fargo Mortgage Company and Wells Fargo Realty Advisors.

The Real Estate Industries Group primarily provides interim residential construction loans to builders and developers in California and adjacent states in the form of short-term loans generally ranging from $1 million to $10 million. Last year it originated $1.2 billion in new construction loans, compared with $840 million in 1978. Approximately 44 percent of that volume was developed in Southern California. Reflecting the fast growth of the Southern California real estate industry and Wells Fargo's commitment to it, the headquarters of the Real Estate Industries Group was relocated to Los Angeles last November.

Wells Fargo Mortgage Company also had an active year in 1979. In July, this nonbank subsidiary acquired Miller & Viele of Salt Lake City, providing a strong position in the Utah and Wyoming markets through that 82-year-old firm's $610 million servicing portfolio of mortgages. With this addition, Wells Fargo Mortgage Company and its wholly owned subsidiary, Ben G. McGuire & Company in Texas, now have over 400 employees in 33 loan production offices in the western states and a servicing portfolio that makes it the sixth largest mortgage banking company in the United States. At year end, the servicing portfolio amounted to $3.1 billion, compared to $2.2 billion at the end of the previous year.

The Company's third major commercial real estate financing entity is Wells Fargo Realty Advisors, whose primary customer is Wells Fargo Mortgage and Equity Trust, a publicly owned real estate investment trust (REIT) that is listed on the New York Stock Exchange. Established in 1970, this trust has become one of the most successful in the REIT industry. The trust reported net income per share of $1.93 in its most recent fiscal year, compared with $1.34 the previous year, representing its fourth consecutive annual increase in earnings. Wells Fargo Realty Advisors has expanded its scope of operation in recent years, seeking real estate investment opportunities for the trust, for its own portfolio and for U.S. and foreign investors.

Wells Fargo's real estate units work cooperatively to meet the total financial needs of their customers. The mortgage company services an increasing proportion of the single-family residential mortgage loans made by the Bank's Retail Banking Group. It will, in the future, identify sale and pass-through opportunities for the Bank's mortgage portfolio, thereby providing greater liquidity to the portfolio. Wells Fargo Mortgage Company works with the Bank's Real Estate Industries Group and Wells Fargo Realty Advisors to assist in arranging construction and permanent financing. The Real Estate Industries Group often joins Realty Advisors on loans. Moreover, as real estate becomes more widely accepted as an appropriate investment vehicle for domestic pension funds and foreign investors, Wells Fargo Realty Advisors may be expected to increasingly provide its expertise to the Bank's Trust Division.

Although there has been pessimism expressed about the health of the real estate industry in 1980, Wells Fargo's economists do not foresee a repetition of the severe housing slump of 1974. There are several reasons for this: the recession this year is expected to be less severe than the earlier one; the homebuying 25-35 age group has grown very large; vacancy rates across the country are low; and the

The Real Estate Industries Group, which made 44 percent of its 1979 construction loans in Southern California, moved its headquarters to Los Angeles last November. Here Vice President Donald S. Grant inspects an office complex under construction in Newport Beach.

In Los Angeles, John C. Kelterer, Jr., top, senior vice president and deputy head of the Real Estate Industries Group, looks forward to continued growth in the Southern California construction market. In San Francisco, Richard Conger is vice president in charge of residential production for Wells Fargo Mortgage Company, the nation's sixth largest mortgage banking firm.

housing industry has been strengthened by financial innovations, such as money market certificates and the expansion of the secondary mortgage market, which provide a more predictable flow of funds to this key industry. In addition, the repeal by California voters of the 10 percent usury law will benefit the state's entire real estate industry.

PROVIDING FINANCIAL SERVICES WORLDWIDE

Wells Fargo continues its commitment to maintaining an important position in international banking, despite the heightening of international tensions in the last months of 1979 and early 1980. The long-term potential for the growth of international commerce is great, although economic factors such as higher oil prices, disparities in inflation rates among trading countries, continued high interest rates and economic stagnation in several countries create uncertainties for worldwide banking activity in 1980.

Wells Fargo's international financing activity has been split rather evenly in the past between the public sector—governments, central banks and other foreign public agencies—and the private sector, consisting of foreign commercial banks and corporations. In the future, the Bank's emphasis will be on commercial, trade-related business, on coordinating services for multi-national accounts and on applying Wells Fargo's domestic services and expertise to overseas markets.

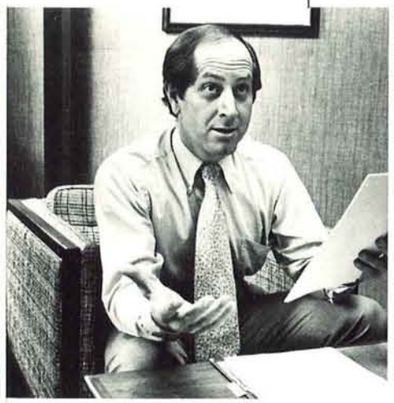
As planned, Wells Fargo's total international loan outstandings were reduced somewhat during 1979 for the first time in more than a decade. However, we strengthened our overall capabilities for serving domestic multinational corporations, foreign customers—particularly those in or about to enter the U.S. market—and mid-sized firms requiring assistance in expanding into importing and exporting, which will contribute to growth in the future.

The International Banking Group maintained its return on assets in 1979 despite the global trend toward reduced spreads and lengthening maturities caused by increased competition in worldwide banking. Selective lending based on country risk analyses produced total average loans, acceptances and other assets of $2.6 billion in 1979, representing 16 percent of the Bank's total assets, a reduction from the previous year's 21 percent.

Despite the difficult environment in global financial markets, Wells Fargo continued to be a leader in the field of loan syndications in 1979. The International Banking Group led 18 syndicated credits and managed or co-managed an additional five. Of the total aggregate financing of $1.5 billion that was involved, Wells Fargo retained nearly $210 million for its own account.

The Bank led a syndicate of 41 international banks for a large acceptance financing of $400 million for PETROBRAS, the state petroleum company of Brazil. Early this year, we acted as agent in a $600 million acceptance financing facility for PETROBRAS. We led a $50 million syndication for a loan that PEMEX, the national oil company of Mexico, will use to help develop its oil fields, and we headed another group in a $50 million syndicated loan to NAFINSA, the national development bank of Mexico, to help it meet the Mexican government's economic and social goals. The Bank also led a $41 million syndication for three Venezuelan construction firms.

In order to facilitate import/export trade between the United States and the People's Republic of China, Wells Fargo established a correspondent relationship with the Bank of China in 1979. We will process trade and non-trade items such as letters of credit, remittances, collections and other documents for the Bank of China. Wells Fargo Asia Limited, a new, wholly owned merchant bank, was opened during the year in Hong Kong, replacing Wells Fargo's previous minority position in a merchant banking enterprise there. A representative office in Turkey was closed and the activities of the Luxembourg branch were consolidated into the London Branch in 1979.



Export finance is an area of expertise of William Montgomery, vice president in the International Banking Group. On the right, visiting bankers from Algeria, Japan, Kenya and Korea view computer printouts of five-year projections of their countries' balances of payments and corporate credit analyses with Carolyn Wishart, program analyst in the Uniform Credit Analysis Department.

The International Banking Group was co-lead manager in 1979 on a $40 million loan to Mexicana Airlines. Manuel Sosa de la Vega, right, director general of Mexicana, discusses capital requirements with Wells Fargo's Hugh Foster, vice president, at the airline's Mexico City maintenance facility.

London is increasingly serving as a center for Wells Fargo's international operations involving Europe, Africa and the Middle East, and as a base for the Company's various entities doing business with international customers. Wells Fargo Investment Advisors now has a London office providing investment research and portfolio counsel to some 25 large foreign investment managers. Investment Advisors is also assuming an advisory role for several new unit trusts being established by Wells Fargo Limited in London to handle investments by pension funds in the United Kingdom.

Wells Fargo Leasing Corporation made plans in 1979 to establish a subsidiary in Mexico as a joint venture with a Mexican firm. This new organization will provide financing for major equipment purchases by large Mexican companies. Wells Fargo Realty Advisors, which serves a number of foreign investors purchasing real estate in the United States, is expanding this capability.

IN SUPPORT OF OUR OPERATING GROUPS

Worldwide financial operations require banks to be able to swiftly adapt to changes in the marketplace by instituting new approaches to funding activity, to use of technology, and to deployment of trained people. Wells Fargo's strengths in these areas have been an important factor in our success.

One of the major changes in U.S. banking in the past two decades has been the shift in the composition of liabilities away from interest-free demand deposits—which fell from 65 percent to less than 30 percent of the industry's liabilities—and the increase in borrowed, or "purchased" funds, which have risen steadily. Moreover, total funding needs grew at an unprecedented rate during that time to meet phenomenal loan demand.

Marge Linville, a training officer in the Personnel Division, uses videotape in an important new program for first-line supervisors. Dale Nelson, top right, assistant vice president and project auditor, inspects the progress on the data processing center under construction in El Monte. Below left, Sylvia Wong saves time with a microfilm check-filing device. In the Company's Funding Group, Pam Wicks, an investment negotiator, checks the latest information.

To meet the challenge posed by these changes, the Company in late 1979 formed a new Funding Group to direct all of Wells Fargo's short-term funding activities formerly divided between the Bank's Investment Division and the Treasury Department of the holding company. In implementing its funding, Wells Fargo believes it is unique among banks in trying to balance borrowing expense and earnings volatility over a longer horizon than is customary in the industry, without undue reliance on forecasting interest rates.

Another major change in banking over the past 20 years has been the shift toward electronic data processing and away from paper handling in order to keep up with the accelerating volume of transactions and the accompanying details. Wells Fargo has been one of the pioneers in applying computer technology to banking, with the major emphasis on automating internal systems and building a staff of highly trained specialists to operate and manage the new processing environment. Customers see the results of these efforts in the form of a wider range of more convenient and accurate services for them.

During 1979, work was begun on a 295,000-square-foot data processing center in El Monte, near Los Angeles, to improve our capability to handle the growing volume of business in Southern California. This five-story computer center, due for completion in 1981, also will provide backup support for the main computer facility in San Francisco. A new mainframe computer was added to the San Francisco center in 1979, and the independent emergency power service at that facility was greatly enhanced to guarantee uninterrupted processing in the event of a power outage.

These two main computer centers in Northern and Southern California will continue to concentrate on the every-day, high-volume, standardized data processing. Other levels of processing

Jill Parry, foreground, of the Difference Research Department, uses a CRT terminal while Systems Group Manager Al Murray and Programmer/Analyst Denise Williams fine-tune the systems used to help the branches answer customer questions about their accounts.

facilities will in the future focus on specific customer groups in order to provide custom services more effectively. The Bank's 24 installment loan processing centers in California are an early example of this trend toward concentrating specifically trained staffs at a reduced number of locations addressing themselves to a specific market. This kind of structure improves service to the customers, increases productivity and provides tighter operational control.

Wells Fargo has established a reputation for placing great importance on recruiting and retaining high-caliber employees, which is even more important in the 1980s as demands increase for sophisticated financing and advanced data processing. In a financial services business, good people represent the basis for a competitive advantage. Worldwide, Wells Fargo & Company employed 17,332 persons at the end of 1979, on a full-time equivalent basis, and of this total about 16,389 were employed by the Bank, with the remainder working for the Company and the nonbank subsidiaries.

In order to be able to attract and reward qualified employees, the Company again improved its benefits program in 1979 by altering several of the benefit plans to more closely reflect employee values and needs. In addition, the first option period for the Employee Stock Purchase Plan ended July 31, 1979, and stock certificates representing more than $3 million of new equity for the Company were mailed to participating employees, thus giving them a greater stake in the success of the organization.

During 1979, the Personnel Division developed an important new training program in which nearly 1,500 first-line supervisors will participate over the next year. Based on extensive research, the management training program emphasizes dealing with people in "the Wells Fargo way," helping to enhance the favorable reputation Wells Fargo has established with its employees and its customers.

Under Wells Fargo's new volunteer director program, Ronald L. Haney, at left, a loan services supervisor in San Francisco, is serving on the board of the Berkeley Stage Company, a professional non-equity theater that produces new plays by American playwrights. He is shown backstage with the stage company's general manager, Tony Taccone.

SERVICES TO THE COMMUNITY

Companies no longer are judged solely on the quality of their products and services, or the profits they generate for shareholders. Increasingly, business firms are being evaluated on how they relate to their employees, their customers, the communities they serve and to society as a whole.

At Wells Fargo, we believe we have a special responsibility and unique opportunities to fulfill the role of good corporate citizen. In recognition of our success in carrying out this responsibility, the Company in 1979 was presented the national Human Relations Award of the American Jewish Committee for "exemplary commitment" to the communities we serve "and an ever-expanding responsibility in civic and educational affairs."

A key role in the Company's overall corporate responsibility effort is played by the Community Development Department, which is charged specifically with ensuring that the Bank serves the credit needs of the low-income and moderate-income areas in the markets we serve. In 1979, the retail branch network participated in nearly $92 million in commitments to finance projects of $100,000 or more that were related to community development. The branches disbursed almost $23 million in these loans during the year.

In an effort to develop additional opportunities for community reinvestment loans, branch personnel throughout the state made more than 1,500 calls during 1979 to describe the Bank's credit services and to assess the credit needs of individuals and groups in the low- and moderate-income neighborhoods.

In one of its long-standing loan programs, the Bank has made 1,782 loans amounting to $81 million since 1968 to minority business firms whose requests do not meet our regular credit criteria.

During a Personal Growth Leave, Rose Bruno, a personnel officer, took college courses so that she could teach special Saturday morning classes at Sacred Heart Church in San Francisco's Fillmore District.

William Anderson, credit officer in Commercial Loan Administration, has been a Scoutmaster in Pacifica for 10 years.

Sylvia Rodriquez, who is deaf, helps other Computer Systems Division employees learn sign language in order to communicate with deaf customers and employees.

Of these, the Small Business Administration partially guaranteed 1,131 loans totaling $65 million and the Bank made direct loans for $16 million without guarantees.

In 1972, the Bank developed a special consumer loan program, named Low Income Finance Terms (LIFT), designed for individuals who do not qualify for personal credit under the usual standards. More than 5,200 of these LIFT loans totaling more than $6.4 million have been made since 1972.

Wells Fargo had more than $42 million in student loans outstanding at year-end 1979. As another ongoing program of support to education, the Company matched 296 donations by employees during the year, amounting to more than $78,000, to institutions of higher learning.

Following up on the return to the community in 1978 of the $1.2 million in state taxes saved as a result of passage of California's Proposition 13, Wells Fargo in January 1979 established a $250,000 Community Services Emergency Loan Fund to provide short-term loans to nonprofit organizations experiencing temporary cash-flow problems. These loans are made at an interest rate of 6 percent a year, well below the prime lending rate. This program was the first of its kind by any California bank.

Wells Fargo bolstered its overall record of corporate responsibility in 1979 by developing new programs, while continuing to support the many ongoing programs that have constituted the basis of its involvement in community service activities. Several years ago the Company formed a Corporate Responsibility Committee to coordinate these efforts, develop new ideas and address emerging issues—in other words, strategic planning for social responsibility. The membership of this committee rotates, but at all times consists of 12 employees who represent different backgrounds, philosophies and interests. Their recommendations provide management with a broad spectrum of viewpoints.

For several years Wells Fargo employees have served as volunteers at the Orange County Special Olympics, an event co-sponsored by the American Red Cross. James Heim, a loan officer in the Santa Ana office, congratulated a 1979 participant after a race.

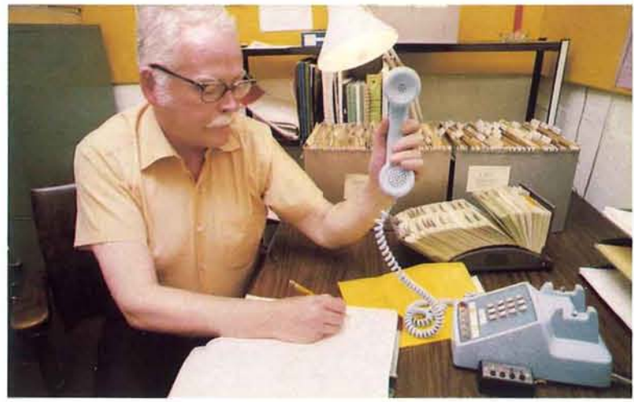
One of the Corporate Responsibility Committee's goals is to actively seek suggestions from all Wells Fargo employees. Ideas generated in this manner help shape the Company's community service programs and influence future courses of action in the important area of corporate responsibility.

A new program initiated in 1979 was the Board of Directors Placement Service for Wells Fargo employees who are interested in serving as directors of nonprofit agencies. Employees in the San Francisco Bay Area were informed of the program and, after an orientation and application process, many employees were placed on the boards of volunteer organizations that could utilize their expertise. In due time, we may expand this program to the rest of the state.

One of the most innovative of Wells Fargo's ongoing programs is the Social Service Leave, through which the Company encourages employee involvement in the communities we serve. Qualifying employees are granted paid leaves of up to six months to do volunteer work in agencies, schools and hospitals of their selection. Any staff member with three or more years of employment with Wells Fargo may apply for a social service leave, and those on such leaves are guaranteed either their former position or jobs with comparable salaries and responsibilities when they return.

In 1979, the Company and the Wells Fargo Foundation disbursed $1.7 million in charitable donations. Of that total, one-half went to health and welfare organizations and one-fourth to education, with 16 percent going to civic activities and the remaining 10 percent contributed to culture and the arts.

A long-time effort at Wells Fargo has been recruitment and hiring of minorities and women. At year end, nearly 35 percent of Wells Fargo's staff of some 17,000 employees were minorities



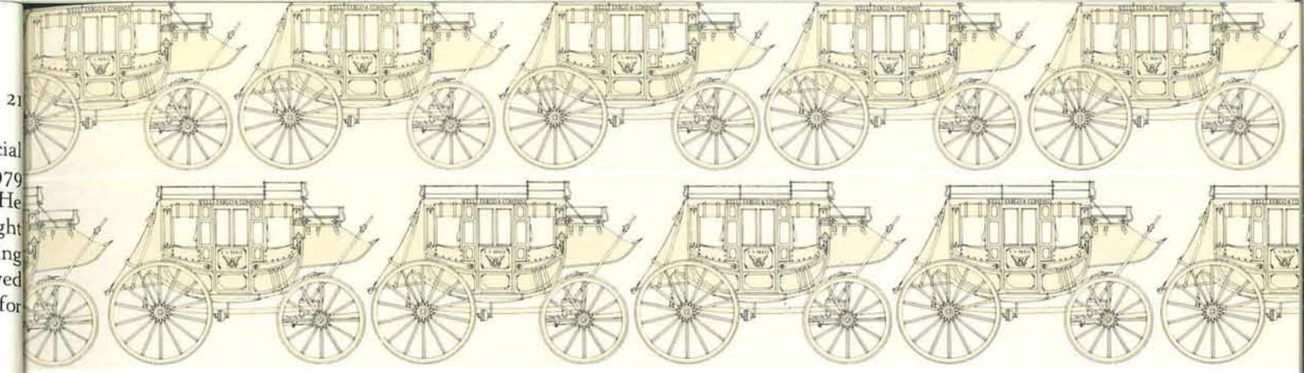
Winner of the 1979 President's Award for Social Service was John Hall, an assistant vice president in the Oakland City Center office, for his years of service to Suicide Prevention of Alameda County.

and more than 70 percent were women. Of the officials, managers and professionals, more than 21 percent were minorities and nearly 52 percent were women.

Every year one Wells Fargo employee is selected for the President's Award for Social Service, based on outstanding volunteer work on his or her own time in the community. The 1979 winner of this honor was John Hall, an assistant vice president in the Oakland City Center office. He has been spending four hours a week at the Suicide Prevention Center in Berkeley for the past eight years, answering hundreds of telephone calls from individuals who are troubled or are contemplating taking their own lives. In addition, Hall has trained more than 20 volunteers at the Center and served on the board of directors. Along with a plaque, Hall was awarded a Wells Fargo check for $1,000 for presentation to Suicide Prevention of Alameda County.

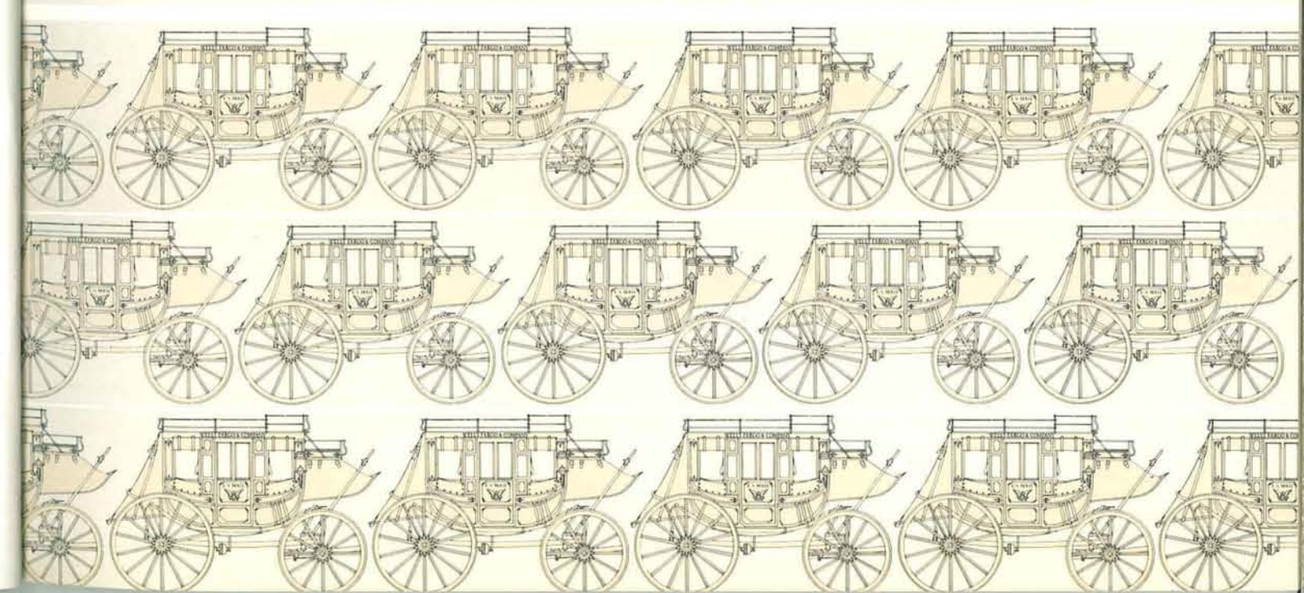
The Capuchino High School Band serenaded Gary Branman, assistant vice president and manager of the San Bruno office, as a gesture of thanks for a loan that permitted the band to fly to a national competition in Hawaii.

Linda Bjork, center, operations officer, took a six-month Social Service Leave in 1979 to work at the Downtown Women's Center in Los Angeles while receiving her regular Wells Fargo salary and benefits.



MANAGEMENT'S ANALYSIS OF FINANCIAL OPERATIONS

Index to key financial information pages

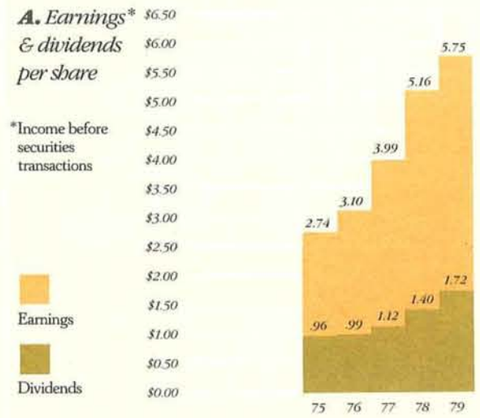


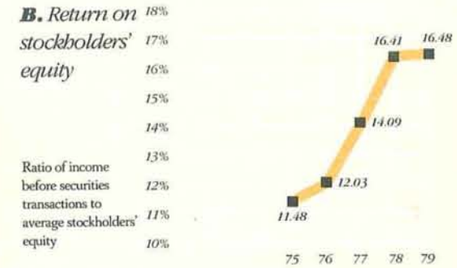
This section analyzes details of the Company's financial operations and should be read in conjunction with the Consolidated Six-Year Summary of Operations below, the schedule of "Average Balances, Rates Paid and Yields" on page 34 and 35, and the consolidated financial statements starting on page 52.

SUMMARY

1979 was a year of continued growth for Wells Fargo & Company. Income before securities transactions (earnings) of $130,202,000 and earnings per share of $5.75 reached the highest level in the Company's history. This growth, which represented an increase of 12 percent in earnings and 11 percent per share over 1978, was at a slower rate than the 1978 increases of 34 percent in earnings and 29 percent in earnings per share over the corresponding 1977 amounts. The five-year compound growth rate for earnings per share now stands at 18.5 percent.

In 1979, average earning assets grew from $14,187,000,000 to $16,481,000,000, a 16 percent increase. In 1978 the corresponding increase was 19 percent. Yields in 1979 were higher than in 1978, but increases in interest rates paid in 1979 resulted in the spread remaining at approximately the same level as in 1978. In 1978, the spread increased from 4.17 percent to 4.50 percent. Other expense in 1979 represented 2.76 percent of total average assets as compared to 2.66 percent of total average assets in 1978.

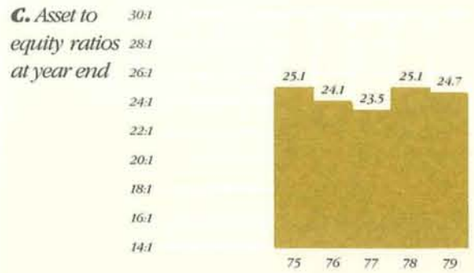


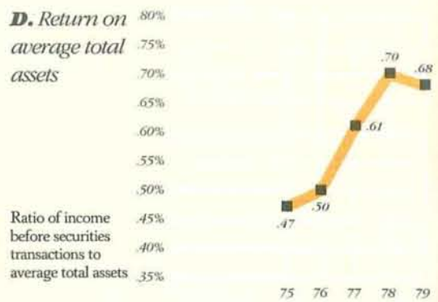


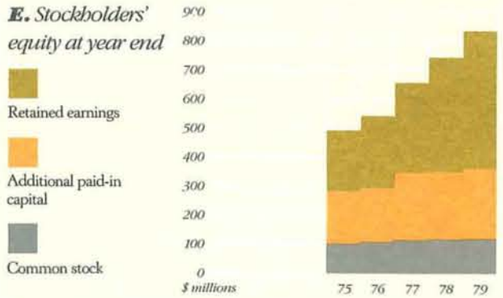
CONSOLIDATED SIX-YEAR SUMMARY OF OPERATIONS

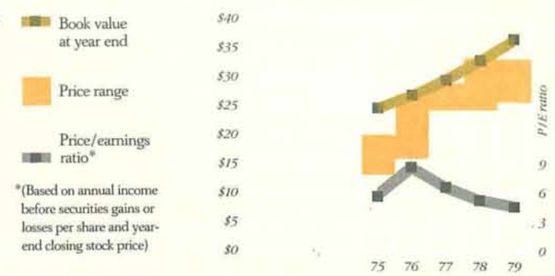
	Wells Fargo & Company and Subsidiaries	*1979*	*1978*	*1977*	*1976*	*1975*	*1974*	*Change 1979/1978*	*Five-year compound growth rate*
		(Dollars in thousands, except per share data)							
Interest income	Interest and fees on loans and funds sold	$1,688,230	$1,207,647	$ 829,844	$696,959	$696,755	$772,226	39.8%	16.9%
	Interest on investment securities	114,817	103,356	116,029	108,225	103,964	101,016	11.1	2.6
	Other interest income	103,566	75,239	61,702	72,733	67,050	91,766	37.6	2.5
	Total interest income	1,906,613	1,386,242	1,007,575	877,917	867,769	965,008	37.5	14.6
Interest expense(1)	Interest on deposits	952,169	656,997	463,733	414,832	438,261	520,442	44.9	12.8
	Interest on borrowings(2)	262,922	132,695	80,223	71,030	87,651	179,707	98.1	7.9
	Total interest expense	1,215,091	789,692	543,956	485,862	525,912	700,149	53.9	11.7
	Net interest income	691,522	596,550	463,619	392,055	341,857	264,859	15.9	21.2
	Provision for loan losses	62,949	47,537	41,028	46,379	50,429	21,864	32.4	23.6
	Net interest income after provision for loan losses	628,573	549,013	422,591	345,676	291,428	242,995	14.5	20.9
	Other income	110,970	102,117	90,675	68,917	68,960	65,428	8.7	11.1
	Other expense(2)	531,316	442,689	354,491	292,709	272,566	242,160	20.0	17.0
	Income before income taxes and securities transactions	208,227	208,441	158,775	121,884	87,822	66,263	(.1)	25.7
	Less applicable income taxes	78,025	92,560	72,394	59,638	33,050	17,518	(15.7)	34.8
	Income before securities transactions	130,202	115,881	86,381	62,246	54,772	48,745	12.4	21.7
	Securities gains (losses) net of income tax effect	(6,786)	(5,735)	(1,020)	40	646	(2,705)	(18.3)	(20.2)
	Net income	$ 123,416	$ 110,146	$ 85,361	$ 62,286	$ 55,418	$ 46,040	12.0	21.8
Per share	Income before securities transactions	$5.75	$5.16	$3.99	$3.10	$2.74	$2.46	11.4	18.5
	Net income	$5.45	$4.91	$3.94	$3.10	$2.77	$2.32	11.0	18.6
	Dividends declared	$1.72	$1.40	$1.12	$0.99	$0.96	$0.96	22.9	12.4
	Dividends paid	$1.64	$1.33	$1.09	$0.98	$0.96	$0.96	23.3	11.3
	Average shares outstanding	22,657,695	22,442,612	21,681,585	20,061,601	20,017,813	19,801,448		

(1) See page 33 for discussion of the adoption of Financial Accounting Standards Board Statement #34.
(2) See page 33 for amount of imputed interest on capitalized leases reclassified to interest expense from net occupancy and equipment expense.









The ratios below summarize key aspects of the Company's operations during the past two years.

Return on stockholders' equity—earnings as a percentage of average stockholders' equity—increased to 16.48 percent in 1979 from 16.41 percent in 1978. This ratio reflects the profitability of the shareholders' investment and is influenced by leverage and the overall return on assets.

The Company's leverage ratio—assets divided by stockholders' equity—decreased to 24.69 at December 31, 1979 from 25.06 at 1978 year end. However, the Company's average leverage ratio of 24.39 in 1979 was higher than the 1978 ratio of 23.58. This ratio measures the extent to which external funding sources were used in building the Company's asset base.

Return on average assets for the Company—earnings divided by average total assets—decreased to .68 percent in 1979 from .70 percent in 1978. This ratio is a measure of the profitability of the resources utilized by the Company.

Dividends declared were raised to $1.72 per share in 1979 compared to $1.40 per share in 1978, an increase of 23 percent. In February of 1980, the quarterly dividend was raised to $.48 per share from $.43, an increase of 12 percent. The increase will be effective for shareholders of record on March 31, 1980.

Table 1: Statistics and Ratios

		Year ended December 31,				
		1979	1978	1977	1976	1975
Ratios	Income before securities transactions to:					
	Average total assets	.68%	.70%	.61%	.50%	.47%
	Average stockholders' equity	16.48	16.41	14.09	12.04	11.48
	Net income to:					
	Average total assets	.64	.66	.61	.50	.47
	Average stockholders' equity	15.62	15.60	13.93	12.05	11.62
	Average stockholders' equity to average total assets	4.10	4.24	4.35	4.19	4.06
	Dividends declared per share to:					
	Income per share before securities transactions	29.91	27.13	28.07	31.94	35.04
	Net income per share	31.56	28.51	28.43	31.94	34.66
	Stockholders' equity per share at year end	$36.58	$32.94	$29.46	$26.79	$24.74
Statistical summary	Market prices of common stock:					
	High for year	$33	$33¼	$28⅞	$27	$20⅛
	Low for year	25½	24¼	24¼	15⅞	13¼
	Year end	26⅞	27⅛	26⅞	27	15½
Other year-end data	Number of stockholders	21,943	17,238	17,008	17,447	18,329
	Company staff (full-time equivalent)	17,461	15,443	13,393	12,500	12,143
	Number of bank offices	377	368	341	335	322

INTERNAL PROFITABILITY

Graphs H and I represent the comparative contributions made by major Groups to Company operations for 1979 and 1978. The contributions are expressed as percentages of Company earnings and average assets employed.

Group profitability measurement is a significant element used in setting financial goals and evaluating performance of the individual Groups within the Company.

The Company has measured Group performance for 1979 and 1978 using the following procedures and assumptions:

- Assets and liabilities and the related interest income or expense are transferred from the Group where they are domiciled for customer servicing convenience to the Group responsible for generating the balances.
- Groups of the Bank which make loans have been charged with a portion of the Bank's loan loss provision based on the Group's actual and expected loan loss experience.
- Transfers of income and expense have been made to reflect intercompany services provided among Groups.
- Capital funds of the Bank and administrative overhead expenses, including costs of the Parent, have been allocated based on each Group's share of total Bank assets.
- An internal funds transfer price, using the actual average cost of purchased funds during each month of the year, has been used to compensate or charge each Group for the excess funds it provides or receives.
- Income and expense items have been adjusted to a taxable-equivalent basis.

Although the Group breakdowns of earnings and assets provide a general picture of the relative contribution of the Groups to the Company's overall operating results, the underlying assumptions and estimates may be revised if more appropriate methods and procedures for responsibility reporting are determined in the future.

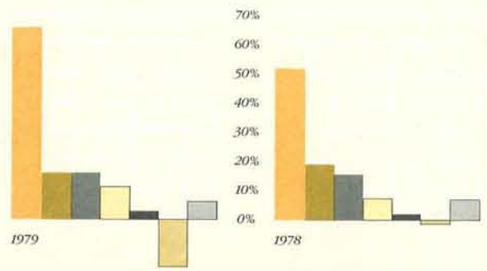
The important changes in internal financial performance from 1978 to 1979 were:

- The continued increase in the relative size of the Retail Banking Group in both earnings and assets, primarily due to continued strong growth in long-term real estate loans and other consumer-related loans, and to the value of deposits in a high interest rate year.
- The continued strength of the Corporate Banking Group, which achieved moderate increases in relative share of earnings and assets, as compared with declines in both categories in the International Banking Group. The shift can be attributed partially to the less attractive terms available in overseas lending as compared to domestic business.

- As happened in 1978, the Investment Division showed a loss in the internal profitability system. The assets of the Investment Division are comprised of the securities in the investment portfolio. Because of the maturity mix and fixed rate characteristic of the portfolio, the yields do not react quickly to changes in short-term rates. The Investment Division is charged for the funds required to support the portfolio at the internal funds transfer price, which rose rapidly during 1979 and 1978 and exceeded the earnings yield.
- The marked increase in earnings contribution of the Real Estate Industries Group primarily due to a strong increase in interim real estate loan volumes in the year.

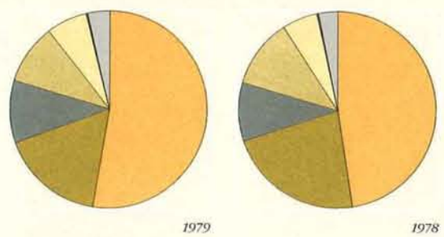
H. *Earnings by group*

	1979	1978
Retail Banking	65.1%	51.1%
International Banking	15.8	18.8
Corporate Banking	15.8	15.2
Real Estate Industries	11.0	7.2
Trust & Investment Advisory Services	2.5	1.9
Investment Division	(16.3)	(1.2)
Finance Subsidiaries	6.1	7.0
	100.0%	100.0%



I. *Average assets by group*

	1979	1978
Retail Banking	52.7%	47.5%
International Banking	16.7	22.5
Corporate Banking	10.1	9.5
Investment Division	9.8	11.2
Real Estate Industries	6.6	5.8
Trust & Investment Advisory Services	0.2	0.2
Finance Subsidiaries	3.9	3.3
	100.0%	100.0%



FINANCE SUBSIDIARIES

The Finance Subsidiaries consist of Wells Fargo Leasing Corporation, Wells Fargo Mortgage Company, Wells Fargo Realty Advisors, Wells Fargo Business Credit (WFBC) and Wells Fargo Credit Corporation (WFCC), all wholly owned by the Parent. Through these subsidiaries, financial services are offered both outside as well as within the state of California.

The combined net income of the Finance Subsidiaries decreased 3.0 percent in 1979 compared to 1978 as a result of higher short-term interest rates and start-up, expansion, and marketing costs of WFBC and WFCC, which were established in the latter part of 1978. The combined income of the Finance Subsidiaries decreased 7.2 percent in 1978 compared to 1977.

TAXABLE-EQUIVALENT PRESENTATION

Method of Presentation

The interest differential and spread, and the analysis of changes in interest differential tables, have been computed on a taxable-equivalent basis. Since certain forms of revenue are tax-free or otherwise are unequally impacted by federal tax regulations, management feels that an adjustment is necessary in order to show such revenue on a basis comparable with revenue from fully taxable income-producing assets of a similar risk and maturity.

The tax rate used in the adjustment is based on the 46% federal tax rate (48% in 1978 and prior years) and takes into consideration the state tax that is applicable on municipal securities. No similar state tax effect is applicable to the lease financing adjustment for investment tax credit. Imputed interest on capitalized leases (which is an expense included in net interest income in order to comply with the Securities and Exchange Commission's regulations effective in 1979) has not been included in the determination of the interest differential since the corresponding liability does not fund an earning asset. In the six-year summary of operations and the consolidated income statement, these amounts have been reclassified to interest expense from other expense, where they were reported in prior years. Certain average balances and related income have been reclassified from consumer loans to commercial loans also to comply with the Securities and Exchange Commission's regulations.

The following table reconciles the interest differential with net interest income as shown in the summary of operations:

Table 2: Adjustments for taxable-equivalent basis

(In millions)	*Year ended December 31,* 1979	1978	1977	1976	1975
Net interest income per consolidated statement of income	$691.5	$596.6	$463.6	$392.0	$341.9
Tax adjustment to obligations of states and political subdivisions	38.7	32.6	23.3	16.1	30.1
Tax adjustment for the municipal portion of trading account securities	.2	.2	.2	.1	.4
Tax adjustment to reflect the effect of investment tax credit on leasing	2.9	1.8	2.5	2.3	1.9
Total taxable-equivalent adjustment	41.8	34.6	26.0	18.5	32.4
Imputed interest expense on capital leases excluded from the interest differential	5.7	6.0	6.1	6.1	6.1
Capitalized interest on funds borrowed excluded from the interest differential	(1.3)	—	—	—	—
Interest differential	$737.7	$637.2	$495.7	$416.6	$380.4

During 1979, the Company adopted Financial Accounting Standards Board Statement No. 34, "Capitalization of Interest Cost," which requires the interest cost attributable to the funding of fixed assets during the construction period to be added to the cost of the asset. The statement calls for prospective implementation. As a result, prior year statements have not been restated for this change. Management feels that the presentation of rates will be more meaningful if this reduction of expense is excluded from the taxable-equivalent presentation. The resulting presentation shows the gross interest actually incurred to borrow the funds used by the Company. This method is consistent for the five years shown.

Funds transferred and other

The funds transferred from domestic operations, as shown in the schedule of average balances, rates paid and yields, represent pooled funds, and related pooled costs, associated with funding the Company's international lending operations. Other than deposits in overseas offices, all funding sources are considered to be domestic sources under the Company's global funding policy. All funds transferred internally to support international assets are valued at the actual cost of domestic purchased funds. Funds provided by the international group to support domestic assets are valued at the average cost of overseas deposits.

The other assets category is reported net of the average allowance for loan losses which was, in millions, $114, $97, $84, $73, and $57 in 1979 thru 1975, respectively.

AVERAGE BALANCES, RATES PAID & YIELDS

(Yields on a taxable-equivalent basis. See page 33 for a discussion of this method of presentation.)

		1979			1978			1977			1976			1975		
		Average balance	Yields or rates	Interest income/ expense	Average balance	Yields or rates	Interest income/ expense	Average balance	Yields or rates	Interest income/ expense	Average balance	Yields or rates	Interest income/ expense	Average balance	Yields or rates	Interest income/ expense
		(Dollars in millions)														
Domestic operations	**Earning assets:**															
	Investment securities:															
	U.S. Treasury securities	$ 481	7.57%	$ 36.4	$ 734	6.57%	$ 48.2	$ 1,107	6.32%	$ 69.9	$ 887	6.75%	$ 59.9	$ 387	7.23%	$ 28.0
	Securities of other U.S. government agencies and corporations	386	8.22	31.7	259	7.30	18.9	232	7.12	16.5	355	7.11	25.2	515	7.12	36.7
	Obligations of states and political subdivisions	886	9.01	79.9	754	8.40	63.4	571	8.02	45.8	390	8.19	31.9	636	9.32	59.3
	Other securities	67	8.22	5.5	73	7.47	5.5	100	7.07	7.1	112	6.49	7.3	138	7.37	10.2
	Trading account securities	30	10.85	3.3	29	8.20	2.4	76	6.09	4.6	63	5.71	3.6	56	7.16	4.0
	Funds sold	136	11.10	15.1	169	8.21	13.9	111	5.79	6.4	65	5.38	3.5	197	6.89	13.6
	Loans:															
	Commercial loans	3,597	12.47	448.4	3,055	9.60	293.2	2,657	7.65	203.4	2,537	7.56	191.8	2,725	8.75	238.4
	Real estate loans	5,310	10.35	549.6	3,851	9.09	350.2	2,900	8.45	245.0	2,368	7.98	188.9	2,211	7.86	173.8
	Consumer loans	2,467	12.97	320.1	1,873	12.85	240.6	1,152	12.77	147.1	940	12.40	116.5	883	11.97	105.7
	Fees and sundry interest	—	—	73.5	—	—	55.4	—	—	46.5	—	—	35.4	—	—	23.0
	Lease financing	505	11.24	56.8	358	11.00	39.3	299	11.84	35.4	271	12.51	33.9	262	12.14	31.8
	Total domestic earning assets	$13,865	11.69	1,620.3	$11,155	10.14	1,131.0	$ 9,205	8.99	827.7	$ 7,988	8.73	697.9	$ 8,010	9.04	724.5
	Funding sources:															
	Interest-bearing liabilities:															
	Deposits:															
	Savings deposits	$ 3,395	5.15	174.8	$ 3,595	5.02	180.4	$ 3,605	5.00	180.1	$ 3,051	5.00	152.4	$ 2,351	4.98	117.1
	Savings certificates	2,673	8.84	236.2	1,876	7.06	132.5	1,489	6.61	98.4	1,358	6.48	88.0	1,343	6.54	87.8
	Certificates of deposit	2,062	10.47	215.9	2,342	7.91	185.3	1,612	5.87	94.6	1,705	6.26	106.8	1,849	7.73	142.9
	Other time deposits	599	9.73	58.3	492	7.04	34.7	342	5.02	17.2	345	5.64	19.4	360	6.43	23.1
	Funds borrowed	1,503	10.84	163.0	1,089	7.94	86.5	760	5.68	43.2	745	5.08	37.9	894	5.96	53.3
	Commercial paper	582	11.29	65.7	215	8.14	17.5	176	5.55	9.8	145	5.54	8.0	147	6.77	10.0
	Long-term debt	374	7.99	29.9	313	7.24	22.7	308	6.89	21.2	290	6.58	19.1	286	6.40	18.3
	Funds transferred (to) from international operations	59	11.03	6.5	(1,317)	(7.59)	(100.0)	(1,403)	(5.49)	(77.0)	(1,540)	(5.97)	(91.9)	(938)	(6.91)	(64.8)
	Total interest-bearing liabilities	11,247	8.45	950.3	8,605	6.50	559.6	6,889	5.62	387.5	6,099	5.57	339.7	6,292	6.16	387.7
	Portion of non-interest-bearing funding sources	2,618	—	—	2,550	—	—	2,316	—	—	1,889	—	—	1,718	—	—
	Total domestic funding sources	$13,865	6.85	950.3	$11,155	5.02	559.6	$ 9,205	4.21	387.5	$ 7,988	4.25	339.7	$ 8,010	4.84	387.7
	Domestic spread and interest differential		4.84%	$ 670.0		5.12%	$ 571.4		4.78%	$ 440.2		4.48%	$358.2		4.20%	$336.8
International operations	**Earning assets:**															
	Interest bearing funds — foreign	$ 434	10.75%	$ 46.6	$ 481	7.34%	$ 35.3	$ 432	5.65%	$ 24.4	$ 605	6.22%	$ 37.7	$ 472	7.11%	$ 33.5
	International loans	2,182	12.45	271.7	2,551	9.61	245.1	2,247	7.77	174.6	1,919	8.15	156.3	1,518	9.23	140.1
	Fees and sundry interest on loans	—	—	9.8	—	—	9.5	—	—	6.9	—	—	4.5	—	—	2.1
	Total international earning assets	$2,616	12.54	328.1	$ 3,032	9.56	289.9	$ 2,679	7.68	205.9	$ 2,524	7.86	198.5	$ 1,990	8.83	175.7
	Funding sources:															
	Interest-bearing liabilities:															
	Deposits in overseas offices	$ 2,420	11.03	266.9	$ 1,556	7.98	124.1	$ 1,189	6.17	73.4	$ 846	5.69	48.2	$ 953	7.06	67.3
	Funds transferred from (to) domestic operations	(59)	(11.03)	(6.5)	1,317	7.59	100.0	1,403	5.49	77.0	1,540	5.97	91.9	938	6.91	64.8
	Total interest-bearing liabilities	2,361	11.03	260.4	2,873	7.80	224.1	2,592	5.80	150.4	2,386	5.87	140.1	1,891	6.99	132.1
	Portion of non-interest-bearing funding sources	255	—	—	159	—	—	87	—	—	138	—	—	99	—	—
	Total international funding sources	$ 2,616	9.95	260.4	$ 3,032	7.39	224.1	$ 2,679	5.61	150.4	$ 2,524	5.55	140.1	$ 1,990	6.64	132.1
	International spread and interest differential		2.59%	$ 67.7		2.17%	$ 65.8		2.07%	$ 55.5		2.31%	$ 58.4		2.19%	$ 43.6
Domestic and international operations	**Earning assets**	$16,481	11.82%	$1,948.4	$14,187	10.02%	$1,420.9	$11,884	8.70%	$1,033.6	$10,512	8.52%	$896.4	$10,000	9.00%	$900.2
	Funding sources	$16,481	7.35	1,210.7	$14,187	5.52	783.7	$11,884	4.53	537.9	$10,512	4.56	479.8	$10,000	5.20	519.8
	Domestic and international spread and interest differential		4.47%	$ 737.7		4.50%	$ 637.2		4.17%	$ 495.7		3.96%	$416.6		3.80%	$380.4
	Non-earning assets:															
	Cash and due from banks	$ 1,781			$ 1,565			$ 1,357			$ 1,137			$ 1,105		
	Other	1,007			898			856			703			635		
	Total non-earning assets	$ 2,788			$ 2,463			$ 2,213			$ 1,840			$ 1,740		
	Non-interest-bearing funding sources:															
	Demand deposits	$ 3,779			$ 3,499			$ 3,048			$ 2,733			$ 2,562		
	Other liabilities	1,092			967			955			617			518		
	Stockholders' equity	790			706			613			517			477		
	Non-interest-bearing funding sources used to fund earning assets	(2,873)			(2,709)			(2,403)			(2,027)			(1,817)		
	Total net non-interest-bearing funding sources	$ 2,788			$ 2,463			$ 2,213			$ 1,840			$ 1,740		

INTEREST DIFFERENTIAL & SPREAD

Interest differential is the difference between interest income on a taxable-equivalent basis plus fees, and interest expense. Spread is a percentage rate computed by dividing the interest differential by total average earning assets. Interest differential is directly affected by the volume and mix of interest earning assets and interest bearing liabilities and the yields and rates paid thereon.

The Company's interest differential has grown to $737,700,000 in 1979 from $637,200,000 in 1978 and $495,700,000 in 1977.

Table 3 depicts one method of analyzing the changes in the components of the interest differential caused by changes in volume and changes in rates on a taxable-equivalent basis. Changes in the interest differential due to changes in both volume and rate are allocated equally to volume and rate. This allocation tends to overstate the total change attributable to rates, as shown in table 3, in a year such as 1979 when the spread of 4.47 percent was approximately the same as compared to the 4.50 attained in 1978. Despite significant increases in the individual rate components during 1979, a greater increase in the interest differential arose from improved volume during both 1979 and 1978. Graph J shows the annual spread during the past five years. Graph P presents the spread on a quarter by quarter basis and illustrates that some fluctuation in the spread is typical for the shorter period comparisons.

Table 3: Analysis of changes in interest differential (1)

	(In thousands)	*Year ended December 31*					
		1979 over 1978			*1978 over 1977*		
		Volume	*Rate*	*Total*	*Volume*	*Rate*	*Total*
Domestic operations	*Increase (decrease) in interest and fee income:*						
	Investment securities:						
	U.S. Treasury securities	$(17,881)	$ 6,080	$(11,801)	$(24,022)	$ 2,320	$(21,702)
	Securities of other U.S. government agencies and corporations	9,853	2,965	12,818	1,950	447	2,397
	Obligations of states and political subdivisions	11,497	5,008	16,505	15,032	2,525	17,557
	Other securities	(470)	525	55	(1,962)	346	(1,616)
	Trading account securities	95	783	878	(3,359)	1,107	(2,252)
	Funds sold	(3,184)	4,408	1,224	4,059	3,387	7,446
	Loans:						
	Commercial loans	60,747	94,552	155,299	34,195	55,561	89,756
	Real estate loans	141,756	57,658	199,414	83,539	21,739	105,278
	Consumer loans	76,809	2,598	79,407	92,329	1,178	93,507
	Fees and sundry interest	—	18,105	18,105	—	8,953	8,953
	Lease financing	16,355	1,045	17,400	6,736	(2,761)	3,975
	Total increase	295,577	193,727	489,304	208,497	94,802	303,299
	Increase (decrease) in interest expense:						
	Deposits:						
	Savings deposits	(10,153)	4,560	(5,593)	(460)	760	300
	Savings certificates	63,260	40,385	103,645	26,488	7,609	34,097
	Certificates of deposit	(25,738)	56,365	30,627	50,315	40,349	90,664
	Other time deposits	8,970	14,673	23,643	9,058	8,436	17,494
	Borrowings:						
	Funds borrowed	38,857	37,567	76,424	22,417	20,906	43,323
	Commercial paper outstanding	35,656	12,555	48,211	2,671	5,064	7,735
	Long-term debt	4,659	2,591	7,250	341	1,074	1,415
	Funds transferred (to) from international operations	128,122	(21,622)	106,500	2,005	(25,005)	(23,000)
	Total increase	243,633	147,074	390,707	112,835	59,193	172,028
	Increase in domestic differential	51,944	46,653	98,597	95,662	35,609	131,271
International operations	*Increase (decrease) in interest and fee income:*						
	Interest bearing deposits-foreign	(4,260)	15,592	11,332	3,189	7,721	10,910
	International loans	(40,637)	67,271	26,634	26,359	44,084	70,443
	Fees and sundry interest on loans	—	300	300	—	2,620	2,620
	Total increase (decrease)	(44,897)	83,163	38,266	29,548	54,425	83,973
	Increase (decrease) in interest expense:						
	Deposits in overseas offices	82,168	60,680	142,848	25,916	24,793	50,709
	Funds transferred from (to) domestic operations	(128,122)	21,622	(106,500)	(2,005)	25,005	23,000
	Total increase (decrease)	(45,954)	82,302	36,348	23,911	49,798	73,709
	Increase (decrease) in international differential	1,057	861	1,918	5,637	4,627	10,264
	Increase in domestic and international interest differential	$ 53,001	$ 47,514	$100,515	$101,299	$40,236	$141,535

(1) Prepared on a taxable-equivalent basis, see page 33 for discussion of this method of presentation.

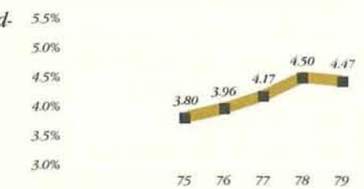
Domestic interest income has increased 43.3 percent from 1978 primarily as a result of volume increases in all loan areas. Additionally, real estate and commercial loans contributed significantly to increases in interest income through increases in rates during 1979. The greatest volume increase in 1978 came from the consumer loan segment. Total domestic interest income increased 36.6 percent over 1977.

Domestic interest expense rose 69.8 percent in 1979 and 44.4 percent in 1978 primarily as a result of increases in the rates paid on interest-bearing funding sources. Included in savings certificate interest expense is the effect of the 26 week treasury certificate savings program introduced in 1978. At December 31, 1979, the balances in this deposit category had grown to $1,576,000,000 and the average rate paid on these certificates rose to 10.38% during the fourth quarter of 1979. Starting July 1, 1979, interest paid on savings deposits was increased to 5.25% from the previous rate of 5%.

International interest income increased 13.2 percent in 1979 and 40.8 percent in 1978. The increase in 1979 arose from higher yields than experienced in 1978, while balances were allowed to run down to minimize the effect of a more competitive market characterized by narrow spreads. The 1978 increase arose primarily from higher yields while volumes grew slightly.

International interest expense was impacted in 1979 and 1978 by both growth in volumes and rates. During 1979, international operations became a net provider of funds to domestic operations as a result of increased overseas deposits being more available at lower cost.

J. *Spread-annual*



Loan fees and sundry loan related interest increased 28.4 percent in 1979 over 1978 and 21.7 percent in 1978 over 1977. The principal source of increase was origination fees on 1-4 family real estate loans. These origination fees are a function of both the volume of new mortgage loans and the Company's pricing policies for such loans. Sundry interest has decreased from the level of previous years as the interest received on non-accrual loans since January 1, 1979 is included in interest for the related loan category. Prior periods have not been restated for this change. Sundry interest now primarily represents cash collections of interest on loans which were previously charged off. The decrease in sundry interest recorded in 1978, as compared to 1977, reflects the decrease in non-accrual loans during that period when income from such loans was included in sundry interest.

Table 4: Loan fees and sundry interest

(In thousands)	*Year ended December 31,* 1979	1978
Loan fees:		
Real estate		
Bank:		
1-4 family origination fees	$22,859	$ —*
All other	26,252	—
Total	49,111	31,379
Finance subsidiaries	9,355	7,777
	58,466	39,156
Commercial	13,451	11,088
Monthly payment	3,730	2,685
Credit card	6,786	5,902
Sundry interest	892	6,089
Total	$83,325	$64,920

*Detail is not available for 1978. It is estimated that 1-4 family residential loan origination fees represented approximately 39 percent of consolidated real estate fees.

ASSET-LIABILITY MANAGEMENT

The Company has an asset-liability management committee with the responsibility of setting long range financial goals and determining the proper targets for the mix of the Company's asset and liability portfolios. In establishing these goals, the committee regularly considers asset growth and portfolio mix along with performance measures such as return on assets, return on equity and competitive trends. The committee also ensures that the Company is not overly dependent on any one source of funds or concentration of assets. This policy is intended to limit the effects of unexpected swings and fluctuations in year-to-year earnings.

As a result of such analysis, the Company has taken steps to add to its intermediate term debt. During July of 1979, the Company issued $150 million of notes bearing interest at 9.55 percent, due in 1985. In January of 1980, $150 million of notes bearing interest at 11.55 percent, due in 1983, were issued.

Liquidity, which represents the Bank's ability to meet possible fluctuations in deposit levels and to provide for customers' credit needs, is also an important focus of the asset-liability committee. Liquidity is managed through various borrowing strategies which reflect the maturity structure of assets being funded. This is augmented by normal payments from the real estate and consumer loans, which provide a steady and predictable source of funds to the Bank and by the relatively short maturity structure of the investment portfolio. Table 5 shows the maturities profile of the investment portfolio.

Table 5: Maturities and yields (taxable-equivalent basis) as of December 31, 1979

	(Dollars in thousands)	Total amount	Average yield	Average maturity (in yrs.-mos.)	One year less		After one year through five years		After five years through ten years		After 10 years	
					Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Book value	U.S. Treasury	$ 460,165	9.7%	2-2	$ 60,032	7.3%	$ 384,931	10.1%	$ 15,202	9.0%	—	—
	Other U.S. government agencies	353,763	8.3	4-0	85,369	6.8	242,632	8.9	7,099	9.2	$18,663	7.4%
	States and political subdivisions	803,386	9.1	4-4	63,474	8.7	579,040	9.2	142,960	9.0	17,912	8.1
	Other bonds, notes and debentures	47,427	7.7	1-7	16,721	8.7	30,501	7.1	200	9.5	5	4.0
	Total	1,664,741			$225,596		$1,237,104		$165,461		$36,580	
	Stocks	18,216										
		$1,682,957										
Market value	Investments with maturities	$1,559,609			$220,564		$1,177,507		$138,909		$22,629	
	Stocks	18,225										
	Total	$1,577,834										

K. *Selected asset yields*

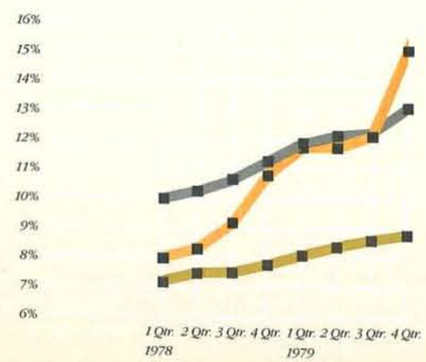
Investment yield on taxable-equivalent basis

Loan yield includes loan fees.

Average prime rate

Loans

Investments



OTHER INCOME

Other income increased 8.67 percent in 1979 over 1978 and 12.6 percent in 1978 over 1977 primarily from growth in the Company's domestic activity. Table 6 shows the major components of other operating income. The most significant changes are discussed below:

Table 6: Breakdown of other income

(In thousands)	Year ended December 31, 1979	1978	1977
Service charges on deposit accounts	$ 30,628	$ 27,792	$25,511
Trust and corporate agency income	29,029	24,107	21,635
Service fees	16,415	13,077	11,582
International commissions, syndication fees and foreign exchange	11,749	13,107	13,439
Domestic commissions	5,523	6,003	5,107
Escrow fees	3,035	3,025	2,511
Trading account profits (losses) and commissions	2,293	1,538	(268)
Equity investment income	1,348	3,547	4,803
All other	10,950	9,921	6,355
Total	$110,970	$102,117	$90,675

Service charges on deposit accounts increased 10.2 percent in 1979 over 1978 partially as a result of an increase in the fee structure in the fourth quarter of 1979. The increase during both 1979 and 1978 primarily reflects the growth in related deposit accounts. Service fees increased 25.5 percent and 12.9 percent, respectively, during the same periods.

Trust and corporate agency income, which also includes revenues from investment advisory services, increased 20.4 percent in 1979 over 1978, and 11.4 percent in 1978 over 1977. The increase in 1979 arose primarily from increased volume in the corporate trust and agency areas. The increase in 1978 was largely due to increased employee benefit trust business and other growth in volume.

The decline in international other income from that of prior years reflects the reduced loan activity of the International Group.

Trading profits and commissions increased 49.1 percent in 1979 over 1978, while the increase in 1978 reversed losses experienced in the previous year.

Equity investment income declined $2,199,000 in 1979 compared to 1978 primarily as a result of write-downs of the Bank's investment in Banco de America, a Nicaraguan company, to reflect a decrease in its net book value and the country's currency revaluations. In 1978 Banco de America was written down by $700,000. Equity investment income declined $1,256,000 in 1978 compared to 1977, primarily as a result of a sale in 1977 of five minority-owned investments which resulted in gains in that year.

It is the Company's policy to combine all gains and losses on the sale of loans and report them within the all other category of other income. During the third quarter of 1979, $25 million of single family real estate loans were sold through the use of mortgage pass-through certificates. Since the interest rate of the certificates was below prevailing market levels, a discount of approximately $1,350,000 occurred upon sale. This, combined with a similar loss on sale of loans by the Company's mortage banking subsidiary, primarily accounts for the decreased rate of growth in the all other category, which increased by 10.4 percent over 1978, while the 1978 over 1977 increase was 56.1 percent. This category was also affected by the inclusion of operating income of the Company's credit life subsidiary, from inception in the later half of 1978.

OTHER EXPENSE

Other operating expense increased 20.0 percent in 1979 and 24.9 percent in 1978.

Salaries and employee benefits increased 23.3 percent in 1979 compared to 21.3 percent in 1978. In addition to a 13.1 percent growth for 1979 and a 15.3 percent growth for 1978 in the number of employees required to manage the Company's expanded activities, based on year-end full-time equivalent staff, the 1979 increases in salaries and employee benefits were principally due to increased employer taxes. The 1978 increases were principally due to higher cost of employee incentive plans and increased employer taxes.

Equipment expense increased 30.3 percent in 1979 over 1978 as a result of a 93.5 percent increase in the Finance Subsidiary component of this category, the general effects of the Company's growth, and inflation. Equipment expense grew more rapidly than premises expense partially because of a reduction in property taxes included in the latter category. Equipment expense increased 27.6 percent in 1978 over 1977.

Outside data processing expense increased by only 1.6 percent in 1979 over 1978, primarily as a result of a conversion of VISA and Merchant Services accounting from an outside service to an in-house processing system. Outside data processing expense increased 54.5 percent in 1978, reflecting the increased volume of consumer loan transactions such as VISA and Master Charge which involved processing by outside service bureaus in 1978 and previous years.

The decrease in the all other category of 3.2 percent in 1979 compared to 1978 is due in part to decreased costs of insurance which covers credit losses incurred during the first two years of certain medium-term non-recourse monthly payment loans purchased from auto dealers. This reduction in costs of approximately $1,700,000 reflects a lower volume of this lending program and a reduction in the level of insurance premiums.

The operation and sale of other real estate owned (primarily received in foreclosure or in settlement of troubled loans) resulted in a before tax net profit of approximately $600,000. All related income and expense components are netted and included in all other expense. Net losses had been incurred in the previous years shown below. Other real estate owned decreased to $16,628,000 at December 31, 1979 from $26,835,000 at December 31, 1978.

The 1978 increase in all other expense is due in part to an increase in donations including the establishment of Wells Fargo Foundation of $2,000,000 and a $2,000,000 write-down of other real estate owned, in the first half of 1978. An increase of $4,000,000 is attributable to insurance on the vehicle loan program. Operating losses increased during 1978 due in part to two incidents of improper use of commercial deposit accounts by business customers not affiliated with the Company, amounting to approximately $3,600,000. Credit Card operating losses increased as a result of the increased volume of activity processed and as a result of operating problems arising from the conversion to a new descriptive billing system.

The percentage increases were fairly evenly distributed among the components shown in table 7 which were not discussed above. These increases arise primarily as a result of the effects of inflation, and as a result of growth in the business of the Company in 1979 and 1978. The total number of domestic branches increased by 10 in 1979 and 27 in 1978. Significant Finance Subsidiary expansion occurred during this period with the inception of Wells Fargo Credit Corporation and Wells Fargo Business Credit in the later half of 1978. As a result, other expenses of the Finance Subsidiaries, as included in the table below, increased 57.7% in 1979 over 1978, compared to the consolidated Company increase of 20.0 percent.

Table 7: Breakdown of other expense

(In thousands)	*Year ended December 31,* 1979	1978	1977
Salaries	$253,441	$203,708	$168,085
Employee benefits	59,428	49,986	41,028
Net occupancy expense	38,530	33,867	30,730
Equipment expense	33,761	25,920	20,317
Postage, stationery and supplies	30,182	23,990	20,407
Outside data processing expense	14,545	14,309	9,260
Telephone and telegraph	14,268	12,059	10,061
Travel and entertainment	13,459	10,089	8,140
Advertising	10,937	8,488	7,599
Professional services	10,919	8,876	6,385
Federal deposit insurance	4,955	4,262	3,711
Protection	4,877	3,729	2,945
All other	42,014	43,406	25,823
Total	$531,316	$442,689	$354,491

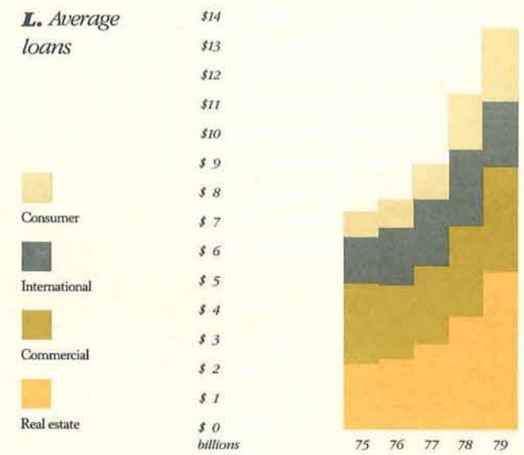
TAXES

For 1979, the consolidated effective income tax rate was 36.7 percent, down from 43.7 percent for 1978. The reduction was primarily attributable to changes in both the state and federal statutory tax rates, and an increase in securities income exempt from federal taxation. Tax-exempt income was 19.8 percent of income before taxes in 1979 and 14.8 percent in 1978. Due to these changes, the provision for taxes was $14,927,000 lower in 1979 than in 1978, even though income before taxes was virtually unchanged.

The Company is subject to a significant tax burden at the federal, state and local level, in addition to income taxes discussed above. The Company expensed $21,407,000 in 1979 and $18,668,000 in 1978 for taxes based on salaries paid, property values and other miscellaneous taxes. When combined with income taxes of $70,691,000 in 1979 and $85,618,000 in 1978, this represents a total tax burden of 42.7 percent in 1979 and 48.6 percent in 1978 on income before taxes.

SECURITIES TRANSACTIONS

The gains or losses, net of income tax effect, arising from the sales of investment securities are shown separately in the consolidated six-year summary of operations, and in the consolidated statement of income. Securities losses in 1979, net of tax, increased $1,051,000 over 1978 while losses in 1978 exceeded 1977 by $4,715,000. Continually rising interest rates in 1979 and 1978 caused the market value of fixed income securities in the investment portfolio to decline. Principally to free funds to finance higher yielding assets, the Bank has taken the opportunity to sell low yielding issues and, thereby, improve the portfolio performance.



LOAN PORTFOLIO

Total loans at December 31, 1979, increased 17.8 percent over year-end 1978, a slower rate of growth than the increase of 26.1 percent for the year 1978. All segments of the portfolio increased except foreign loans, which decreased 21.3 percent due to continued implementation of a strategy undertaken during 1978 in response to unfavorable market conditions.

Commercial loans totaled $4,039,535,000 at December 31, 1979, an increase of 13.1 percent, compared to a 21.9 percent increase in 1978. In order to comply with Securities and Exchange Commission regulations, commercial loans have been restated by $101,266,000 in the Company's 1978 financial statements to include certain loans previously classified as international. These loans represent loans made by an International Group entity of the Company to a customer domiciled in the United States.

Included in commercial loans are loans to farmers, which amounted to $216,848,000 at December 31, 1979, and were up 14.9 percent over 1978. The Bank, which is among the five largest commercial bank lenders to agriculture, recognized the difficulties most farmers would have in passing on higher interest costs and therefore capped these loan rates at an amount less than prime in October of 1979. The program has been carried forward into the first half of the 1980 crop season. Nearly all notes are drawn at a spread above prime and will float with that rate should money market rates decline to levels prevailing in the earlier months of 1979.

The Company's financial statements show the real estate loan portfolio in two categories, construction and mortgage loans. The construction category includes the Bank's interim loans (original maturity of five years or less) and is comprised primarily of construction loans, but also includes other interim real estate loans. Construction loans include loans for tract home and commercial property developments. All long-term real estate loans of the Company are included in the real estate mortgage category, although in the strictest sense such loans are not all mortgage loans.

Construction loans at year-end 1979 totaled $1,422,814,000, an increase of 80.7 percent over year-end 1978. The comparable increase in 1978 was 37.1 percent. Construction loans generally have a relatively short maturity and their rates move with money market rates, offsetting the effect of increases in the cost of short-term funds.

Loans secured by 1-4 family residences increased 39.8 percent in 1979 to $4,034,440,000. The comparable increase in 1978 was 34.2 percent. Approximately half of such loans at December 31, 1979, were on a variable rate basis which permits periodic but limited adjustments in the rate at which the loan was originally written. Thus, variable rate mortgage loans afford some protection against rising cost of funds.

Consumer loans are comprised of monthly payment loans and credit card loans. Year-end monthly payment loans increased 16.5 percent over 1978, while credit card loans increased 11.4 percent. Similar increases in 1978 were 62.2 percent and 29.2 percent. Consumer loans are generally made on a fixed rate basis and are adversely affected by rising funding costs. However, consumer loans provide liquidity to the loan portfolio from the significant cash inflow from customers' monthly payments.

Table 8 provides a detailed breakdown of the various components of the loan portfolio.

Table 8: Analysis of loan portfolio

						December 31, 1979				December 31,
(In thousands)	*One year or less*	*Over one year through five years*		*Over five years*		*Total*	*1978*	*1977*	*1976*	*1975*
		Pre-determined rate	*Floating rate*	*Pre-determined rate*	*Floating rate*					
Selected loan maturities:										
Real estate loans (excluding loans secured by 1-4 family residential properties)	$ 988,356	$189,663	$ 293,428	$635,854	$244,595	$ 2,351,896	$ 1,541,467	$ 1,134,382	$ 850,366	$ 733,975
REITs and mortgage companies(1)	228,923	12,593	25,632	7,522	100	274,770	281,516	283,640	219,405	181,232
All other financial institutions	181,521	42,181	55,314	28,123	15,259	322,398	212,100	151,717	214,387	256,437
Loans for purchasing and carrying securities	135,218	4,447	16,788	4,001	5,833	166,287	329,585	269,429	163,368	146,871
Loans to farmers	194,380	7,804	11,707	2,007	950	216,848	188,750	171,899	174,945	135,778
Other commercial	1,718,690	490,898	538,772	150,236	160,636	3,059,232	2,560,662	2,053,534	1,898,500	1,943,518
Total commercial	2,458,732	557,923	648,213	191,889	182,778	4,039,535	3,572,613	2,930,219	2,670,605	2,663,836
Foreign loans(2)	843,437	89,841	760,345	19,419	177,732	1,890,774	2,403,490	—	—	—
Loans attributable to international operations, including loans domiciled in domestic offices(2)	—	—	—	—	—	—	—	2,394,605	2,156,649	1,669,572
Total selected loan maturities	$4,290,525	$837,427	$1,701,986	$847,162	$605,105	8,282,205	7,517,570	6,459,206	5,677,620	5,067,383
Other loan categories:										
Secured by 1-4 family residential properties						4,034,440	2,885,148	2,149,515	1,700,865	1,527,920
Monthly payment loans						2,280,764	1,957,861	1,207,247	828,635	812,959
Credit card						596,001	535,090	414,171	251,524	212,049
Total loans						$15,193,410	$12,895,669	$10,230,139	$8,458,644	$7,620,311

(1) At December 31, 1976 and 1975 loans to domestic REITs amounting to approximately $4,000,000 and $30,000,000, respectively, were included in international operations.

(2) The Bank provides international banking services from its foreign and domestic based International Group offices. The information provided above, and referred to as International Operations, represents assets and activity of that Group. Recent Securities and Exchange Commission interpretations have redefined foreign activities as loans and revenue-producing assets and transactions in which the customer is domiciled outside the United States. The information related to such foreign activities prior to 1978 is not available. Information for foreign activities is presented for 1979 and 1978. The information for years prior to 1978 is presented on the basis of International Operations.

LOAN PORTFOLIO MANAGEMENT

The object of loan portfolio management is to ensure that loans are granted on a sound basis, that bank funds are properly invested for the benefit of the shareholder and the protection of the depositor, and that the Company serves the legitimate credit needs of its community. Significant management activities include planning for portfolio volume and mix, measuring portfolio performance, setting credit policies and providing adequate training to ensure that the loan portfolio objectives are properly executed by lending personnel. Credit training directed toward new, junior and experienced credit officers is provided through proprietary courses in uniform cash flow analysis, the elements of country risk, and lending to multinationals.

The Company restricts unusually large commercial loan concentrations within the portfolio and attempts to minimize risk through diversification. Loans to particular industry classifications are monitored on an on-going basis.

At December 31, 1979, loans to REITs totaled $50,000,000, down from $71,000,000 at the end of 1978 and $110,000,000 at year-end 1977. REITs are no longer considered by the Company to have unusual risk characteristics as a troubled industry. Commitments to REITs aggregated $164,000,000 at December 31, 1979, down from $191,000,000 at December 31, 1978.

In 1979, the growth in 1-4 family real estate loans was strong and contributed significantly to increases in interest and fee income. The importance of the California consumer was also apparent in the growth in the consumer loan portfolio. Ordinarily, such growth in consumer loans brings expected increases in the absolute amount of delinquencies and loan losses which are viewed as acceptable because of the higher risk and resultant yields exacted in this loan category. However, during the year 1979, the Company experienced higher than expected delinquencies and loan losses in two areas of its consumer loan business, credit card and non-recourse dealer lending. Losses in the Bank's automobile dealer indirect non-recourse program were approximately $8.4 million. These losses were considered unacceptable and credit practices were modified in mid-year.

The decline in foreign loans is a direct reflection of the attention given to credit worthiness and reasonable terms when considering new transactions, both with respect to maturity and a proper risk-reward relationship in pricing.

From time to time, certain foreign countries experience difficulties in meeting repayment programs due to economic or political conditions, the outcome of which cannot be predicted with any certainty. Also, temporary balance of payment difficulties, together with inadequate foreign exchange reserves and other factors, may require rescheduling of certain foreign loans.

The country risk review committee analyzes each country where the Company has or may have exposure in order to assess the cross-border and cross-currency risk inherent in international lending. The membership includes senior officers of the International Group who review indepth reports prepared by professional staff economists and assess social, political and economic risks. Despite the thoroughness of these review procedures, the swiftness with which international events occur, together with the inability to reduce longer-term outstandings, has led to an increase in foreign loans placed on non-accrual during 1979. The figure shown in Table 10 includes approximately $31,000,000 of loans to entities in Iran, made by the Bank, most of which it considers to be in default. The Bank has filed legal actions covering a substantial part of the Iranian indebtedness in an effort to protect its credit position. Management believes that there are several potential sources of repayment for the Iranian loans and that such loans will ultimately be repaid. However, no assurance can be given in such regard.

The Company's foreign loans and acceptances at December 31, 1979 were spread among 82 countries. Such loans and acceptances in any one country did not exceed 1.5 percent of total assets.

Table 9 provides a schedule of foreign loans based upon the extent of country development as measured by per capita income data obtained from the International Bank for Reconstruction and Development.

Table 9: International loan and acceptance breakdown by extent of country development

	December 31, 1979		December 31, 1978	
(Dollars in millions except per capita data)	*Amount*	*Percent*	*Amount*	*Percent*
Major industrialized (per capita income in excess of $2,000)	$ 962	37.9%	$1,098	37.5%
Other developed (per capita income $750 to $2,000)	1,037	40.8	957	32.7
Oil exporting	248	9.8	376	12.9
Developing:				
Higher income (per capita income between $375 to $750)	220	8.7	315	10.8
Middle income (per capita income between $200 to $375)	64	2.5	161	5.5
Lower income (per capita income less than $200)	7	.3	18	.6
	$2,538	100.0%	$2,925	100.0%

NON-EARNING & PARTIALLY EARNING ASSETS

Commercial, international, real estate and consumer loans over $100,000 are normally transferred to non-accrual status when it becomes apparent that the payment of interest or recovery of principal is questionable or when a loan is rated as unsatisfactory by the internal loan examiners. As an additional requirement, any loan which has been delinquent for 90 days or more is automatically placed on non-accrual status. Any exception to this policy requires explicit approval of senior management.

When an account is placed on a non-accrual status, any accrued interest outstanding is reversed against income. Subsequent interest receipts may be credited to income on a cash basis or may be applied to the principal balance outstanding, depending upon management's judgment of the extent of the credit risk involved. 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 probable.

Management's classification of a loan as renegotiated or non-accrual does not necessarily mean that the loan principal will not be ultimately collected. Loans in these categories represent a wide range of credit problems. Those which represent more serious problems are supervised by special departments of the Company whose staffs are skilled in working out problem loans.

In cases where borrowers are experiencing financial difficulties, but where collectibility of principal appears probable, loans may be renegotiated to provide rates significantly below the original contractual rates. Loans of this type to customers owing more than $500,000 are classified as renegotiated and interest is accrued at the reduced contractual rate. If, after renegotiation, doubt arises as to the customer's ability to meet the revised payment schedule, the loan is classified as a non-accrual loan and the recognition of interest income is subject to non-accrual policies.

Table 10: Non-earning and partially earning loans

(In millions)	1979		1978		1977		1976		1975	
	Non-accrual loans	Renegotiated loans(1)	Non-accrual loans	Renegotiated loans(1)	Non-accrual loans	Renegotiated loans(1)	Non-accrual loans	Renegotiated loans(1)	Non-accrual loans	Renegotiated loans(1)
Real estate loans	$ 34.8	$ 3.6	$ 31.5	$ 4.5	$ 18.5	$14.2	$ 34.0	$14.0	$ 45.5	$ —
Commercial loans:										
REITs and mortgage companies(2)	35.2	4.9	31.7	11.2	48.7	25.3	57.3	66.1	55.4	16.0
Other	58.8	5.0	48.9	10.7	84.2	3.5	105.4	9.9	101.2	—
Consumer loans	7.5	—	4.2	—	2.7	—	6.6	—	1.0	—
International loans	65.7(3)	—	9.2	—	14.9	—	25.5	—	27.7	—
Total	$202.0	$13.5	$125.5	$26.4	$169.0	$43.0	$228.8	$90.0	$230.8	$16.0

(1) Loans over $500,000 in amount and with interest rate reduced significantly.

(2) At December 31, 1979 non-accrual loans consisted of $9,500,000 of REITs and $25,700,000 of mortgage companies. No mortgage company loans were on non-accrual status in prior years.

(3) The balance above does not include $6,900,000 of matured acceptances which were on non-accrual status at December 31, 1979.

Table 10 presents comparative data for non-accrual and renegotiated loans by category. Non-accrual loans increased by 61.0 percent and renegotiated loans were 48.9 percent lower at December 31, 1979 than at December 31, 1978. The most significant increases in non-accrual loans occurred in the areas of: 1) international; and 2) mortgage companies and real estate development companies. Reductions in non-accrual loans occurred through: 1) payments which brought the loan current or paid in full ($38,889,000); 2) charge offs ($6,720,000); and 3) swaps with REITs or foreclosures ($10,810,000).

Loans contractually past due 60 days or more as to interest or principal, excluding non-accrual and renegotiated loans, along with the percentage relationship to the respective loan amounts outstanding were as follows:

(In millions)	1979		1978		1977		1976	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Real estate loans	$ 39.0	.6%	$26.7	.6%	$17.5	.5%	$33.7	1.3%
Commercial loans:								
REITs and mortgage companies	—	—	—	—	—	—	1.7	.8
Other	25.3	.7	14.6	.4	5.7	.2	39.9	1.6
Consumer loans	29.2	1.0	29.9	1.2	12.7	.8	8.3	.8
Foreign(1)	11.8	.6	—	—	—	—	—	—
International loans(1)	—	—	1.1	—	.4	—	1.0	—
	$105.3	.7	$72.3	.6	$36.3	.4	$84.6	1.0

Information prior to 1976 is not available.

(1) See the footnote to table 8 for explanation of the difference in presentation between foreign and international loans.

CHARGE-OFF POLICIES

The Company has charge-off policies which are being followed throughout the Company. Consumer loans, except for credit card accounts, are charged off when payments are past due for 90 days unless the collateral has been repossessed, in which case the loan is charged off 90 days after the end of the redemption period. In the latter case the loan is placed on non-accrual status pending sale of collateral. Credit card accounts are charged off when they are six billing cycles delinquent or when a loss is recognized, whichever is sooner. Commercial and other loans are charged off when management judges the loan to be uncollectible. It is also the Company's policy to charge off any loan which is classified as a loss by the Company's internal loan examiners.

During 1979, net charge-offs were $40,098,000 as compared to $31,373,000 during 1978. As a percentage of average loans outstanding, the net charge-offs were .30 percent in 1979 and .28 percent in 1978. In comparing 1979 and 1978, net charge-offs by loan category varied significantly. Other commercial, REIT and mortgage company charge-offs were significantly lower in 1979. Recoveries exceeded charge-offs in the international loan category. Credit card and monthly payment loans net charge-offs were substantially higher. Table 11 provides a breakdown of loan losses and recoveries over the last five years by type of loan.

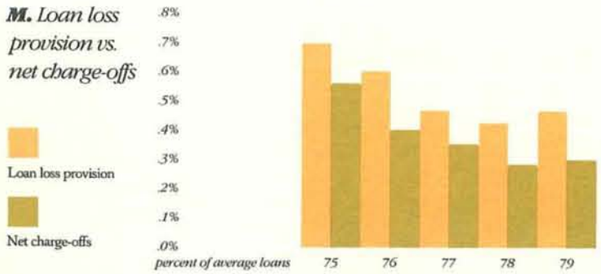
Table 11: Net charge-offs by loan category

	(In thousands)	Real estate		Commercial		Consumer		International(2)	Total
		Residential	Other	REITs and mortgage companies(1)	Other	Monthly payment	Credit card		
1975	Loan charge-offs	$25	$ 55	$1,784	$26,713	$ 6,969	$ 7,018	$ 8,363	$50,927
	Loan recoveries	—	3	—	7,006	1,472	993	570	10,044
	Net charge-offs	$25	$ 52	$1,784	$19,707	$ 5,497	$ 6,025	$ 7,793	$40,883
	Net charge-offs as a percent of total	.1%	.1%	4.4%	48.2%	13.4%	14.7%	19.1%	100%
1976	Loan charge-offs	$45	$2,724	$2,788	$17,266	$ 4,552	$ 6,081	$ 7,695	$41,151
	Loan recoveries	—	249	—	6,146	1,902	1,367	178	9,842
	Net charge-offs	$45	$2,475	$2,788	$11,120	$ 2,650	$ 4,714	$ 7,517	$31,309
	Net charge-offs as a percent of total	.1%	7.9%	8.9%	35.5%	8.5%	15.1%	24.0%	100%
1977	Loan charge-offs	$ 7	$4,013	$7,774	$13,988	$ 7,859	$ 5,908	$ 1,005	$40,554
	Loan recoveries	2	55	—	5,885	1,555	1,176	303	8,976
	Net charge-offs	$ 5	$3,958	$7,774	$ 8,103	$ 6,304	$ 4,732	$ 702	$31,578
	Net charge-offs as a percent of total	—	12.5%	24.6%	25.7%	20.0%	15.0%	2.2%	100%
1978	Loan charge-offs	$ 5	$ 234	$6,881	$ 9,081	$ 8,438	$10,146	$ 6,849	$41,634
	Loan recoveries	—	507	—	5,088	1,916	1,405	1,345	10,261
	Net charge-offs	$ 5	$ (273)	$6,881	$ 3,993	$ 6,522	$ 8,741	$ 5,504	$31,373
	Net charge-offs as a percent of total	—	(.9)%	21.9%	12.7%	20.8%	27.9%	17.6%	100%
1979	Loan charge-offs	—	$1,594	$ 940	$ 8,075	$24,261	$18,357	$ 2,841	$56,068
	Loan recoveries	—	72	—	5,695	3,761	2,332	4,110	15,970
	Net charge-offs	—	$1,522	$ 940	$2,380	$20,500	$16,025	$(1,269)	$40,098
	Net charge-offs as a percent of total	—	3.8%	2.3%	5.9%	51.1%	40.0%	(3.1)%	100%

(1) All charge-offs were loans to REITs.

(2) Includes charge-offs for loans to REITs of $1,170,000 in 1976 and $4,600,000 in 1975.

M. *Loan loss provision vs. net charge-offs*



N. *Ratio of allowance for loan losses to year-end loans*

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is increased in two ways: (1) by adding to the allowance the amount of the provision for loan losses which has been charged against earnings: and (2) by adding amounts recovered on previously charged off loans. The allowance is reduced when loan amounts deemed to be uncollectible are charged against it. The provision for loan losses in 1979 was $62,949,000 compared to $47,537,000 in 1978. The amount of the provision is dependent upon the amount required to maintain the allowance for loan losses at an adequate level after net charge-offs.

Table 12 provides data concerning changes in the allowance for loan losses over the last five years and related ratios for those years. Management believes that the allowance for loan losses as a percentage of total loans, excluding real estate loans secured by 1-4 family residential properties, is the most relevant ratio. Losses in the 1-4 family category have been minimal during the past several years (no charge-off in 1979) and it is therefore not necessary to maintain a significant allowance against such loans.

Table 12: Changes in the allowance for loan losses

(Dollars in thousands)	*Year ended December 31,* 1979	1978	1977	1976	1975
Balance at beginning of year	$ 102,349	$ 86,185	$ 76,735	$ 61,665	$ 52,119
Provision charged to expense	62,949	47,537	41,028	46,379	50,429
Deductions:					
Loans charged off	56,068	41,634	40,554	41,151	50,927
Less recoveries on loans charged off	15,970	10,261	8,976	9,842	10,044
Net deductions	40,098	31,373	31,578	31,309	40,883
Balance at end of year	$ 125,200	$ 102,349	$ 86,185	$ 76,735	$ 61,665
Total loans at end of year, net of unearned income	$14,860,878	$12,645,257	$10,094,976	$8,366,732	$7,522,845
Average loans for the year	$13,556,000	$11,330,000	$ 8,956,000	$7,764,000	$7,337,000
Allowance for loan losses as a percentage of total loans, net of unearned income, at end of year	.84%	.81%	.86%	.92%	.82%
Allowance for loan losses as a percentage of total loans, net of unearned income, at end of year, exclusive of 1-4 family residential properties	1.16%	1.05%	1.09%	1.15%	1.03%
Allowance for loan losses as a percentage of average loans for the year	.92%	.90%	.96%	.99%	.84%
Net charge-offs as a percentage of average loans outstanding	.30%	.28%	.35%	.40%	.56%

On a quarterly basis, management compares loans previously classified as to quality by internal loan examiners to subsequent net losses (charge-offs less recoveries) and computes a loan loss experience factor for each quality classification. These loss experience factors are then applied to the current loan quality classifications for the portfolio. In addition, all classified loans, all non-accrual loans in excess of $100,000 and all renegotiated loans are reviewed in detail. Losses on these loans are then estimated and combined with the estimated net losses derived from the experience factors.

By following the above procedure, amounts are then allocated to each specific loan category, as required by the Securities and Exchange Commission. This methodology provides consistent allocation of the allowance from period to period. Table 13 provides a breakdown of the loan portfolio and the amount of the allowance that has been allocated to each loan category. The remaining unallocated portion of the allowance is evaluated in light of portfolio growth, portfolio concentrations, lending policies, delinquency trends and general economic trends, as part of the overall evaluation of the adequacy of the allowance.

*Table 13: Allocation of the allowance for loan losses**

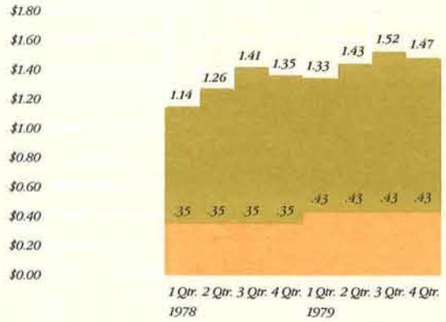
(In thousands)	*December 31, 1979* Loans outstanding	Allocation of the allowance for loan losses	*December 31, 1978* Loans outstanding	Allocation of the allowance for loan losses	*December 31, 1977* Loans outstanding	Allocation of the allowance for loan losses	*December 31, 1976* Loans outstanding	Allocation of the allowance for loan losses
Real estate loans:								
Secured by 1-4 family residential properties	$ 4,034,440	$ 100	$ 2,885,148	$ 100	$ 2,149,515	$ 100	$ 1,700,865	$ —
Other	2,351,896	11,558	1,541,467	8,462	1,134,382	2,800	850,366	4,000
Commercial loans:								
REITs and mortgage companies	274,770	5,140	281,516	6,350	283,640	15,700	219,405	23,000
Other	3,658,475	28,638	3,189,831	30,784	2,646,579	16,900	2,451,200	17,000
Consumer loans:								
Monthly payment loans	2,280,764	22,384	1,957,861	14,741	1,207,247	5,800	828,635	5,000
Credit card	596,001	20,055	535,090	15,016	414,171	5,400	251,524	7,000
International loans	1,997,064	18,440	2,504,756	19,950	2,394,605	16,700	2,156,649	10,000
Unallocated portion of the allowance for loan losses	—	18,885	—	6,946	—	22,785	—	10,735
Total	$15,193,410	$125,200	$12,895,669	$102,349	$10,230,139	$86,185	$8,458,644	$76,735

*Information prior to 1976 is not available.

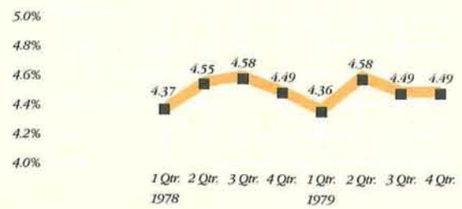
Although management allocates the allowance for loan losses to specific loan categories, the adequacy of the allowance must be considered in its entirety. A major concern of management is that the allowance for loan losses adequately provides for probable future losses. At any given date, the amount of the allowance for loan losses will be less than the total of loans outstanding to borrowers who are experiencing varying degrees of financial difficulty. This is because experience has shown that the probability of all these loans becoming completely uncollectible is remote. Therefore, management determines a lesser amount which will be sufficient to absorb probable future loan losses.

Management considers the allowance for loan losses of $125,200,000 at December 31, 1979 adequate to cover probable losses on the loans outstanding as of that date. It must be emphasized, however, that the determination of the allowance for 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 relationship 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 allowance for loan losses.

O. *Quarterly earnings & dividends per share*



P. *Spread-quarterly*



The interest differential for the fourth quarter of 1979 increased 1.7 percent over the third quarter of 1979 and 13.0 percent over the fourth quarter of 1978 as a result of increases in volume. Increases in the yields on earning assets were offset by the rates paid on funding sources, with the result that the spread of 4.49 percent for the fourth quarter of 1979 was unchanged from the prior quarter and the fourth quarter of 1978. The growth in earning assets occurred at a slower rate in the fourth quarter of 1979 than in prior quarters, primarily due to a slowdown in economic activity and generally higher interest rates.

If interest due on all non-accrual loans and renegotiated loans had been accrued at the original contract rates during the quarter, it is estimated, using an average of the balance of loans on non-accrual at the beginning and end of the quarter, that earnings would have been increased, on an after tax basis, by approximately $2,537,000 ($.11 per share) in the fourth quarter of 1979, $495,000 ($.02 per share) in the previous quarter and $1,636,000 ($.07 per share) in the fourth quarter of 1978. The 1979 fourth quarter increase arose primarily from international loans. See table 10 for further detail of the status of non-accrual loans at year end.

A detailed comparison of rates and yields is provided in table 15. Further detail of earnings by quarter is presented in footnote 18 on page 78 and in table 16. The following table shows the components of loan fees and sundry interest for the fourth quarter of 1979 and 1978.

Table 14: Loan fees and sundry interest

(In thousands)	*December 31, 1979*	*September 30, 1979*	*December 31, 1978*
			Quarter ended
Loan fees:			
Real estate	$15,799	$17,378	$ 9,643
Commercial	3,662	3,596	2,875
Monthly payment	1,082	710	882
Credit card	1,544	2,056	1,714
Sundry interest	61	109	806
	$22,148	$23,849	$15,920

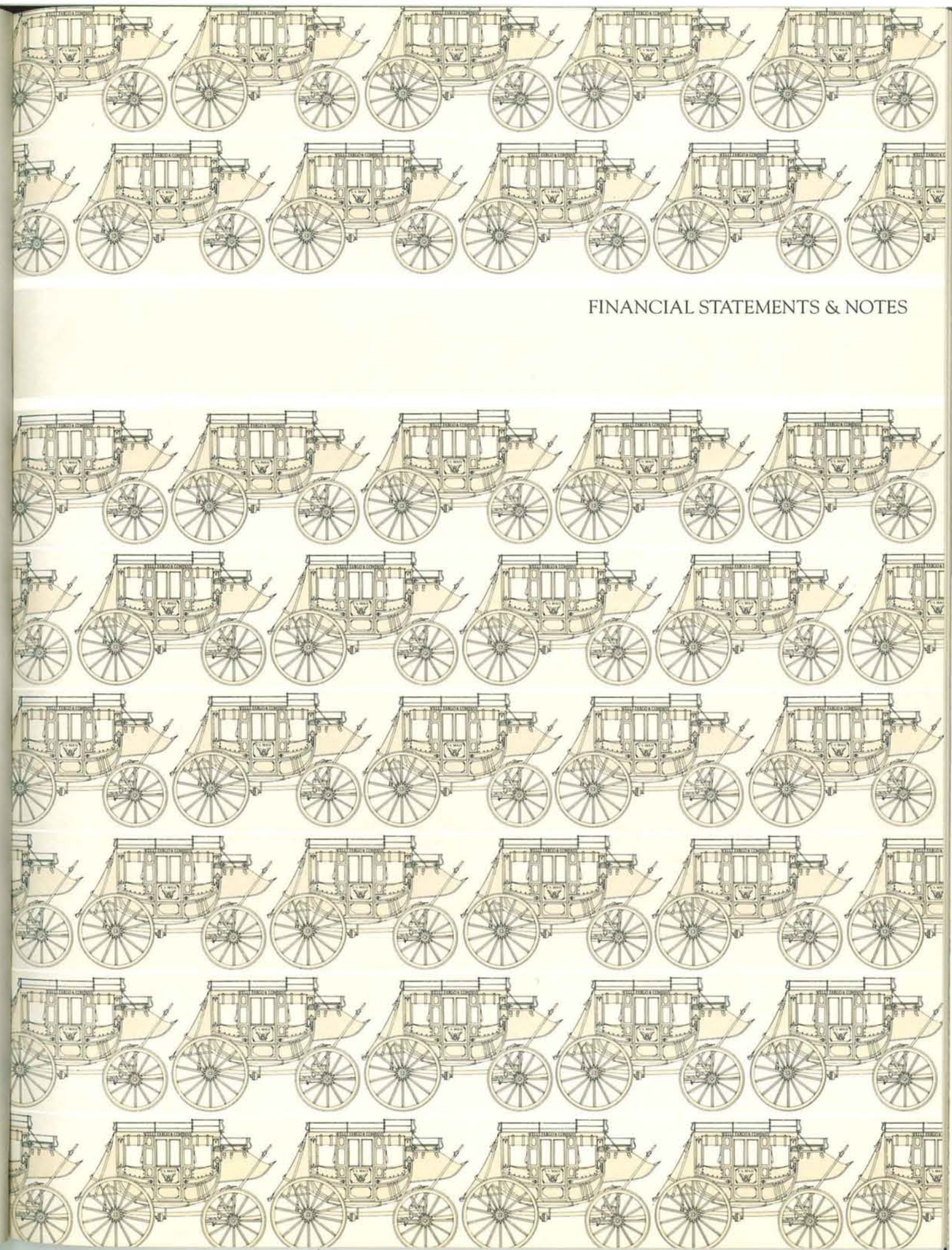
Table 15: Average balances, rates paid and yields

(yields on a taxable-equivalent basis)

	(Dollars in millions)	*Average balance*	*Yields or rates*	*Interest income/ expense*	*Average balance*	*Yields or rates*	*Interest income/ expense*	*Average balance*	*Yields or rates*	*Interest income/ expense*
		Fourth quarter – 1979			*Third quarter – 1979*			*Fourth quarter – 1978*		
Earning assets	Interest bearing deposits — foreign	$ 405	12.82%	$ 13.083	$ 458	10.74%	$ 12.402	$ 556	8.54%	$ 11.974
	Investment securities:									
	U.S. Treasury securities	426	8.42	9.040	416	7.77	8.143	699	6.79	11.970
	Securities of other U.S. government agencies and corporations	376	8.32	7.817	386	8.22	7.933	350	7.86	6.876
	Obligations of states and political subdivisions	892	9.14	20.373	921	9.16	21.085	735	8.67	15.929
	Other securities	66	8.52	1.406	66	8.35	1.377	69	7.63	1.315
	Total investment securities	1,760	8.76	38.636	1,789	8.60	38.538	1,853	7.77	36.090
	Trading account securities	23	12.84	.739	36	10.71	.964	18	9.59	.432
	Funds sold	72	12.66	2.297	209	11.18	5.887	192	9.95	4.817
	Loans:									
	Commercial loans	3,799	13.85	132.582	3,810	12.25	117.678	3,285	10.84	89.774
	Real estate loans	6,120	11.03	168.900	5,568	10.26	142.967	4,327	9.52	103.054
	Consumer loans	2,590	13.11	85.151	2,531	12.91	81.884	2,148	12.74	68.999
	International loans	2,000	13.08	65.942	2,114	12.03	64.124	2,525	10.86	69.117
	Fees and sundry interest	—	—	22.148	—	—	23.849	—	—	15.920
	Total loans	14,509	13.03	474.723	14,023	12.23	430.502	12,285	11.24	346.864
	Lease financing	573	11.32	16.217	525	11.38	14.939	403	11.02	11.102
	Total earning assets	$17,342	12.53	545.695	$17,040	11.76	503.232	$15,307	10.70	411.279
Funding sources	Interest-bearing liabilities:									
	Deposits:									
	Savings deposits	$ 3,299	5.28	43.916	$ 3,467	5.27	46.062	$ 3,545	5.02	44.868
	Savings certificates	3,137	9.63	76.160	2,723	8.73	59.909	2,110	7.44	39.564
	Certificates of deposit	2,167	11.06	60.388	1,854	10.18	47.565	2,655	9.03	60.457
	Other time deposits	546	10.55	14.515	551	9.41	13.074	564	8.22	11.684
	Deposits in overseas offices	2,661	12.01	80.531	2,775	10.75	75.168	1,620	9.47	38.683
	Total deposits	11,810	9.26	275.510	11,370	8.44	241.778	10,494	7.38	195.256
	Funds borrowed	1,365	12.70	43.690	1,489	10.61	39.807	1,345	9.37	31.776
	Commercial paper	698	13.06	22.981	818	10.71	22.078	258	10.01	6.509
	Long-term debt	447	8.36	9.348	431	8.03	8.652	311	7.58	5.901
	Total interest-bearing liabilities	14,320	9.74	351.529	14,108	8.78	312.315	12,408	7.66	239.442
	Portion of non-interest-bearing funding sources	3,022	—	—	2,932	—	—	2,899	—	—
	Total funding sources	$17,342	8.04	351.529	$17,040	7.27	312.315	$15,307	6.21	239.442
	Spread and interest differential		4.49%	$194.166		4.49%	$190.917		4.49%	$171.837
Non-earning assets	Cash and due from banks	$ 1,899			$ 1,841			$ 1,662		
	Other	1,137			961			952		
	Total non-earning assets	$ 3,036			$ 2,802			$ 2,614		
Non-interest-bearing funding sources	Demand deposits	$ 3,983			$ 3,843			$ 3,710		
	Other liabilities	1,249			1,087			1,056		
	Stockholders' equity	826			804			747		
	Non-interest-bearing funding sources used to fund earning assets	(3,022)			(2,932)			(2,899)		
	Total net non-interest-bearing funding sources	$ 3,036			$ 2,802			$ 2,614		

Table 16: Consolidated statement of income, condensed

	(In thousands, except per share data)	*Quarter ended December 31, 1979*	*1978*
	Net interest income	$183,249	$161,662
	Provision for loan losses	16,266	11,887
	Net interest income after provision for loan losses	166,983	149,775
Other income	Trust and corporate agency income	9,784	8,040
	Service charges on deposit accounts	8,493	7,150
	Service fees	4,521	3,293
	International commissions, syndication fees and foreign exchange	3,825	2,305
	Other	4,539	6,911
	Total other income	31,162	27,699
Other expense	Salaries	68,448	55,173
	Employee benefits	14,366	13,596
	Net occupancy expense	11,076	9,750
	Equipment expense	9,659	7,709
	Other	42,695	38,239
	Total other expense	146,244	124,467
	Income before income taxes and securities transactions	51,901	53,007
	Less applicable income taxes	18,425	22,609
	Income before securities transactions	33,476	30,398
	Securities losses, net of income tax effect $(6,226) in 1979 and $(4,037) in 1978	(5,760)	(3,335)
	Net income	$ 27,716	$ 27,063
Per share	Income before securities transactions	$1.47	$1.35
	Net income	$1.22	$1.20



FINANCIAL STATEMENTS & NOTES

CONSOLIDATED BALANCE SHEET

Wells Fargo & Company and Subsidiaries

		December 31, 1979	December 31, 1978
		(In thousands)	
Assets	Cash and due from banks	$ 1,782,994	$ 2,119,702
	Interest bearing deposits—foreign	524,279	549,866
	Investment securities, at cost (market value $1,577,834 and $1,722,025 at December 31, 1979 and 1978, respectively)	1,682,957	1,825,428
	Trading account securities	5,649	35,994
	Funds sold	500	93,900
	Loans:		
	Commercial loans	4,039,535	3,572,613
	Real estate construction loans	1,422,814	787,411
	Real estate mortgage loans	4,963,522	3,639,204
	Consumer loans	2,876,765	2,492,951
	Foreign loans	1,890,774	2,403,490
	Total loans	15,193,410	12,895,669
	Less: Allowance for loan losses	(125,200)	(102,349)
	Unearned income	(332,532)	(250,412)
	Total net loans	14,735,678	12,542,908
	Lease financing	605,592	420,815
	Premises and equipment, net	252,351	227,947
	Due from customers on acceptances	540,962	420,103
	Accrued interest receivable	236,220	186,266
	Other assets	225,942	188,507
	Total assets	$20,593,124	$18,611,436

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEET

Wells Fargo & Company and Subsidiaries

		December 31, 1979	December 31, 1978
		(In thousands)	
Liabilities and stockholders' equity	Deposits:		
	Demand deposits	$ 4,316,434	$3,996,618
	Savings deposits	3,219,711	3,459,393
	Savings certificates	3,293,399	2,204,363
	Certificates of deposit	2,080,928	2,956,675
	Other time deposits	589,413	614,539
	Deposits in overseas offices	2,331,130	1,587,083
	Total deposits	15,831,015	14,818,671
	Short-term borrowings:		
	Federal funds borrowed and repurchase agreements	694,954	1,034,955
	Commercial paper outstanding	792,188	251,973
	Other	668,581	386,347
	Total short-term borrowings	2,155,723	1,673,275
	Acceptances outstanding	541,086	421,584
	Accrued taxes and other expenses	393,237	284,768
	4½% Capital notes of Wells Fargo Bank, N.A., due 1989	50,000	50,000
	3¼% Convertible capital notes, due 1989	2,552	4,881
	Debentures, notes and mortgages	393,956	256,388
	Obligations under capital leases	70,174	76,491
	Other liabilities	321,286	282,776
	Total liabilities	19,759,029	17,868,834
	Stockholders' equity:		
	Common stock—$5 par value, authorized 30,000,000 shares, outstanding 22,802,458 shares and 22,543,046 shares at December 31, 1979 and 1978, respectively	114,012	112,715
	Additional paid-in capital	245,437	239,546
	Retained earnings	474,646	390,341
	Total stockholders' equity	834,095	742,602
	Total liabilities and stockholders' equity	$20,593,124	$18,611,436

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF INCOME

	Wells Fargo & Company and Subsidiaries	*Year ended December 31,* 1979	1978
		(In thousands, except per share data)	
Interest income	Interest and fees on loans	$1,673,131	$1,193,972
	Interest on investment securities:		
	Taxable	73,676	72,604
	Exempt from federal income taxes	41,141	30,752
	Total interest on investment securities	114,817	103,356
	Interest on trading account securities	3,030	2,143
	Other interest income	61,735	49,179
	Lease financing	53,900	37,592
	Total interest income	1,906,613	1,386,242
Interest expense	Interest on deposits	952,169	656,997
	Interest on short-term borrowings	227,305	104,002
	Interest on long-term debt	35,617	28,693
	Total interest expense	1,215,091	789,692
	Net interest income	691,522	596,550
	Provision for loan losses	62,949	47,537
	Net interest income after provision for loan losses	628,573	549,013
Other income	Service charges on deposit accounts	30,628	27,792
	Trust and corporate agency income	29,029	24,107
	Service fees	16,415	13,077
	International commissions, syndication fees and foreign exchange	11,749	13,107
	Other	23,149	24,034
	Total other income	110,970	102,117
Other expense	Salaries	253,441	203,708
	Employee benefits	59,428	49,986
	Net occupancy expense	38,530	33,867
	Equipment expense	33,761	25,920
	Other	146,156	129,208
	Total other expense	531,316	442,689
	Income before income taxes and securities transactions	208,227	208,441
	Less applicable income taxes	78,025	92,560
	Income before securities transactions	130,202	115,881
	Securities losses, net of income tax effect of $(7,334) 1979 and $(6,942) in 1978	(6,786)	(5,735)
	Net income	$ 123,416	$ 110,146
Per share	(Based on average number of common shares outstanding):		
	Income before securities transactions	$5.75	$5.16
	Securities transactions, net of income tax effect	(.30)	(.25)
	Net income	$5.45	$4.91

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Wells Fargo & Company and Subsidiaries	*Year ended December 31, 1979* Financial resources: *Provided from*	*Used for*	*Year ended December 31, 1978* Financial resources: *Provided from*	*Used for*
	(In thousands)			
Net income	$ 123,416		$ 110,146	
Non-cash items included in net income:				
Provision for loan losses	62,949		47,537	
Provision for deferred income taxes	29,293		32,490	
Provision for depreciation and amortization	19,965		16,666	
Provided from operations	235,623		206,839	
Cash dividends		$ 39,023		$ 31,467
Common stock issued under stock option plan and other	4,779		1,207	
Conversion of 3¼% convertible capital notes	2,321		5,181	
Operations and equity	242,723	39,023	213,227	31,467
Net loans		2,255,719		2,581,654
Lease financing		184,777		107,010
Investment securities	142,471		94,018	
Funds sold	93,400		74,700	
Trading account securities	30,345			21,148
Earning assets	266,216	2,440,496	168,718	2,709,812
Total deposits	1,012,344		2,341,149	
Total short-term borrowings	482,448		513,908	
Debentures, notes, and mortgages	137,568			2,598
3¼% Convertible capital notes		2,329		5,184
Deposits and borrowings	1,632,360	2,329	2,855,057	7,782
Cash and due from banks	336,708			465,561
Net additions to premises and equipment		43,565		41,849
Interest bearing deposits—foreign	25,587			91,553
Other assets		37,435		16,621
Other liabilities	38,510		102,482	
Other, net	20,744		25,161	
Other	421,549	81,000	127,643	615,584
Total	$2,562,848	$2,562,848	$3,364,645	$3,364,645

STATEMENT OF STOCKHOLDERS' EQUITY

Wells Fargo & Company (Parent)	*Wells Fargo & Company and Subsidiaries*	*Common stock*	*Additional paid-in capital*	*Retained earnings*	*Total stockholders' equity*
		(In thousands)			
Balance December 31, 1977		$111,581	$234,292	$311,662	$657,535
Net income—1978				110,146	110,146
Conversion of convertible notes		878	4,303		5,181
Stock issued under stock option plans and other		256	951		1,207
Cash dividends declared				(31,467)	(31,467)
Net increase		1,134	5,254	78,679	85,067
Balance December 31, 1978		112,715	239,546	390,341	742,602
Net income—1979				123,416	123,416
Conversion of convertible notes		393	1,928		2,321
Stock issued to employee benefit plans and other		904	3,963	(88)	4,779
Cash dividends declared				(39,023)	(39,023)
Net increase		1,297	5,891	84,305	91,493
Balance December 31, 1979		$114,012	$245,437	$474,646	$834,095

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CONDITION

	Wells Fargo Bank, N.A. and Subsidiaries	*December 31* 1979	1978	*Change*
		(In thousands)		
Assets	Cash and due from banks	$ 1,786,792	$ 2,123,958	$ (337,166)
	Interest bearing deposits — foreign	524,279	549,866	(25,587)
	Investment securities:			
	U.S. Treasury securities	243,500	618,681	(375,181)
	Securities of other U.S. government agencies and corporations	352,916	400,130	(47,214)
	Obligations of states and political subdivisions	803,386	738,638	64,748
	Other securities	58,273	62,903	(4,630)
	Total investment securities	1,458,075	1,820,352	(362,277)
	Trading account securities	5,649	35,994	(30,345)
	Funds sold	500	81,900	(81,400)
	Loans (net of allowance for loan losses and unearned income)	14,082,768	12,225,112	1,857,656
	Lease financing	302,833	219,629	83,204
	Premises and equipment, net	182,887	153,475	29,412
	Leased assets under capital leases, net	57,414	64,378	(6,964)
	Due from customers on acceptances	540,962	420,103	120,859
	Accrued interest receivable	226,284	182,033	44,251
	Other assets	155,798	143,164	12,634
	Total assets	$19,324,241	$18,019,964	$1,304,277
Liabilities and stockholder's equity	Demand deposits	$ 4,324,858	$ 4,001,943	$ 322,915
	Savings deposits	3,219,809	3,459,563	(239,754)
	Savings certificates	3,293,399	2,204,363	1,089,036
	Certificates of deposit	2,080,928	2,956,675	(875,747)
	Other time deposits	589,413	614,539	(25,126)
	Deposits in overseas offices	2,623,002	1,587,083	1,035,919
	Total deposits	16,131,409	14,824,166	1,307,243
	Funds borrowed	1,044,837	1,360,739	(315,902)
	Long-term debt	39,278	41,957	(2,679)
	Obligations under capital leases	70,174	76,491	(6,317)
	Acceptances outstanding	541,086	421,584	119,502
	Accrued taxes and other expenses	343,323	245,052	98,271
	Other liabilities	294,361	268,915	25,446
	Total liabilities (excluding subordinated notes)	18,464,468	17,238,904	1,225,564
	Subordinated notes:			
	8¼% Capital note 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	—
	Stockholder's equity:			
	Capital stock	94,461	94,461	—
	Surplus	307,549	305,220	2,329
	Surplus representing convertible capital note obligation assumed by Parent	2,552	4,881	(2,329)
	Undivided profits	380,211	301,498	78,713
	Total stockholder's equity	784,773	706,060	78,713
	Total liabilities and stockholder's equity	$19,324,241	$18,019,964	$1,304,277

The accompanying notes are an integral part of these statements.

Member of Federal Reserve System and Federal Deposit Insurance Corporation.

BALANCE SHEET

	Wells Fargo & Company (Parent)	*December 31,* 1979	1978
		(In thousands)	
Assets	Cash	$ 4,672	$ 6,359
	Security repurchase agreement		10,087
	Marketable securities	215,646	2,365
	Dividends receivable from Wells Fargo Bank, N.A.	10,294	8,688
	Short-term advances to subsidiaries	910,758	331,113
	Loans to subsidiaries	229,000	91,800
	Investments in common stock of principal subsidiaries:		
	Bank subsidiary	807,433	729,378
	Other subsidiaries	76,123	68,041
	Loan to affiliate	1,800	1,300
	Accrued interest receivable from subsidiaries and affiliate	7,332	2,677
	Other assets	24,932	5,458
	Total assets	$2,287,990	$1,257,266
Liabilities and stockholders' equity	Demand notes payable	$ 46,292	$ 44,404
	Commercial paper outstanding	787,258	249,085
	Funds borrowed under repurchase agreement	160,000	
	Other short term notes outstanding	109,148	
	Accrued expenses and other liabilities	301	460
	Interest payable	15,839	5,244
	Dividends payable	9,805	7,890
	7½% Notes due 1979		20,000
	8% Notes due 1980	6,700	6,700
	8¾% Notes due 1980	1,000	1,000
	7⅜% Sinking fund debentures due 1997	65,000	75,000
	8⅛% Notes due 1998	50,000	50,000
	8.60% Debentures due 2002	50,000	50,000
	9.55% Debentures due 1985	150,000	
	3¼% Convertible capital notes due 1989	2,552	4,881
	Total liabilities	1,453,895	514,664
	Stockholders' equity:		
	Common stock — $5 par value, authorized 30,000,000 shares, outstanding 22,802,458 shares and 22,543,046 shares at December 31, 1979 and 1978, respectively	114,012	112,715
	Additional paid-in capital	245,437	239,546
	Retained earnings	474,646	390,341
	Total stockholders' equity	834,095	742,602
	Total liabilities and stockholders' equity	$2,287,990	$1,257,266

The accompanying notes are an integral part of these statements.

STATEMENT OF INCOME

	Wells Fargo & Company (Parent)	Year ended December 31, 1979	Year ended December 31, 1978
		(In thousands, except per share data)	
Income	Dividends from subsidiaries:		
	Wells Fargo Bank, N.A.	$ 41,174	$ 34,752
	Finance subsidiaries	10,000	3,589
	Interest income:		
	From subsidiaries	92,714	32,763
	From others	1,374	223
	Other income	814	200
	Total income	146,076	71,527
Expense	Salaries and employee benefits	894	571
	Interest expense	97,916	37,161
	Other expense	3,516	2,632
	Total expense	102,326	40,364
	Income before income tax benefit and undistributed income and securities transactions of subsidiaries	43,750	31,163
	Income tax benefit	3,260	3,841
	Income before undistributed income and securities transactions of subsidiaries	47,010	35,004
	Equity in undistributed income of subsidiaries:		
	Wells Fargo Bank, N.A.	84,841	76,513
	Other subsidiaries	(1,649)	4,364
	Total equity in undistributed income of subsidiaries	83,192	80,877
	Income before securities transactions	130,202	115,881
	Securities losses of Wells Fargo Bank, N.A., net of income tax effect of $(7,334) in 1979 and $(6,942) in 1978	(6,786)	(5,735)
	Net income	$123,416	$110,146
Per share	(Based on average number of common shares outstanding):		
	Income before securities transactions	$5.75	$5.16
	Securities transactions, net of income tax effect	(.30)	(.25)
	Net income	$5.45	$4.91

The accompanying notes are an integral part of these statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

Wells Fargo & Company (Parent)	Year ended December 31, 1979		Year ended December 31, 1978	
	Financial resources		Financial resources	
	Provided from	Used for	Provided from	Used for
	(In thousands)			
Net income	$ 123,416		$110,146	
Equity in undistributed net income of subsidiaries	(76,406)		(75,142)	
Provided from operations	47,010		35,004	
Cash dividends declared		$ 39,023		$ 31,467
Capital contributions to subsidiaries, net		9,731		2,794
Common stock issued under stock option plan	4,779		1,207	
Conversion of 3¼% convertible capital notes	2,321		5,181	
Operations, equity and contributions	54,110	48,754	41,392	34,261
Commercial paper outstanding	538,173		69,124	
Funds borrowed under repurchase agreement	160,000			
9.55% Debentures due 1985	150,000			
Other short-term notes outstanding	109,148			
7½% Notes due 1979		20,000		
Interest payable	10,595		1,604	
7⅜% Sinking fund debentures due 1997		10,000		
Other borrowings, net	1,315			3,458
Borrowings	969,231	30,000	70,728	3,458
Loans and short-term advances to subsidiaries and affiliates		717,345		74,038
Marketable securities		213,281		295
Security repurchase agreement	10,087			10,087
Other net		24,048	10,019	
Other	10,087	954,674	10,019	84,420
Total	$1,033,428	$1,033,428	$122,139	$122,139

The accompanying notes are an integral part of these statements.

COMBINED BALANCE SHEET

Finance Subsidiaries of Wells Fargo & Company

		December 31, 1979	December 31, 1978
		(In thousands)	
Assets	Cash—primarily on deposit with Wells Fargo Bank, N.A.	$ 8,197	$ 6,277
	Marketable securities—at cost (market value $6,063 and $5,064 at December 31, 1979 and 1978, respectively)	5,980	4,758
	Accounts and interest receivable	10,173	6,123
	Due from parent under tax allocation agreement	11,420	3,021
	Loans:		
	Commercial loans	62,786	2,248
	Real estate construction and other loans	565,935	217,876
	Real estate mortgage loans in inventory	80,973	86,565
	Consumer loans	20,369	13,566
	Total loans	730,063	320,255
	Less: Allowance for loan losses	(5,903)	(3,022)
	Unearned income	(73,131)	(820)
	Total net loans	651,029	316,413
	Lease financing:		
	Receivables due in installments	304,350	229,904
	Estimated residual value of equipment leased	41,206	23,012
	Less: Allowance for losses	(5,129)	(4,520)
	Unearned income	(72,172)	(57,644)
	Leveraged leases	32,707	8,821
	Equipment purchased pending lease commencement	1,797	1,613
	Total lease financing	302,759	201,186
	Fixed assets:		
	Premises	1,131	808
	Furniture and equipment	3,684	2,122
	Leasehold improvements	1,259	668
		6,074	3,598
	Less: Accumulated depreciation and amortization	(1,483)	(1,081)
	Total net fixed assets	4,591	2,517
	Other assets	43,945	16,971
	Total assets	$1,038,094	$557,266

The accompanying notes are an integral part of these statements.

		December 31, 1979	December 31, 1978
		(In thousands)	
Liabilities and stockholder's equity	Accounts payable and accrued expenses	$ 39,305	$ 12,097
	Accounts payable to affiliates	1,650	
	Interest payable to Parent	6,344	2,458
	8%-10% Senior notes due to 1988	39,678	41,500
	8½%-10% Notes due 1978-79		2,000
	Short-term advances from Parent	618,842	323,675
	Notes payable to Parent	204,000	66,800
	Deferred credits:		
	Taxes on income	41,905	33,667
	Investment tax credit	7,372	4,654
	Fee income	4,470	3,600
	Total deferred credits	53,747	41,921
	Total liabilities	963,566	490,451
	Stockholder's equity:		
	Common stock	2,700	2,700
	Additional paid-in capital	42,800	32,800
	Retained earnings	29,028	31,315
	Total stockholder's equity	74,528	66,815
	Total liabilities and stockholder's equity	$1,038,094	$557,266

The accompanying notes are an integral part of these statements.

COMBINED STATEMENT OF INCOME

	Finance Subsidiaries of Wells Fargo & Company	*Year ended December 31,* 1979	1978
		(In thousands)	
Income	Interest and fees on loans	$ 72,674	$42,903
	Lease financing income	23,396	16,755
	Loan servicing fees	5,813	5,773
	Services to affiliates	5,610	2,920
	Other income	4,972	3,752
	Total income	112,465	72,103
Expense	Interest and fees:		
	Wells Fargo & Company	61,146	30,087
	Others	3,814	4,317
	Total interest expense	64,960	34,404
	Salaries and employee benefits	18,919	11,895
	Occupancy expense	1,892	1,142
	Provision for losses on loans and leases	4,003	2,193
	Other expenses	10,740	6,887
	Total expense	100,514	56,521
	Income before income taxes	11,951	15,582
	Less applicable income taxes	4,238	7,632
	Net income	$ 7,713	$ 7,950

The accompanying notes are an integral part of these statements.

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION

Finance Subsidiaries of Wells Fargo & Company	*Year ended December 31, 1979* Financial resources: *Provided from*	*Used for*	*Year ended December 31, 1978* Financial resources: *Provided from*	*Used for*
	(In thousands)			
Net income	$ 7,713		$ 7,950	
Non-cash items included in net income:				
Deferred taxes	8,395		4,919	
Provision for losses on loans and leases	4,003		2,193	
Depreciation and amortization	753		536	
Other	3,588		1,896	
Provided from operations	24,452		17,494	
Subsidiaries established in 1978			3,600	
Capital contributed by Parent	10,000			
Cash dividends declared		$ 10,000		$ 3,589
Operations and equity	34,452	10,000	21,094	3,589
Total net loans		337,715		23,535
Additions to lease financing, net		135,069		66,898
Earning assets	—	472,784	—	90,433
Short-term advances from Parent	295,167		65,300	
Notes payable to Parent	137,200			
8½-10% Notes due 1978-1979		2,000		9,157
Mortgage notes payable				2,958
Borrowings	432,367	2,000	65,300	12,115
Due from Parent under tax allocation agreement		8,399		3,021
Due to Parent under tax allocation agreement				5,980
Collections of lease financing receivables, net of earned finance income amounts	32,592		33,678	
Accounts payable and accrued expenses	27,208		1,521	
Other, net		33,436		6,455
Other	59,800	41,835	35,199	15,456
Total	$526,619	$526,619	$121,593	$121,593

COMBINED STATEMENT OF STOCKHOLDER'S EQUITY

Finance Subsidiaries of Wells Fargo & Company	*Common stock*	*Additional paid-in capital*	*Retained earnings*	*Total stockholder's equity*
	(In thousands)			
Balance December 31, 1977	$ 900	$31,000	$26,954	$58,854
Subsidiaries established in 1978	1,800	1,800		3,600
Net income — 1978			7,950	7,950
Cash dividends declared			(3,589)	(3,589)
Net increase	1,800	1,800	4,361	7,961
Balance December 31, 1978	2,700	32,800	31,315	66,815
Net income — 1979			7,713	7,713
Cash contribution by Parent		10,000		10,000
Cash dividends declared			(10,000)	(10,000)
Net increase (decrease)		10,000	(2,287)	7,713
Balance December 31, 1979	$2,700	$42,800	$29,028	$74,528

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Wells Fargo & Company (Parent), Wells Fargo & Company and Subsidiaries (Company), Wells Fargo Bank, N.A. (Bank) and the Finance Subsidiaries of Wells Fargo & Company conform to generally accepted accounting principles and prevailing practices of 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, Wells Fargo Bank, N.A. and the non-bank subsidiaries of the Parent. Foreign branches and subsidiaries of the Bank are consolidated on a line-by-line basis. Significant inter-company accounts and transactions are eliminated in consolidation. Investments of the Parent in its principal subsidiaries are carried at cost plus changes in equity since formation or acquisition.

Foreign currency translation

The assets and liabilities of foreign branches and subsidiaries are translated into U.S. dollars on the following basis:

Balances representing cash and amounts receivable or payable that are denominated in foreign currencies are translated at rates approximating the year-end foreign exchange rates.

Other assets and liabilities (primarily fixed assets and related depreciation) are translated at historical exchange rates prevailing at the dates of acquisition.

Revenue and expense accounts are translated at average exchange rates for the year, except for amounts related to balance sheet accounts translated at historic rates. Gains and losses from foreign currency translation are included in income currently.

Gains and losses from foreign exchange trading operations are recognized currently. Gains and losses on unperformed forward exchange contracts are recognized currently if the contracts are intended to hedge exposed foreign currency net asset or liability positions. Gains and losses are deferred if the contracts are intended to hedge identifiable foreign currency commitments. Premiums or discounts related to hedged transactions are accrued as interest income or expense.

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 accretion of discount. Marketable equity securities held for investment are included in other securities and are carried at cost.

Gains or losses on the sale of trading account securities are considered part of normal operations. Interest earned on trading account securites is shown separately. Gains or losses on the sale of investment securities are recognized only upon realization and are reported separately in the income statement, using the "identified certificate" method.

Premises & 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 the lease term for leasehold improvements. The value of leased assets capitalized in accordance with Financial Accounting Standards Board (FASB) Statement No. 13, Accounting for Leases, is included with owned assets. Certain interest costs associated with Bank-constructed premises projects have been capitalized in accordance with FASB Statement No. 34. Capitalized interest is included in the cost of the related assets and is amortized over the estimated lives of the related projects.

Accounting for leases

As a lessee, the Company has lease arrangements primarily for the use of real property. The Company's leases do not contain restrictive clauses concerning dividends, debt financing or further leasing, nor do they generally involve contingent rentals or bargain purchase options.

As a lessor, the Company engages in lease financing in its banking operations and through Wells Fargo Leasing Corporation. Policies for the Leasing Corporation are disclosed under the heading of Finance Subsidiaries. The Bank's direct lease financing consists primarily of automobile leasing to customers for various time periods. Income is recognized over the lease term using an interest method.

Income taxes

The Company files a consolidated federal income tax return. Taxable income is 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 foreign based subsidiaries under the assumption that all such earnings will be distributed in the future as dividends to the investor company. In addition, income taxes are provided on undistributed earnings of equity investments under the assumption that such earnings will be realized as gain from the sale of investments.

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 lease financing income over the term of the related lease.

Allowance for loan losses

The Company provides for probable loan losses on the allowance method. For the Bank and other subsidiaries, the allowance for loan losses is supported by a review and evaluation of various factors affecting the collectibility of loans.

Unearned income on loans

Unearned income on loans is shown as a reduction of total loans and is recognized as income on a declining basis (sum-of-the-digits method) over the term of the loan, except at Wells Fargo Credit Corporation and Wells Fargo Realty Advisors, where unearned income is amortized using an interest method.

Other real estate owned

Other real estate, acquired through foreclosure or deed in lieu of foreclosure, is carried at the lower of cost or market. Where market cannot be readily determined, the Company uses estimated net realizable value. When the property is acquired, any excess of the loan balance over market or the estimated net realizable value is charged to the allowance for loan losses. Subsequent write-downs, if any, are charged to other expense.

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.

Income per share

Income per share is computed by dividing income by the average number of shares outstanding during the year. The impact of common stock equivalents and other potentially dilutive securities is not material.

FINANCE SUBSIDIARIES

The Finance Subsidiaries consist of Wells Fargo Business Credit (WFBC), Wells Fargo Credit Corporation (WFCC), Wells Fargo Leasing Corporation (WFLC), Wells Fargo Mortgage Company (WFMC), and Wells Fargo Realty Advisors (WFRA).

Loans held for sale

Loans held for sale are stated at the lower of cost or aggregate market value; valuation adjustments are charged against or credited to operations. Actual gain or loss on sales of mortgage inventory is recognized when the loans are delivered to and paid for by the investors.

Commitment fees are reflected as adjustments to sales prices. Origination fees for residential loans are recognized as income when collected. Fees for originating commercial loans are recognized upon acceptance of the investor loan commitment by the borrower. Construction loan fees are deferred and amortized using an interest method over the anticipated construction period.

Loans held as portfolio investments

Commitment fees are deferred and amortized on a straight-line basis over a period related to the estimated lives of associated loans and lengths of commitments. Loan origination fees are deferred and recognized as income using an interest method.

Loan servicing

The cost of acquiring servicing contracts is deferred and amortized over the period of estimated net servicing income. The straight-line method of amortization is used for those contracts acquired prior to January 1, 1976; accelerated methods are used for those contracts acquired after that date. Servicing fees are based on a contractual percentage of the outstanding monthly principal balance of loans serviced and are credited to income when the related payments are received.

Leasing
Income from direct financing transactions is recorded as earned. An amount of lease income which approximates the cost of acquiring the lease plus an estimated provision for loss on the lease is recognized at inception. The remainder of unearned income is amortized to income over the term of the lease using an interest method. Income on leveraged leases is recognized to attain a constant yield on the outstanding investment in the lease, net of related deferred tax liability, in the years in which the net investment is positive.

RECLASSIFICATION OF PRIOR YEAR'S FINANCIAL STATEMENTS

Certain 1978 amounts have been reclassified from the categories previously used in order to conform with the Securities and Exchange Commission's regulations effective in 1979. These reclassifications affect the loan categories of foreign, which was previously defined as international and included loans to finance international activities of companies domiciled in the United States, commercial, which now includes U.S. domiciled international loans and certain loans to dealers previously included in consumer loans. Interest on long-term debt has been increased by the addition of imputed interest on capitalized leases, an item of expense that was previously included in net occupancy expense and equipment expense.

2. SECURITIES

The following table provides the major components of the consolidated investment securities balance and a comparison of book and market values at December 31:

		1979			1978	
(In thousands)	*Book value*	*Market value*	*Percent of book value*	*Book value*	*Market value*	*Percent of book value*
U.S. Treasury securities	$ 460,165	$ 449,331	97.6	$ 618,979	$ 600,474	97.0
Securities of other U.S. government agencies and corporations	353,763	333,170	94.2	400,130	385,309	96.3
Obligations of states and political subdivisions	803,386	733,219	91.3	738,638	670,785	90.8
Other securities	65,643	62,114	94.6	67,681	65,457	96.7
Total investment securities	$1,682,957	$1,577,834	93.8	$1,825,428	$1,722,025	94.3

Book value represents the purchase price of the security, adjusted by the amortization of premium or the accretion of discount. The accretion of discount reflected in interest on investment securities amounted to $2,054,000 and $1,069,000 in 1979 and 1978, respectively.

Market value of U.S. Treasury and other U.S. government securities is determined based on current quotations. Market value of obligations of states and political subdivisions is determined based on current quotations, where available. Where current quotations are not available, market value is determined based on the present value of future cash flows, adjusted for the quality rating of the securities and other factors.

The book value of investment securities pledged to secure public deposits and for other purposes as required or permitted by law aggregated $924,000,000 at December 31, 1979, and $911,000,000 at December 31, 1978.

Included in obligations of states and political subdivisions at December 31, are the following securities:

	1979		1978	
(In thousands)	*Book value*	*Market value*	*Book value*	*Market value*
Municipalites within California*	$237,629	$210,274	$237,052	$214,013
State of California	57,771	51,100	76,206	64,510

*None of the issuers of securities within California exceeds 10 percent of stockholders' equity. The only issuer exceeding 10 percent of stockholders' equity was the state of California in 1978.

3. PREMISES & EQUIPMENT

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

	(In thousands)	*Cost*	*Accumulated depreciation and amortization*	*Net*
At December 31, 1979	Land	$ 36,074	$ —	$ 36,074
	Premises	193,828	64,591	129,237
	Furniture and equipment	119,909	59,681	60,228
	Leasehold improvements	40,221	13,409	26,812
	Total	$390,032	$137,681	$252,351
At December 31, 1978	Land	$ 34,129	$ —	$ 34,129
	Premises	181,985	58,869	123,116
	Furniture and equipment	99,916	51,947	47,969
	Leasehold improvements	34,666	11,933	22,733
	Total	$350,696	$122,749	$227,947

See Note 14 for the amount of these assets held under capital leases.

The accumulated depreciation claimed for federal income tax purposes is approximately $98,269,000 at December 31, 1979, and $83,418,000 at December 31, 1978. The principal difference between amounts claimed for federal income taxes and the amounts reported above is related to capital leases.

Depreciation and amortization expense was $19,161,000 for the year ended December 31, 1979, and $16,666,000 for the year ended December 31, 1978.

In 1979, approximately $1,332,000 of interest related to construction projects was capitalized in accordance with FASB Statement No. 34.

4. LOANS & ALLOWANCE FOR LOAN LOSSES

Changes in the consolidated allowance for loan losses were as follows:

		Year ended December 31,	
	(In thousands)	*1979*	*1978*
	Balance at beginning of year	$102,349	$ 86,185
Additions	Provision charged to expense:		
	Bank	59,850	46,000
	Finance Subsidiaries	3,099	1,537
	Total additions	62,949	47,537
Deductions	Net charge-offs:		
	Loans charged off	56,068	41,634
	Recoveries on loans charged off	(15,970)	(10,261)
	Net deductions	40,098	31,373
	Balance at end of year	$125,200	$102,349

The following table presents information concerning loans which are carried on non-accrual or renegotiated status:

			December 31,
	(In thousands)	*1979*	*1978*
Consolidated	Total non-accrual and renegotiated loans	$215,512	$151,870
	Income which would have been recorded under original terms	$ 17,432	$ 18,612
	Gross interest recorded	$ 7,352	$ 4,398
	Commitments to lend additional funds	$ 14,415	$ 1,552
Finance Subsidiaries	Total non-accrual and renegotiated loans	$ 6,643	$ 7,402
	Income which would have been recorded under original terms	$ 837	$ 1,193
	Gross interest recorded	$ 408	$ 534
	Commitments to lend additional funds	$ 6	$ 177

5. DEPOSITS

Interest expense on the various categories of deposits is presented below:

(In thousands)	Year ended December 31, 1979	1978
Savings deposits	$174,840	$180,431
Savings certificates	236,173	132,528
Certificates of deposit	215,911	185,284
Other time deposits	58,302	34,659
Deposits in overseas offices	266,943	124,095
Total	$952,169	$656,997

The following table presents interest paid and balances of time certificates of deposit of $100,000 or more included in savings certificates, certificates of deposit, and other time deposits:

(In thousands)	1979	1978
Interest expense	$ 339,208	$ 244,032
Year-end balance	$2,841,915	$3,452,282

6. SHORT-TERM BORROWINGS

Commercial paper and other money market notes represent obligations primarily of the Parent with original maturities not to exceed 270 days. Demand notes are payable by the Parent, primarily to various bank trust departments, and are included with other short-term borrowings in the consolidated balance sheet. Included in this classification are notes of the Parent with original maturities less than or equal to three years. Outstanding amounts and maturities of selected short-term borrowings were as follows:

	(Dollars in thousands)	Year ended December 31, 1979	1978
Commercial paper (consolidated)	Average amount outstanding	$582,000	$215,000
	Daily average rate	11.29%	8.14%
	Highest month-end balance	$933,000	$267,000
	Rate on outstandings at year end	13.67%	10.48%
Demand notes (Parent)	Average amount outstanding	$ 48,000	$ 46,000
	Daily average rate	10.73%	8.14%
	Highest month-end balance	$ 64,000	$ 49,000
	Rate on outstandings at year end	12.94%	10.39%
Security repurchase agreements (consolidated)	Average amount outstanding	$672,000	$654,000
	Daily average rate	10.59%	7.73%
	Highest month-end balance	$901,000	$922,000
	Rate on outstandings at year end	12.04%	9.80%

The Parent had available lines of credit with unaffiliated banks totaling $315,000,000 at December 31, 1979 and $240,000,000 at December 31, 1978. Of these lines, $305,000,000 supported money market and demand note borrowing arrangements in 1979, and $235,000,000 were available for this purpose in 1978. The lines of credit require commitment fees or compensating balances. Compensating balances of $3,162,000 were maintained at December 31, 1979 and $5,400,000 at December 31, 1978. The lines were utilized by the Parent for seven days in 1979 and twelve days in 1978. In 1979, a sublimit under one of the Company's lines of credit was established as an overdraft facility for a finance subsidiary. Borrowings under this facility averaged $200,000 for the five months it was in effect.

7. CAPITAL & CONVERTIBLE CAPITAL NOTES

The 4½% capital notes of the Bank may be currently redeemed at the option of the Bank at 1.125 percent 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 .8125 percent premium and at decreasing premiums 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.

The capital and convertible capital notes indentures contain 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 & MORTGAGES

The debentures, notes and mortgages of the Company consisted of the following:

	(In thousands)	December 31, 1979	1978
Of Wells Fargo & Company (Parent)	9.55% Debentures due 1985	$150,000	
	7⅜% Sinking fund debentures due 1997	65,000	$ 75,000
	8⅛% Notes due 1998	50,000	50,000
	8.60% Debentures due 2002	50,000	50,000
Of Wells Fargo Bank, N.A.	4¼%-4½% Collateral trust and mortgage bonds due to 1993 of ATC Building Company and other mortgages on premises	14,578	15,615
	6½% euro deutsche mark debentures due 1988 of Wells Fargo International Investment Corporation	24,700	24,273
Of Wells Fargo Leasing Corporation	8%-10½% Senior notes (with original maturities of more than three years) due in varying amounts to 1988	39,678	41,500
		$393,956	$256,388

The principal payments, including sinking fund payments, on the above indebtedness are due as follows:

1980	1981	1982	1983	1984	After 1984	Total
$10,736	$12,145	$12,197	$13,486	$7,258	$338,134	$393,956

The 9.55% notes have no sinking fund requirements. Beginning July 1, 1983 the notes may be redeemed, in whole or in part, at par, at the Company's option.

The 7⅜% sinking fund debentures will require an annual sinking fund of $2,500,000 beginning November 15, 1982, which will retire 50 percent 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 exceed $2,500,000, which would be used to redeem debentures at par plus accrued interest. Beginning on November 15, 1982, the Company may redeem debentures, in addition to sinking fund redemptions, at a premium of 3.69 percent and at decreasing premiums thereafter. The Company currently holds $10,000,000 of the notes available for future sinking fund payments. The gain on the repurchase of these notes is included in 1979 other income.

The 8⅛% notes will require mandatory annual principal payments of $1,700,000 beginning November 1, 1983. At its option, beginning November 1, 1983, the Company has the non-cumulative right of increasing principal payments by $1,700,000 a year. Beginning on November 1, 1983, the Company may prepay principal at a premium of 4.063 percent and at decreasing premiums thereafter.

The 8.60% debentures will require an annual sinking fund of $3,000,000 beginning April 1, 1987. Beginning April 1, 1987 the Company may at its option, at any time, redeem all or any part of the debentures prior to maturity at the then applicable optional redemption premium.

The 4¼%-4½% collateral trust and mortgage bonds are payable in annual installments of $1,000,000 until 1988 and then annual installments of $500,000 until 1993. The bonds are secured by deeds of trust on $39,099,000 of Bank premises, at cost. The bonds can presently be redeemed at 1.40 percent premium for the 4¼% bonds and at 2.175 percent premium for the 4½% bonds. The other mortgages on premises comprising this category were secured by deeds of trust on $3,948,000 of Bank premises at December 31, 1979.

The euro deutsche mark debentures, which are hedged, require annual sinking fund payments of DM 5,000,000. The Company currently holds DM 2,349,000 of the debentures available for future sinking fund payments. Gains on repurchase of those debentures acquired in 1979 are included in 1979 other income. In addition, redemptions can presently be made at 2.5 percent premium and at decreasing premiums until maturity. Payment of principal and interest on the euro deutsche mark debentures has been guaranteed by the Company.

Of the senior notes of Wells Fargo Leasing Corporation, $15,000,000 with an interest rate of 8% may be currently prepaid at a 4.0 percent premium and at lesser premiums until June 1, 1983, when the notes may be redeemed at par. The remaining $24,678,000 of senior notes with interest at 9½% to 10½% may be prepaid under certain circumstances.

The Parent has not assumed or guaranteed the 4¼%-4½% collateral trust and mortgage bonds of ATC Building Company nor the other mortgages on Bank premises.

The borrowing agreements for the debentures, notes 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, 1979.

9. COMMON STOCK

Warrants to purchase a total of 399,960 shares of common stock of the Company at a price of $24.63 per share, attached to the euro deutsche mark debentures, are currently detachable and expire on October 1, 1988.

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 percent of the shares under his option, and in lieu thereof receive cash equal to the appreciation in the fair market value of the shares at that date over the option price at the date of grant. Compensation expense is accrued for the forfeiture component of the plan. In 1979 this resulted in a reduction of expense of $213,000 as a result of the decline in the stock price. Expense accrued in 1978 was $841,000.

The status of options outstanding at December 31, 1979 is summarized below.

Outstanding options – stock option plan

Year of grant	*Number of shares*	*Option price and fair value at date of grant*	
		Per share	*Aggregate (In thousands)*
1978	5,000	$27.50	$ 137
	5,000	27.63	138
	97,000	24.88	2,413
1974	115,700	20.25	2,343
1973	59,000	21.88	1,291
Total	281,700		$6,322

Options exercised

Year exercised	*Number of shares*	*Option price*		*Fair value at date options exercised*	
		Per share	*Aggregate (In thousands)*	*Per share*	*Aggregate (In thousands)*
1979	1,000	$21.88	$ 22	$27.00	$ 27
	4,500	20.25	91	28.21	127
1978	8,750	21.88	191	28.43	249
	24,800	20.25	502	29.14	723

None of the options previously granted became exercisable in 1979 or 1978. Options previously granted for 52,500 shares and 27,550 shares were forfeited in 1979 and 1978, respectively; the optionees elected to receive cash equal to the appreciation of the fair market value over the exercise price of the shares.

At the 1979 annual meeting, the shareholders adopted a stock option and appreciation plan for certain key employees permitting them to purchase the Company's common stock at an option price equal to the fair market value of the stock at date of grant. The terms of the plan provide that the optionee may surrender the option and receive the appreciation between the option price and the fair market value of the stock at date of surrender in the form of cash and common stock, provided that at least 50 percent of the appreciation be in shares of the Company's stock based on the market price at date of surrender. During 1979, options for 235,500 shares at $28.13 per share were granted. Compensation is accrued for the surrender feature of the plan; however, since the market price of the shares declined subsequent to the grant date, no expense was accrued in 1979. At December 31, 1979, no options had become exercisable under the plan.

Employees of the Company with over one year of service who are not included in the stock option plans are eligible to participate in the Company's stock purchase plan. The plan provides for an option price of the lower of market value at grant or 90% of fair market value at the end of the option period, twelve months after the date of the grant. At December 31, 1979 101,000 shares had been issued under the plan and options for approximately 117,000 shares, based on their value at the date of grant, were outstanding. Additional options for 732,000 shares were available for grant through 1983. The plan is non-compensatory and results in no expense to the Company.

The following table summarizes common stock reserved, available for issue and issued and outstanding as of December 31, 1979:

	Number of shares
3¾% Notes	86,502
Warrants	399,960
Employee stock purchase plan	849,083
Employee stock ownership plan	65,564
Incentive and savings plan	100,000
Dividend reinvestment plan	500,000
Stock option plan	346,836
Stock option and appreciation plan	400,000
Total shares reserved	2,747,945
Shares available for issue	4,449,597
Shares issued and outstanding	22,802,458
Total shares authorized	30,000,000

10. EMPLOYEE BENEFITS

The provision for the retirement and profit sharing plans was as follows:

(In thousands)	*Year ended December 31,* 1979	1978
Retirement plans:		
Consolidated	$9,128	$6,432
Finance Subsidiaries	$ 303	$ 205
Profit sharing plans:		
Consolidated	$7,216	$9,839
Finance Subsidiaries	$ 751	$ 667

At December 31, 1979, it is estimated that if the assets of the Company's retirement plan had been liquidated, the proceeds would have been approximately $10.1 million less than the actuarially computed liability for vested retirement plan benefits. The amount of vested benefit liability over or under plan assets will vary over time depending on changes in actuarial assumptions, plan benefits, market values, and other factors.

All salaried employees of participating Wells Fargo companies hired on or before September 1, 1975 participate in the profit sharing plans. Those hired after that date participate after three years of service.

Under the employee stock ownership plan, the Company is allowed to make certain reductions in its federal income tax payments if the savings are passed on to employees in the form of stock ownership through the plan. All salaried employees of participating Wells Fargo companies who have worked for three continuous years and are not participants in a stock option plan are eligible to paritici-pate. The Company estimates a $1,447,000 contribution for 1979 and has made a contribution of $785,000 for 1978.

11. INCOME TAXES

Current and deferred income tax provisions (benefits), including the tax effect of securities transactions, were as follows:

	(In thousands)	Year ended December 31, 1979	1978
Parent	Current:		
	Federal	$ (5,597)	$ (7,543)
	State and local	(2,323)	(1,823)
		(7,920)	(9,366)
	Deferred:		
	Federal	(2,248)	(858)
	State and local	(426)	(559)
		(2,674)	(1,417)
	Total	$(10,594)	$(10,783)
Consolidated	Current:		
	Federal	$ 13,058	$24,065
	State and local	16,174	17,643
	Foreign	12,166	11,420
		41,398	53,128
	Deferred:		
	Federal	29,356	30,722
	State and local	1,103	1,724
	Foreign	(1,166)	44
		29,293	32,490
	Total	$ 70,691	$ 85,618
Finance Subsidiaries	Current:		
	Federal	$ (3,502)	$ 1,999
	State and local	(655)	714
		(4,157)	2,713
	Deferred:		
	Federal	6,914	4,140
	State and local	1,481	779
		8,395	4,919
	Total	$ 4,238	$ 7,632

The components of the deferred income tax provisions and the tax effect of each were as follows:

	(In thousands)	Year ended December 31, 1979	1978
Parent	Cash basis accounting for tax purposes	$ (2,674)	$ (1,417)
	Total	$ (2,674)	$ (1,417)
Consolidated	Cash basis accounting for tax purposes	$ 2,040	$10,656
	Deferred income on lease financing	26,398	16,197
	Greater loan loss deduction for income tax purposes	1,716	7,523
	Net deferred income on equity investments	(306)	1,484
	Other	(555)	(3,370)
	Total	$29,293	$32,490
Finance Subsidiaries	Cash basis accounting for tax purposes	$ (1,868)	$ (258)
	Lesser loan loss deduction for income tax purposes	(957)	(522)
	Deferred income on lease financing	11,587	5,250
	Other	(367)	449
	Total	$ 8,395	$ 4,919

The deferred tax provisions are the result of certain items being accounted for in different time periods for financial reporting purposes than for income tax purposes.

The variances from amounts previously reported result principally from adjustments when the tax returns were filed.

The following reconciliation of the statutory federal income tax rate to the effective tax rate is based on income before securities transactions:

		Year ended December 31, 1979	1978
Parent	Statutory federal income tax rate	46.0 %	48.0 %
	Decrease in tax rate resulting from:		
	Dividends from and undistributed earnings of subsidiaries	(48.7)	(51.1)
	Other	.1	(.3)
	Effective tax rate	(2.6)%	(3.4)%
Consolidated	Statutory federal income tax rate	46.0 %	48.0 %
	Increase (decrease) in tax rate resulting from:		
	State and municipal bond income	(9.4)	(7.2)
	State and local taxes on income, net of federal income tax benefit	5.3	5.5
	Other	(4.4)	(1.9)
	Effective tax rate	37.5 %	44.4 %
Finance Subsidiaries	Statutory federal income tax rate	46.0 %	48.0 %
	Increase (decrease) in tax rate resulting from:		
	State and local taxes on income, net of federal income tax benefit	2.8	4.9
	Amortization of investment tax credit	(11.8)	(5.2)
	Other	(2.0)	1.3
	Effective tax rate	35.0 %	49.0 %

The effective tax rate on securities gains or losses differs from the federal income tax rate of 46 percent (48 percent for 1978) because of state income taxes net of federal income tax benefit.

At December 31, 1979, the Company had accrued income taxes payable of $159,710,000. It has current income tax refunds receivable of $20,064,000. At December 31, 1978, the Company had accrued income taxes of $132,192,000 of which $4,097,000 was currently payable.

For financial statement purposes, the Company had deferred investment tax credit for property purchased for lease to customers of $20,795,000 at December 31, 1979 and $12,092,000 at December 31, 1978.

Investment tax credits of $4,793,000 generated in 1979 have been carried back to prior years.

12. DIVIDENDS & UNDIVIDED PROFITS

Dividends payable by the Bank to the Parent without the express approval of the Comptroller of the Currency are limited to the Bank's net profits (as defined) for the current year combined with its retained net profits for the preceding two years. Under this formula, as of December 31, 1979 the Bank could have declared additional dividends of approximately $224,251,000.

The retained earnings of the Parent included $352,266,000 and $276,861,000 of undistributed earnings of subsidiaries at December 31, 1979 and 1978 respectively.

13. INTERNATIONAL & FOREIGN ACTIVITIES

The Bank provides international banking services from its foreign and domestic based International Group offices. The information provided below, and referred to as International Operations, represents assets and activity of that Group. Securities and Exchange Commission interpretations have defined foreign activities as loans and revenue-producing assets and transactions in which the customer is domiciled outside the United States. Both international and foreign operations have been summarized for 1979 and 1978.

	(In millions)	Foreign activities Ending balance 1979	1978
Assets	Interest bearing deposits—foreign	$ 524	$ 550
	Acceptances	$ 298	$ 280
Loans	Government sector:		
	Loans to or guaranteed by central governments and central banks	$ 542	$ 567
	Loans to other government entities	402	509
	Private sector:		
	Loans to commercial banks	316	607
	Loans to other private entities for commercial and industrial purposes	630	721
	Total loans	$1,890	$2,404
Liabilities	Deposits of banks located in foreign countries:		
	Interest bearing	$1,422	$ 703
	Non-interest bearing	80	165
	Total	1,502	868
	Deposits of foreign governments and institutions	30	76
	Other deposits:		
	Interest bearing	1,052	813
	Non-interest bearing	75	108
	Total	1,127	921
	Total deposits	$2,659	$1,865

The allowance for loan losses related to foreign activities has changed as follows:

(In thousands)	1979	1978
Balance at January 1	$13,390	$15,571
Provision charged to expense	(2,619)	3,250
Recoveries of amounts charged off	4,110	1,313
Loans charged to the allowance	(2,841)	(6,744)
Balance at December 31	$12,040	$13,390

The funds transferred between domestic and foreign operations for the years shown represent pooled funds and related pooled costs associated with funding the Company's lending operations. After specific domestic and foreign funding sources are identified, funds are transferred to cover any resulting deficit; funds transferred are valued at the actual cost of pooled purchased funds of the applicable provider of funds.

Total operating revenue, net income and identifiable assets by geographic area at December 31, 1979 and 1978 or for the years then ended were as follows:

(In millions)	Domestic operations	U.S. domicile	International operations: Foreign activities: Canada	Europe	Latin America and Mexico	Asia and Pacific Basin	Middle East and Africa	1979 Consolidated total
Total operating revenue	$ 1,695.2	$ 31.5	$ 4.7	$ 70.7	$ 115.5	$ 67.7	$ 32.3	$ 2,017.6
Income before income taxes and securities transactions	$ 168.1	$ 3.8	$ (1.0)	$ 10.7	$ 22.7	$ 4.3	$ (.4)	$ 208.2
Net income	$ 103.3	$ 1.9	$ (.5)	$ 5.4	$ 11.3	$ 2.2	$ (.2)	$ 123.4
Identifiable assets:								
Net loans	$12,757.1	$ 99.9	$28.2	$254.5	$ 844.2	$510.1	$241.7	$14,735.7
Acceptances	—	243.4	—	8.0	125.8	156.9	6.9	541.0
Overseas deposits	—	—	—	339.1	117.1	40.8	27.3	524.3
Other	4,792.1	—	—	—	—	—	—	4,792.1
Total identifiable assets	$17,549.2	$343.3	$28.2	$601.6	$1,087.1	$707.8	$275.9	$20,593.1

(In millions)	Domestic operations	U.S. domicile	International operations: Foreign activities: Canada	Europe	Latin America and Mexico	Asia and Pacific Basin	Middle East and Africa	1978 Consolidated total
Total operating revenue	$ 1,177.0	$ 14.5	$ 5.0	$ 73.9	$ 117.5	$ 64.2	$ 36.3	$ 1,488.4
Income before income taxes and securities transactions	$ 159.4	$ (2.0)	$ .6	$ 8.6	$ 22.8	$ 13.8	$ 5.2	$ 208.4
Net income	$ 87.5	$ (.9)	$ .3	$ 3.9	$ 10.5	$ 6.4	$ 2.4	$ 110.1
Identifiable assets:								
Net loans	$10,058.1	$ 94.7	$48.5	$492.3	$1,028.3	$537.8	$283.2	$12,542.9
Acceptances	—	156.9	—	11.2	76.2	145.4	46.9	420.1*
Overseas deposits	—	—	15.1	361.6	89.9	12.4	70.9	549.9
Other	5,098.5	—	—	—	—	—	—	5,098.5
Total identifiable assets	$15,156.6	$251.6	$63.6	$865.1	$1,194.4	$695.6	$401.0	$18,611.4

*Acceptances of $16,500,000 in 1978 were held for investment by the Bank and eliminated in consolidation.

A condensed income statement for foreign activities follows:

(In thousands)	Year ended December 31, 1979	1978
Interest income	$277,100	$278,871
Interest expense	214,400	209,925
Net interest income	62,700	68,946
Provision for loan losses	(2,619)	3,250
Net interest income after provision for loan losses	65,319	65,696
Other income	13,769	18,079
Other expense	41,854	32,340
Income before income taxes	$ 37,234	$ 51,435
Net income(1)	$ 18,623	$ 23,727

(1) Securities transactions are not attributable to foreign activities, hence, this also represents income before securities transactions.

The net consolidated exchange gains arising during the year and included in the determination of net income were $1,637,000 in 1979 and $2,648,000 in 1978.

14. LEASING

Company's position as lessee: The Bank is the primary lessee. The table below presents comparative consolidated data for the Company's leased assets under capital leases:

	(In thousands)	Cost	Accumulated amortization	Net
At December 31, 1979	Premises	$85,780	$29,719	$56,061
	Furniture and equipment	8,746	7,393	1,353
	Total	$94,526	$37,112	$57,414
At December 31, 1978	Premises	$88,604	$26,709	$61,895
	Furniture and equipment	8,746	6,263	2,483
	Total	$97,350	$32,972	$64,378

In addition to capital leases, the Company is obligated under a number of non-cancelable operating leases for premises and equipment with terms ranging from one to 35 years, many of which provide for periodic adjustment of rentals based on changes in various economic indicators. Future minimum payments under capital leases and non-cancelable operating leases with terms in excess of one year as of December 31, 1979 are as follows:

Year ended December 31, (In thousands)	Capital leases: Consolidated	Operating leases: Finance Subsidiaries	Consolidated
1980	$ 11,521	$ 720	$ 9,198
1981	10,625	652	8,727
1982	10,053	493	8,149
1983	9,562	326	7,253
1984	8,976	28	5,222
Thereafter	107,305	—	37,968
Total minimum lease payments	158,042	$2,219	$76,517
Executory costs	(24,956)		
Amounts representing interest	(62,912)		
Present value of net minimum lease payments	$ 70,174		

Sublease income under capital and operating leases was not significant in amount. Net rental expense for all operating leases was as follows:

(In thousands)	Year ended December 31, 1979	1978
Consolidated	$22,072	$17,988
Finance Subsidiaries	$ 1,033	$ 972

Company's activity as a lessor: The net investment in direct financing leases consisted of the following:

(In thousands)	December 31, 1979 Finance Subsidiaries	1979 Consolidated	1978 Finance Subsidiaries	1978 Consolidated
Total minimum lease payments to be received	$304,350	$479,207	$229,904	$352,449
Allowance for losses	(5,129)	(5,129)	(4,520)	(4,520)
Unguaranteed residual value	41,206	229,573	23,012	155,306
Unearned income	(72,172)	(137,166)	(57,644)	(98,745)
Net investment in direct financing leases	$268,255	$566,485	$190,752	$404,490

The net investment in leveraged leases was not significant.

Unearned lease income recognized as income to offset initial direct costs of acquiring leases was as follows:

(In thousands)	Year ended December 31, 1979	1978
Finance Subsidiaries	$1,556	$1,429

The Bank does not recognize unearned income to offset initial direct costs of acquiring leases.

At December 31, 1979, direct lease receivables were due in installments to 1998. Installments mature as follows:

(In thousands)	Finance Subsidiaries	Consolidated
Year ended December 31, 1980	$ 71,734	$125,453
1981	62,045	107,960
1982	49,818	91,929
1983	36,327	52,546
1984	25,732	42,059
Thereafter	58,694	59,260
	$304,350	$479,207

15. PARENT COMPANY FINANCING

Notes with original maturities greater than three years receivable by the Parent from its subsidiaries were as follows:

(In thousands)	December 31, 1979	1978
Wells Fargo Bank, N.A.		
8¼% Subordinated capital note due 1998	$ 25,000	$25,000
Finance Subsidiaries		
Wells Fargo Credit Corporation:		
9¾% Note due 1985	70,000	—
8¾% Note due 2002	7,200	—
Wells Fargo Leasing Corporation:		
9¾% Note due 1985	25,000	
7½% Subordinated note due 1997	15,000	15,000
8¾% Note due 2002	25,000	25,000
Wells Fargo Mortgage Company:		
9¾% Note due 1985	10,000	—
8¼% Subordinated note due 1998	6,800	6,800
Wells Fargo Realty Advisors:		
9¾% Note due 1985	25,000	—
7½% Subordinated debenture due 1997	2,800	2,800
8¼% Subordinated note due 1998	7,200	7,200
8¾% Notes due 2002	10,000	10,000
Total Finance Subsidiaries	204,000	66,800
Total	$229,000	$91,800

Short-term advances are made by the Parent under credit agreements with the subsidiaries. The rate charged is approximately ⅛% over the costs incurred by the Parent in acquiring the funds advanced to the subsidiaries.

16. INTER-COMPANY TRANSACTIONS

Certain transactions give rise to inter-company revenues and expenses which are eliminated in consolidation. The most significant of these transactions, which arise primarily between the Bank and the Finance Subsidiaries, are described below.

Under an agreement with the Bank, Wells Fargo Mortgage Company (WFMC) receives a brokerage fee for loans recommended to and accepted by the Bank. WFMC received brokerage fees totaling $3,966,00 in 1979 and $1,626,000 in 1978. WFMC also services real estate loans for the Bank. Fees under this program were $867,000 in 1979 and $431,000 in 1978. WFMC may also purchase up to 90 percent participation in certain construction loans with the Bank and with Wells Fargo Realty Advisors, another affiliate. WFMC's participation in such loans was $20,987,000 at December 31, 1979, and $18,435,000 at December 31, 1978. WFMC also markets loans on behalf of the Bank for a fee. Fees in 1979 were insignificant.

Wells Fargo Leasing Corporation (WFLC) provides servicing for lease financing of the Bank and leases certain assets to the Bank. The fees received for these services and WFLC's share of the gain on sale of assets involved in the Bank's equipment leasing program were $492,000 in 1979 and $634,000 in 1978.

Wells Fargo Realty Advisors (WFRA) is involved in participation agreements with the Bank and with WFMC. At December 31, 1979, the Bank participated in $17,144,000 in loans with WFRA and WFMC participated in $13,327,000 in loans with WFRA.

Wells Fargo Business Credit (WFBC) also has participation agreements with the Bank. At December 31, 1979, the Bank participated in $2,716,000 in loans with WFBC.

See Note 15 for Parent company financing of the subsidiaries.

17. COMMITMENTS & CONTINGENT LIABILITIES

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, 1979 totaled $287,800,000.

Actions are pending against the Bank and certain other subsidiaries of the Parent in which the relief or damages sought are very substantial. In addition, the Parent, the Bank and the other subsidiaries of the Parent are at all times subject to numerous pending and threatened legal actions and proceedings arising in the normal course of business. After reviewing with counsel pending and threatened actions and proceedings, management considers that the outcome of such actions or proceedings will not have a material adverse effect on the operations or financial condition of the Company, the Bank, the Parent or the Finance Subsidiaries.

As of December 31, 1979, WFMC was servicing approximately 73,000 loans totaling $3.1 billion. Fiduciary funds held and the related liabilities due investors totaled approximately $22,000,000. These monies were on deposit in trustee demand depository accounts of the Bank and are not included in the accompanying combined statements of the Finance Subsidiaries.

As of December 31, 1979, WFLC had commitments to customers, subject to certain conditions, to lease equipment with an approximate cost of $34,328,000.

18. SUMMARY OF QUARTERLY FINANCIAL INFORMATION (Unaudited)

The following financial information for the quarters of the years ended December 31, 1979 and 1978 is unaudited. In the opinion of management, all adjustments necessary to present fairly the results of operations for the periods shown have been made.

	(In thousands, except per share data)	*March 31,*	*June 30,*	*September 30,*	*December 31,*
					Quarter ended
1979	Interest income	$426,199	$453,434	$492,148	$534,832
	Interest expense	267,210	282,575	313,723	351,583
	Net interest income	158,989	170,859	178,425	183,249
	Other income	27,086	28,462	24,260	31,162
	Provision for loan losses	13,568	16,622	16,493	16,266
	Other(1)	(142,512)	(150,377)	(151,783)	(164,669)
	Income before securities transactions	29,995	32,322	34,409	33,476
	Securities gains (losses), net of income tax effect	(23)	(1,003)	—	(5,760)
	Net income	$ 29,972	$ 31,319	$ 34,409	$ 27,716
Per share	Income before securities transactions	$1.33	$1.43	$1.52	$1.47
	Net income	$1.33	$1.39	$1.52	$1.22
1978	Interest income	$296,976	$325,874	$360,784	$402,608
	Interest expense	164,031	180,290	204,425	240,946
	Net interest income	132,945	145,584	156,359	161,662
	Other income	23,414	25,118	25,886	27,699
	Provision for loan losses	10,150	13,150	12,350	11,887
	Other(1)	(120,797)	(129,297)	(138,079)	(147,076)
	Income before securities transactions	25,412	28,255	31,816	30,398
	Securities gains (losses), net of income tax effect	(1,556)	17	(861)	(3,335)
	Net income	$ 23,856	$ 28,272	$ 30,955	$ 27,063
Per share	Income before securities transactions	$1.14	$1.26	$1.41	$1.35
	Net income	$1.07	$1.26	$1.38	$1.20

(1)Includes other expense and income taxes. See page 50 for additional detail.

19. FINANCIAL REPORTING & CHANGING PRICES (Unaudited)

As required by Financial Accounting Standards Board (FASB) Statement No. 33, "Financial Reporting and Changing Prices," the Company has provided supplemental information concerning the effects of changing prices on its financial statements.

It is important that financial statement users understand what the inflation-adjusted data is intended to represent and appreciate its inherent limitations. The Company feels that the following information will be helpful in understanding and assessing the data presented.

Inflation – effects on financial institutions

The impact of inflation on financial institutions differs significantly from that exerted on manufacturing concerns. Since banks are not heavily involved in making large capital expenditures or in the acquisition of products, the direct results of more costly goods and services are limited. However, the indirect effects are considerable. Since consumers and producers require larger and larger commitments of funds to maintain a fixed level of assets, inventory, or consumption, inflation has the effect of increasing the level of loan demand on financial institutions.

Concurrent with the rising demand of borrowers have been higher interest rates. Although interest rates are viewed as the "price" of borrowing funds, the behavior of interest rates differs significantly from the behavior of the prices of goods and services. Whereas the prices of goods and services may be directly related to those of other goods and services, the "price" (interest rate) of borrowing relates more closely to the *rate of change* in the prices of goods and services than to their absolute level. For this reason, restating of financial statement elements on the basis of historical cost/constant dollars is of limited usefulness for financial institutions. Reference to the schedule of average balances, rates paid and yields, the maturity distributions and compositions of the loan and security portfolios and the data on the interest sensitivity of loans will assist in the understanding of how well the Company is positioned to react to changing interest rates and inflationary trends.

Basis of supplementary presentation

The financial data set forth below was calculated by adjusting certain historical cost information by the average Consumer Price Index for All Urban Consumers (CPI) to reflect changes in the general purchasing power of the dollar. The resulting numbers are generally referred to as historical cost/constant dollar amounts. Proponents of this method believe that comparison of historical cost/constant dollar amounts to unrestated historical cost amounts will indicate the effects of general inflation on a business enterprise. It should be noted that the accounting principles involved do not change; only the unit of measure changes under this concept.

The Company believes that comparisons of price level adjusted data are most meaningful when interpreted in terms of trends and relationships among the periods.

One key concept in understanding this information is the distinction between monetary and nonmonetary assets and liabilities. Monetary items are those assets and liabilities which are or will be converted into a fixed number of dollars regardless of changes in prices. Examples of monetary items include cash, loans, and deposits. Examples of nonmonetary items include premises and equipment, other real estate, and stockholders' equity.

Since the predominant part of a financial institution's assets are monetary and its obligations are also monetary, its losses from holding monetary assets are substantially offset by gains from holding monetary liabilities. This is not, however, true for nonmonetary items. Equity capital, for example, does not change in direct relation with changes in general price levels and its value is gradually eroded.

The effects of this erosion are mitigated by increases in the value of nonmonetary assets held, e.g., premises, equipment, and other real estate. It is the net effect of these changes that is of greatest concern to financial institutions.

Partial application

One distinctive element of the FASB's version of historical cost/constant dollar accounting is that the required supplemental disclosures reflect only a partial application of price-level accounting. Thus, a comprehensive application of historical cost/constant dollar accounting to each financial statement item is not required. Instead, the FASB has simplified disclosures by focusing on the items most often affected by inflation — inventories, property, plant and equipment, and monetary assets and liabilities.

Although management has reservations as to the meaningfulness of historical cost/constant dollar data in assessing the impact of changing prices on the Company, the following comments on comparisons of such data in the five-year schedule with historical cost information are offered.

Net interest income is the difference between all interest income and all interest expense. Historical cost amounts show a generally upward trend over the five-year period. After adjustment by the CPI, the resultant constant dollar amounts still show an upward trend, indicating that the nominal growth in the Company's net interest income has exceeded the growth in the CPI.

Actual cash dividends declared increased from $.96 per share in 1975 to $1.72 in 1979. After applying the CPI, the calculations show constant dollar amounts increased from $1.30 in 1975 to $1.72 in 1979 indicating that dividend increases have been at a greater rate than the growth in the CPI. This greater rate reflects the Company's successful growth pattern and its desire to pay increasing dividends to shareholders.

The actual market price of the Company's common stock increased from $15½ to $26⅞ from year-end 1975 to year-end 1979. For this same period of time, after applying the CPI, the price increase was from $20¼ to $25⅜.

Other considerations

Current cost calculations as envisioned in Statement No. 33 are not presented in this Annual Report. Such information for 1979 will be presented for the first time in the Company's 1980 Annual Report if there is a material difference between income from continuing operations on a current cost basis and net income on a historical cost basis.

As specified by Statement No. 33 no adjustments or allocations of the amount of income tax in the primary financial statements were made in the computation of the supplemental information.

Statement of income from continuing operations adjusted for changing prices

Wells Fargo & Company and Subsidiaries

(In thousands)	*(Average 1979 dollars)*
Reported income after securities transactions but before taxes	$194,107
Less tax provision and tax effect of securities transactions	70,691
Historical Net Income	123,416
Adjustment to restate depreciation and amortization expenses for the effect of general inflation	(1,463)
Net income adjusted for general inflation	$121,953
Loss from decline in purchasing power of net amounts of monetary assets held (not tax effected)	$ 66,018

Supplementary five-year comparison of selected financial data adjusted for the effects of changing prices

Wells Fargo & Company and Subsidiaries

(In thousands, except per share amounts) — *(Expressed in average 1979 dollars)*

Historical cost information adjusted for general inflation	*Year ended December 31,*				
	1979	*1978*	*1977*	*1976*	*1975*
Net Interest Income (after provision for possible loan losses)	$628,573	$611,107	$506,411	$440,965	$393,211
Income before gains/losses on securities transactions	128,739				
Net income adjusted for general inflation	121,953				
Per common share:			*Information not required*		
Income before gains/losses from securities transactions	5.68				
Net income	5.38				
Purchasing power loss on net monetary assets held during the year	66,018				
Net assets at year end	$1,040,581				
Other information:					
Cash dividends declared per common share	$1.72	$1.56	$1.34	$1.26	$1.30
Market price per common share at year end	$25⅜	$29⅛	$31⅜	$33¾	$20¼
Average Consumer Price Index	217.5	195.4	181.5	170.5	161.2

ACCOUNTANTS' REPORT

The Board of Directors and Stockholders of Wells Fargo & Company

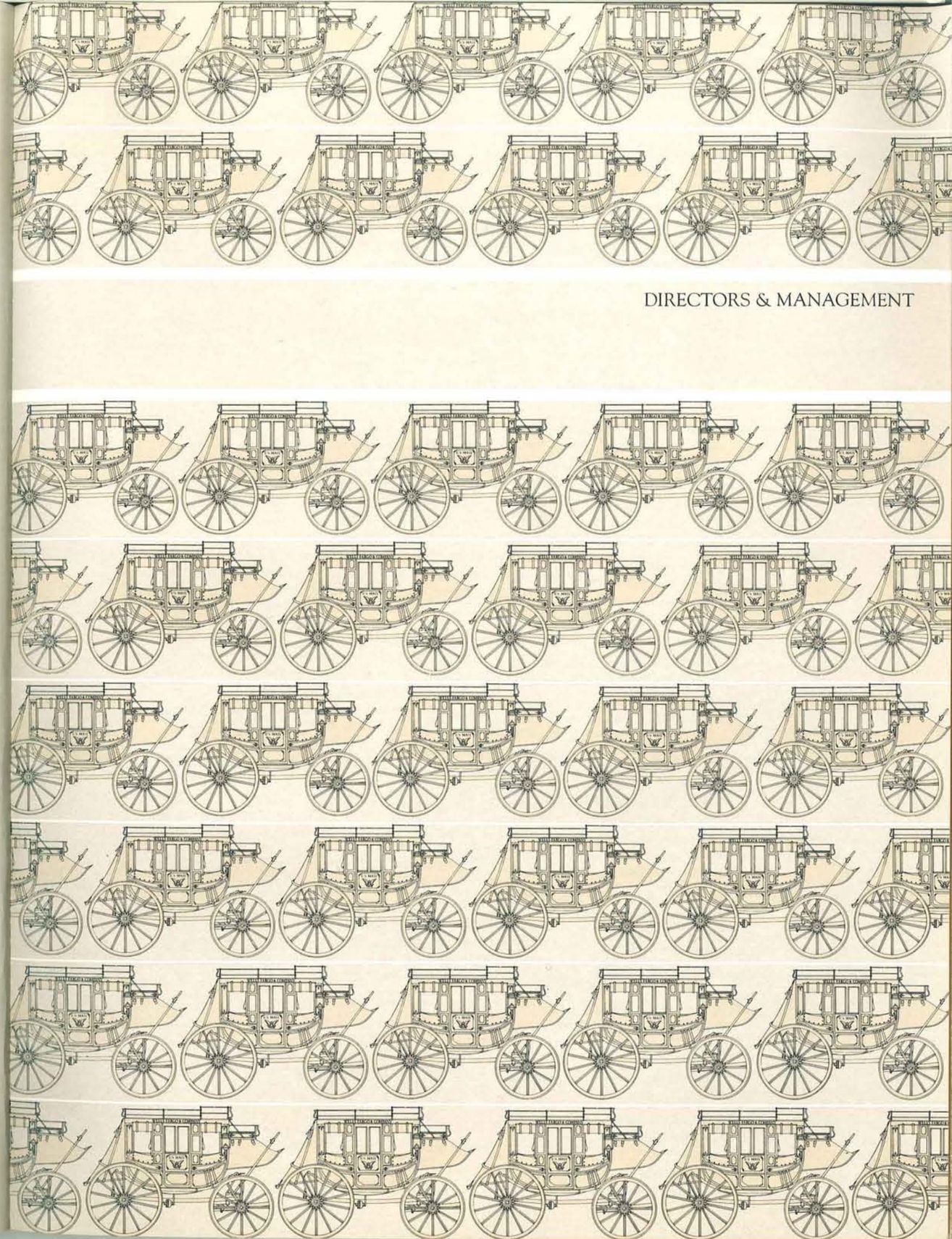
We have examined the balance sheets of Wells Fargo & Company (Parent) as of December 31, 1979 and 1978 and the related statements of income, stockholders' equity, and changes in financial position for the years then ended; the consolidated balance sheets of Wells Fargo & Company and Subsidiaries as of December 31, 1979 and 1978 and the related consolidated statements of income, stockholders' equity, and changes in financial position for the years then ended; the combined balance sheets of the Finance Subsidiaries of Wells Fargo & Company as of December 31, 1979 and 1978 and the related combined statements of income, stockholder's 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, 1979 and 1978. Our examinations were 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 financial statements present fairly the financial position of Wells Fargo & Company (Parent), the consolidated financial position of Wells Fargo & Company and Subsidiaries, and the combined financial position of the Finance Subsidiaries of Wells Fargo & Company at December 31, 1979 and 1978 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, 1979 and 1978, 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 14, 1980



DIRECTORS & MANAGEMENT

DIRECTORS

Wells Fargo & Company
and its principal subsidiary,
Wells Fargo Bank, N.A.

Ernest C. Arbuckle
Chairman of the Board
Saga Corporation
(restaurants and food services)

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
Chairman of the Board and Chief Executive Officer

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

James K. Dobey
Retired Chairman of the Board
Wells Fargo & Company

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

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

Robert L. Kemper
Vice Chairman of the Board

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

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

Edmund W. Littlefield
Chairman of the Executive Committee
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
Emeritus 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 and Harrison
Attorneys at Law

Carl E. Reichardt
President

Harry O. Reinsch
President, Bechtel Power Corporation
(engineering, construction, management of power-generating facilities)

Wilson Riles
Superintendent of Public Instruction
State of California

Henry F. Trione
Retired Chairman
Wells Fargo Mortgage Company
(mortgage banking)

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

DIRECTORS EMERITUS

Wells Fargo Bank, N.A.

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

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

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

MANAGEMENT

Wells Fargo & Company
420 Montgomery Street
San Francisco, California 94104

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

**President*
Carl E. Reichardt

**Vice Chairman of the Board*
Robert L. Kemper

**Vice Chairman*
Richard M. Rosenberg

Executive Vice Presidents
Robert L. Altick, Jr.
Thomas A. Bigelow
Richard J. Borda
George F. Casey, Jr.
R. Thomas Decker
Ronald E. Eadie
Paul Hazen
Carlos Rodriguez-Pastor
Glenhall E. Taylor, Jr.
Gerrit E. Venema

Senior Vice President and Chief Financial Officer
Frank N. Newman

Vice President, Chief Counsel and Secretary
Guy Rounsaville, Jr.

Vice President and Director of Investor Relations
Eric R. Durant

Vice President and Director of Taxes
Alan C. Gordon

Vice President and Treasurer
Alan J. Pabst

**Member of the Executive Office*

Wells Fargo Bank, N.A.
420 Montgomery Street
San Francisco, California 94104

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

**President*
Carl E. Reichardt

**Vice Chairman of the Board*
Robert L. Kemper

**Vice Chairman*
Richard M. Rosenberg

Executive Vice Presidents
Robert L. Altick, Jr.
Thomas A. Bigelow
Richard J. Borda
George F. Casey, Jr.
R. Thomas Decker
Ronald E. Eadie
James C. Flood
John H. Griffith
John F. Grundhofer
Paul Hazen
Carlos Rodriguez-Pastor
Leslie C. Smith
Glenhall E. Taylor, Jr.
Gerrit E. Venema

Senior Vice President and Chief Financial Officer
Frank N. Newman

Vice President, Chief Counsel and Secretary
Guy Rounsaville, Jr.

Vice President and Chief Loan Examiner
Douglas P. Holloway

General Auditor
Orion A. Hill, Jr.

**Member of the Executive Office*

NORTHERN CALIFORNIA EXECUTIVE OFFICE

420 Montgomery Street
San Francisco, California 94104

Ronald E. Eadie
Executive Vice President

SOUTHERN CALIFORNIA EXECUTIVE OFFICE

770 Wilshire Boulevard
Los Angeles, California 90017

Richard J. Borda
Executive Vice President

CONSUMER LOAN GROUP

Leslie C. Smith
Executive Vice President

Loan Production Center Administration
Jack Kopec
Vice President

CORPORATE AND FINANCIAL SERVICES GROUP

William F. Zuendt
Senior Vice President

Credit Card Division
Gina L. Husby
Senior Vice President

Marketing Division
William F. Zuendt
Senior Vice President

Business Services Division
David E. Weymouth
Vice President

CORPORATE BANKING GROUP

R. Thomas Decker
Executive Vice President

Corporate Banking—North America
Charles H. Green
Senior Vice President

Corporate Banking—Northern California
Robert B. Leet
Senior Vice President

Multi-National Division and Corporate Banking—Southern California
William R. Sweet
Senior Vice President

Credit Administration
Lewis W. Coleman
Senior Vice President

Loan Administration
John Lindstedt
Senior Vice President

Operations
E. Alan Holroyde
Senior Vice President

Cash Management Services
Peter G. Mills
Vice President

CREDIT QUALITY CONTROL

Glenhall E. Taylor, Jr.
Executive Vice President and Chairman of Credit Policy Committee

FINANCE AND STAFF SUPPORT GROUP

Robert L. Kemper
Vice Chairman of the Board

Chief Financial Officer
Frank N. Newman
Senior Vice President

Controller's Division
David L. Rice
Vice President

Management Sciences
Richard H. Daniel
Vice President

Legal Department
Guy Rounsaville, Jr.
Vice President, Chief Counsel and Secretary

FUNDING GROUP

George F. Casey, Jr.
Executive Vice President

INTERNATIONAL BANKING GROUP

Carlos Rodriguez-Pastor
Executive Vice President

Europe—Africa / Middle East Division
Gerrit E. Venema
Executive Vice President

Asia Pacific Division
Robert L. Joss
Senior Vice President

Robert H. Morehouse
Senior Vice President

Latin America Division
William D. Wright
Senior Vice President

Credit Administration
Lewis W. Coleman
Senior Vice President

Global Correspondent Banking Division
Donald W. Jardine
Senior Vice President

Operations
E. Alan Holroyde
Senior Vice President

Merchant Banking Division
Charles A. Greenberg
Vice President

MANAGEMENT SERVICES GROUP

Richard M. Rosenberg
Vice Chairman

Community Development
George G. Skou
Senior Vice President

Economics
William F. Ford
Senior Vice President and Chief Economist

Public and Governmental Affairs
Jackson L. Schultz
Senior Vice President

Public Relations
George F. Caulfield
Senior Vice President

OPERATIONS GROUP

Thomas A. Bigelow
Executive Vice President

Computer Operations
Robert R. Hewlett
Senior Vice President

Systems Development
John A. Crooks
Senior Vice President

Bank Operating Procedures
John C. Kilhefner
Vice President

Real Property Management
Philip D. Bright
Vice President

Support Services
Gerald S. Millward
Vice President

PERSONNEL

James G. Motter
Senior Vice President

PLANNING

Susan Robinson
Senior Vice President

REAL ESTATE INDUSTRIES GROUP

Paul Hazen
Executive Vice President

Southern California Division
John C. Kelterer
Senior Vice President and Deputy Group Head

Northern California Division
Eugene D. Bishop
Senior Vice President

Mortgage Warehousing / Commercial
DeWitt C. Moon
Senior Vice President

Loan Administration
Kenneth G. Edwards
Vice President

RETAIL BANKING GROUP

Robert L. Altick, Jr.
Executive Vice President

Northern Area
James C. Flood
Executive Vice President

Daniel S. Livingston
Senior Vice President and Deputy Area Head

Southern Area
John F. Grundhofer
Executive Vice President

Charles M. Johnson
Senior Vice President and Deputy Area Head

Roland E. Drinkgern
Senior Vice President

James R. Gibson
Senior Vice President

Southern Central Area
John H. Griffith
Executive Vice President

Commercial Banking Division
Russell F. Dwyer
Senior Vice President

Loan Administration
Ralph E. Peters
Senior Vice President

Staff Services Division
D. Pat McGuire
Senior Vice President

TRUST AND INVESTMENT ADVISORS GROUP

Ronald E. Eadie
Executive Vice President

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

Wells Fargo Investment Advisors
James R. Vertin
Senior Vice President

William L. Fouse
Senior Vice President and Deputy Manager

SUBSIDIARIES:

Wells Fargo Asia, Limited
8 Queen's Road Central
Hong Kong

Wells Fargo Bank International
45 Broad Street
New York, New York 10005
Thomas Thibault, General Manager

Wells Fargo Interamerican Bank
700 Brickell Avenue
Miami, Florida 33131
Ernesto Fernandez-Holman
President

Wells Fargo Limited
Winchester House, 80 London Wall
London EC2 5ND, England
The Rt. Hon. Lord Sherfield G.C.B., G.C.M.G., Chairman

Stephen Banks, Managing Director

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

James M. Lucchesi
Vice President and Managing Director

BRANCHES:

London Branch
Winchester House, 80 London Wall
London EC2 5ND, England

Peter J. Vermeulen
Vice President and Managing Director

Singapore Branch
2 Shenton Way
Singapore 1
Republic of Singapore

Gardner S. Jacobs
Vice President and General Manager

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

W. Peter McAndrew
Senior Vice President and General Manager

Nassau Branch
% International Banking Group
San Francisco, California 94144

Brian E. Groom
Vice President

REPRESENTATIVE OFFICES:

Argentina: Buenos Aires
Australia: Sydney
Brazil: Sao Paulo
Chile: Santiago
Colombia: Bogota
Denmark: Copenhagen
Germany: Frankfurt
Hong Kong
Iberian Peninsula: Madrid, Spain
Indonesia: Jakarta
Korea: Seoul
Mexico: Mexico, D.F.
Philippines: Manila
United States: Chicago
Venezuela: Caracas

MAJOR AFFILIATES:

Allgemeine Deutsche Credit-Anstalt
Frankfurt, Germany

Arrendadora Serfin S. A.
Mexico, D. F., Mexico

Ayala Investment & Development Corporation
Manila, Philippines

Credit Chimique
Paris, France

Dubai Bank Limited
Dubai

Ecuatoriana de Financiamientos S.A.
Guayaquil, Ecuador

Banco Continental S.A.
Panama City, Panama

Shanghai Commercial Bank Limited
Hong Kong

Wells Fargo Non-Bank Subsidiaries

WELLS FARGO BUSINESS CREDIT
12700 Park Central Place
Dallas, Texas 75251

Thomas D. Drennan
President

WELLS FARGO CREDIT CORPORATION
6991 East Camelback Road
Scottsdale, Arizona 85251

Robert D. Dunham
President

WELLS FARGO INSURANCE SERVICES/CENTRAL WESTERN INSURANCE COMPANY
433 California Street, Suite 900
San Francisco, California 94104

Roger K. Meline
President

WELLS FARGO LEASING CORPORATION
425 California Street
San Francisco, California 94104

Richard Oppenheimer
President

WELLS FARGO MORTGAGE COMPANY
600 Montgomery Street
San Francisco, California 94111

Terrance G. Hodel
President

WELLS FARGO REALTY ADVISORS
330 Washington Street
Marina del Rey, California 90291

David M. Petrone
President

WELLS FARGO SECURITIES CLEARANCE CORPORATION
45 Broad Street
New York, New York 10004

Columbus Coleman, Jr.
President

The International Advisory Council

The International Advisory Council was established in 1977 to provide valuable advice and counsel in the international sphere of business of Wells Fargo Bank.

Chairman:
The Rt. Hon. Lord Sherfield G.C.B., G.C.M.G.
Chairman, Wells Fargo Limited
London, England

Angelo Calmon de Sá
President and Chief Executive Officer
Banco Economico, S.A.
Bahia, Brazil

Edward Carlson
Chairman
UAL, Incorporated
Chicago, Illinois

Richard P. Cooley
Chairman and Chief Executive Officer
Wells Fargo & Company

Göran Ennerfelt
President
A. Johnson and Company
Stockholm, Sweden

Eugenio Garza-Laguera
Chairman of the Board
Valores Industriales
Monterrey, N.L., Mexico

Belton Kleberg Johnson
Chairman of the Board
Chaparrosa Agri-Service Inc.
San Antonio, Texas

Ahmed Juffali
Juffali Brothers
Jedda, Saudi Arabia

Sir Lawrence Kadoorie C.B.E.
Sir Elly Kadoorie and Sons
Hong Kong

Adolf Kracht
Chairman of the Executive Office
Norddeutsche Landesbank
Hannover, Germany

Roger D. Lapham, Jr.
Director, Wells Fargo & Company
Chairman and Managing Director
Rama Corporation, Limited
Paris, France

Monroe E. Spaght
Royal Dutch Shell
London, England

Count Jean Terray
Honorary Chairman
Credit Chimique
Paris, France

William I. M. Turner, Jr.
President and Chief Executive Officer
Consolidated-Bathurst Limited
Montreal, Quebec, Canada

Sir James Vernon C.B.E.
Chairman of the Board
Martin Corporation Limited
Sydney Cove, N.S.W., Australia

*The Hon. Saburo Okita
Minister of Foreign Affairs
Tokyo, Japan

**On leave from the International Advisory Council*

STOCK EXCHANGE LISTINGS

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

TRANSFER AGENTS

Wells Fargo Bank, N.A.
Corporate Agency Department
420 Montgomery Street
San Francisco, California 94104

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

REGISTRARS OF STOCK

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

Citibank, N.A.
New York, New York 10015

NOTICE TO SHAREHOLDERS

The annual meeting of Wells Fargo & Company will be held at 2 p.m. on Tuesday, April 15, 1980, at the Masonic Auditorium, 1111 California Street, San Francisco, California.

Readers wishing more detailed information about Wells Fargo & Company may obtain copies of the Company's Form 10-K upon request from:

Controller's Division
Wells Fargo & Company
P.O. Box 44000
San Francisco
California 94144

WFC0380B