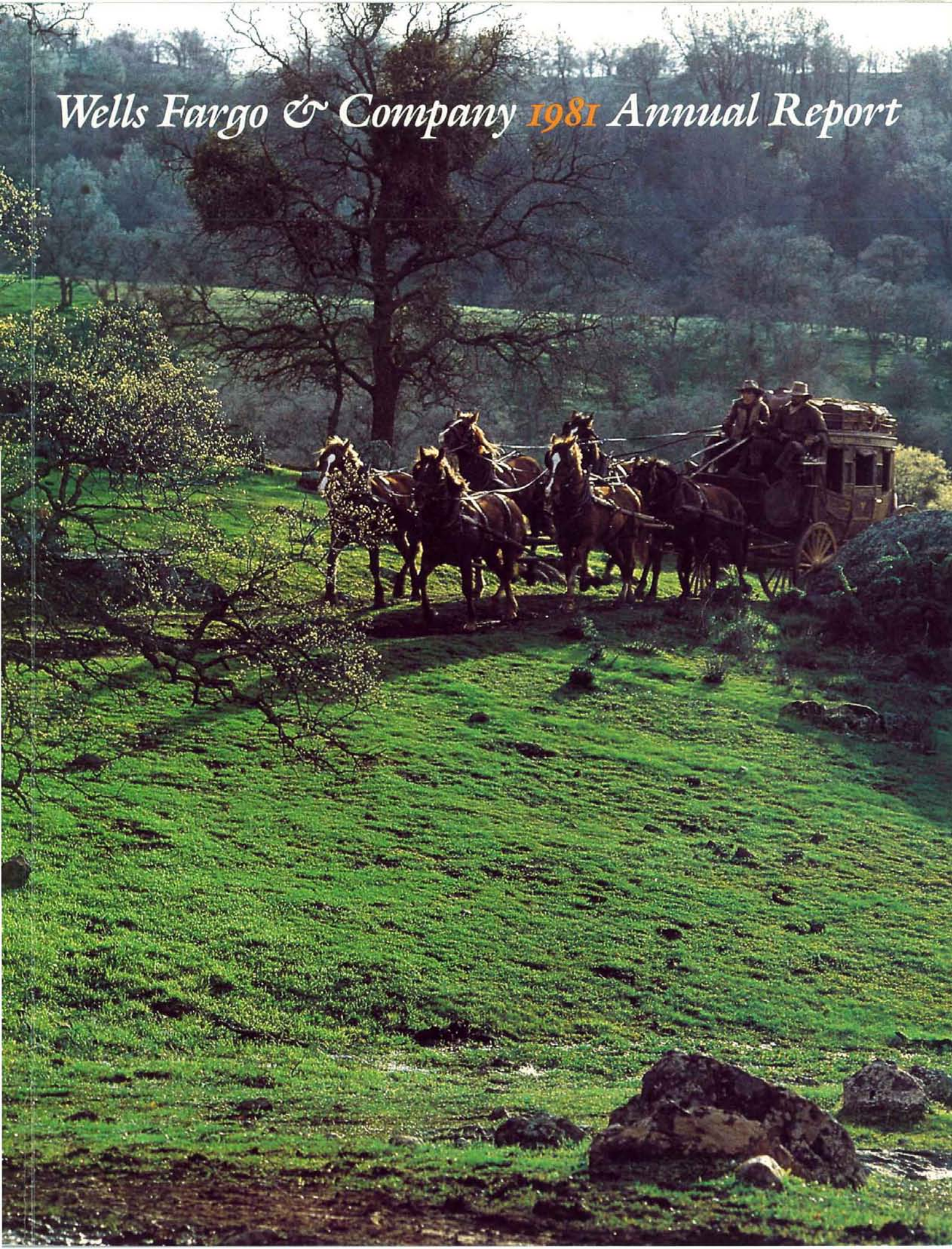
Wells Fargo & Company 1981 Annual Report



Contents

Highlights

(Dollars in thousands, except per share data)	1981	1980	1979	Change: 1981 vs. 1980 Amount	Change: 1981 vs. 1980 Percent	Change: 1981 vs. 1979 Amount	Change: 1981 vs. 1979 Percent
For the year							
Income before securities transactions	**$125,936**	$121,737	$130,202	$4,199	3.4%	$(4,266)	(3.3)%
Securities gains (losses) net of tax	**(1,948)**	127	(6,786)	(2,075)	—	4,838	—
Net income	**$123,988**	$121,864	$123,416	$2,124	1.7	$ 572	.5
Dividends declared	**$ 45,026**	$ 43,914	$ 39,023	$1,112	2.5	$ 6,003	15.4
Per share							
Income before securities transactions(1)	**$5.41**	$5.32	$5.75	$ .09	1.7	$(.34)	(5.9)
Net income(1)	**$5.33**	$5.33	$5.45	$ —	—	$(.12)	(2.2)
Dividends declared	**$1.92**	$1.92	$1.72	$ —	—	$ .20	11.6
At year end							
Assets	**$23,219,189**	$23,638,063	$20,593,124	$ (418,874)	(1.8)	$2,626,065	12.8
Deposits	**$16,853,927**	$16,207,468	$15,831,015	$ 646,459	4.0	$1,022,912	6.5
Loans	**$17,296,999**	$16,391,524	$15,193,410	$ 905,475	5.5	$2,103,589	13.8
Stockholders' equity	**$ 1,020,932**	$ 913,573	$ 834,095	$ 107,359	11.8	$ 186,837	22.4
Book value per share(2)	**$42.38**	$39.93	$36.58	$2.45	6.1	$5.80	15.9

(1) Based on average number of common shares outstanding of 23,277,922 for 1981, 22,872,062 for 1980, and 22,657,695 for 1979.

(2) Based on the number of common shares outstanding at December 31, of 24,090,184 for 1981, 22,878,409 for 1980, and 22,802,458 for 1979.

Letter to Shareholders

March 3, 1982

In 1981, the financial industry began to glimpse the shape of the future in a deregulated world. The first steps of deregulation, set in motion by the Depository Institutions Deregulation and Monetary Control Act of 1980, were hampered, however, by the necessity to deregulate against a background of high interest rates.

Savings deposits continued to flow from banks and thrift institutions to competing money market mutual funds, whose interest rates are under no statutory limitations. This increased the cost of doing business for lenders, who had to attract loanable funds by offering savings instruments with higher interest rates than had been traditional, or by purchasing funds in money markets. The increased cost, coupled with the slump in residential real estate, created problems for all consumer-oriented financial institutions, but especially for savings and loans and mutual savings banks, which are restricted to gathering consumer deposits and making home mortgages and related loans.

The movement of the prime rate in 1981 illustrates the volatility of credit markets. Wells Fargo's prime rate stood at 20½ percent as the year opened, near its all-time high level of 21 percent reached in late 1980. By April 1, 1981, it had fallen to 17 percent, but began rising again three weeks later. It was 20½ percent once more in May, and then began edging downward to 15¾ percent as the year ended.

Wells Fargo developed new strategies to position itself for the coming changes and heightened competition that further deregulation will bring. The Bank increased its market share of consumer deposits as new types of deposit instruments were authorized by regulatory agencies during the year, tightened its lending standards in order to implement an asset sale program, and strengthened its capital position considerably.

Stockholders' equity exceeded $1 billion for the first time in 1981. It amounted to $1.02 billion on December 31, compared with $914 million at the end of 1980, primarily as a result of increases in retained earnings and two exchanges of stock with Morgan Stanley & Co. for outstanding debt. Wells Fargo issued a total of 897,247 shares of common stock for $33.7 million of notes and debentures during the year.

The Company's important leverage ratio at the end of 1981 was one of the lowest among major U.S. banks as a result of the increased equity, coupled with a slight decrease in assets. Assets were 22.74 times equity at year-end, compared with 25.87 a year earlier. This solid capital position permits us to take advantage of potential opportunities for profitable growth in the future.

Total assets were nearly 2 percent lower at the end of 1981 because of a number of strategies, including an interest rate hedging program that reduced the effective maturity of some six-month certificates previously used to fund assets of the same maturity. In addition, assets were lower because of decisions to sell some low-yielding bonds, to reduce activity in bankers' acceptances and to sell some loans to other financial institutions.

The year's results

In 1981, earnings (income before securities transactions) were $125.9 million, or $5.41 per share, compared with $121.7 million, or $5.32 per share, in 1980, the only year in the past 15 that earnings declined. This was an increase of 3.4 percent for total earnings, and a 1.7 percent per-share increase over the previous year. The reason for the difference in the two percentages is the larger number of shares that were outstanding in 1981 compared to 1980.

Carl E. Reichardt, left, president and chief operating officer, and Richard P. Cooley, chairman and chief executive officer, are the senior members of Wells Fargo's five-person Executive Office, which establishes policy for the Company's operations.

Net income for 1981 (income after securities transactions) was $124 million, or $5.33 per share, compared with $121.9 million, or $5.33 per share, in 1980. This represented a gain of 1.7 percent in net income.

The financial results for the year were favorably affected by the exchanges of stock for debt, as discussed earlier, which added $11.7 million, or 50 cents per share, to earnings. In addition, Wells Fargo Investment Company, a small business investment company approximately 50 percent owned by Wells Fargo, declared a distribution of about half of its stock investments in the first quarter of 1981. Wells Fargo's share of the distribution amounted to $15 million. After a contribution by the Company to the Wells Fargo Foundation of shares worth $3.5 million, the impact on earnings was an increase of 39 cents a share.

Total assets of Wells Fargo & Company at the end of 1981 were $23.2 billion, a decline of 1.8 percent from the 1980 year-end figure of $23.6 billion.

A number of the Company's specialized lending and financing units booked sufficient new high-quality loans that total loans for the year increased to $17.3 billion from the 1980 figure of $16.4 billion. Particularly successful in their business development efforts during 1981 were the Commercial, Corporate and International Banking Groups, Wells Fargo Leasing Company, Wells Fargo Realty Advisors and Wells Fargo Business Credit. The Bank's Real Estate Industries Group, which focuses on interim financing of high quality real estate developments, continued to have an active year.

Core deposits—transaction accounts, passbook savings and consumer time deposits under $100,000—are an important source of stable, lower-interest funds for Wells Fargo. During 1981, the Bank continued to excel in the development and marketing of new deposit services. Measured against Federal Reserve member banks in California, Wells Fargo increased its share of the rapidly growing core deposit market by more

than 30 percent between 1970 and 1981, with the gain quite evenly spread throughout the decade.

Total Wells Fargo deposits were $16.9 billion at the end of 1981, compared with $16.2 billion in the previous year.

Banking environment

Although no sweeping banking legislation was passed in 1981, a number of legislative measures affecting the financial industry were introduced in Congress. The Treasury Department, the U.S. Senate and the House of Representatives all drafted bills that would have expanded the powers of at least some segments of the financial industry.

Wells Fargo has supported the broadest range of changes in financial regulations. The Company's position is that the commercial banking industry should be given expanded powers to offer important services now provided by our nonregulated competitors, such as investing in real estate development projects and handling real estate brokerage activities, underwriting revenue bonds and insurance, and offering money market mutual funds. The industry also is seeking legislation to pre-empt state usury and due-on-sale provisions.

Legislation passed in 1981 that *did* have important implications for banking was the Administration's tax bill, which authorized creation of a one-year savings certificate on which the first $2,000 of interest is tax-exempt. Wells Fargo's new certificate is named the *Tax-Saver*™ Account and was aggressively marketed in the last few months of the year. By year end, the Bank had acquired $423 million in Tax-Saver Accounts, becoming one of the leading banks in the nation in development of this new business.

The Administration's tax bill also expanded eligibility for Individual Retirement Accounts (IRAs), which were previously limited to individuals not covered by a pension plan. Effective January 1, 1982, an employed individual can invest in an IRA account and defer taxes on the invested amount until retirement. Wells Fargo currently is marketing this product to customers and prospects through seminars, individual discussions and the full range of advertising and marketing expertise at our disposal. By encouraging this new type of savings program through tax legislation, the Administration hopes to encourage increased saving by U.S. consumers to provide the capital needed for investments that will improve the nation's productivity. At the same time, through expanded IRA eligibility, individuals are encouraged to develop their own investment plans to augment the government's Social Security program. In the first month it offered this newly expanded service, the Bank opened approximately 12,000 IRA accounts.

In California, Wells Fargo and the California Bankers Association were active in 1981 in seeking reversal of the 1978 Wellenkamp decision, which allows a buyer of a home to assume the mortgage of the seller, even though the original loan contract may have specified that the loan was due in full if the property were sold. This decision has caused older, lower-yielding mortgate loans to remain in the portfolios of financial institutions for a much longer period than was originally anticipated.

Other events

Late in January 1981, the Bank uncovered an embezzlement scheme in one of its Southern California offices which had resulted in $21.3 million being diverted from internal funds. The employee involved in the fraud case pleaded guilty to federal charges of conspiracy and two counts of embezzlement. Two other individuals, a boxing promoter and an associate who was a former Wells Fargo employee, were convicted in January 1982 in connection with the embezzlement.

Wells Fargo has conducted an extensive review of its internal control system, which the employee was able to manipulate as a result of his long-time experience and trusted position with the Bank. The system has been further refined to provide additional safeguards against similar manipulations in the future.

The Company has also filed civil charges against the individuals involved in the embezzlement, and believes that all but approximately $1 million of the embezzled funds will be recovered through our insurance.

Wells Fargo's new Southern California headquarters neared completion as 1981 drew to a close. In late spring 1982, staff members will begin occupying a number of floors in the 48-story structure at 5th and Flower streets in downtown Los Angeles. The highrise building is being constructed and operated by a national real estate development firm and will be named the Wells Fargo Building, reflecting our Company's position as major tenant.

In February 1982, it was announced that the Company would receive another distribution of stocks from the portfolio of Wells Fargo Investment Company, such as took place in the first quarter of 1981, which will increase 1982 earnings. Wells Fargo & Company will realize a gain reflecting the market value of the shares at the time of the distribution. Subsequent changes in the market value of the distributed shares will be reflected in Wells Fargo's results at the time any of the shares are sold. The distribution represents a liquidating dividend of substantially all of the marketable securities in the small business investment company's portfolio.

The three other members of the Executive Office who serve with Messrs. Cooley and Reichardt are, from left, Paul Hazen, vice chairman; Robert L. Kemper, vice chairman of the board; and Richard M. Rosenberg, vice chairman.

Management team

Two changes in responsibilities were made during 1981 that are designed to give Wells Fargo increased flexibility and strength in meeting the new challenges in the financial industry.

Carl E. Reichardt, 50, president of the Bank and Company, was appointed chief operating officer of both entities, and Paul Hazen, 40, who had been appointed to the Executive Office in late 1980, was named a vice chairman. The Executive Office, which formulates directions and strategies for Wells Fargo, is composed of Richard P. Cooley, 58, chairman and chief executive officer; Reichardt; Robert L. Kemper, 53, vice chairman of the board; Richard M. Rosenberg, 51, vice chairman; and Hazen.

Other organizational realignments during the year were made to give increased emphasis in coming years to strategic planning, operational controls, efficient staff utilization and a wider role for the nationwide activities of the Company's subsidiaries.

As in the past, the Board of Directors provided strong support and guidance to the officers of Wells Fargo & Company in 1981, and were active in helping to shape the strategies that will enable Wells Fargo to become an even more dynamic force in the financial marketplace. Our staff has also given us excellent support in setting and achieving our goals, for which we thank them.

Looking ahead

Wells Fargo will continue to develop and implement our corporate strategy, which is aimed at maximizing our considerable strengths and resources for the benefit of our shareholders and customers. The key concept in this strategy is that we will intensify our efforts toward serving the financial and banking needs of corporate and individual customers in the business and geographical markets we know best. We will enhance our services to these markets through personal attention accompanied by state-of-the-art technology.

In addition, we will improve productivity and profitability through new procedures and controls within the bank. And we will continue Wells Fargo's long tradition of innovation, being open to new areas where we can contribute marketing and financial expertise.

Richard P. Cooley

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

Carl E. Reichardt

Carl E. Reichardt
President and Chief Operating Officer

Providing consumer services

American consumers are being offered an ever-widening array of savings and investment instruments and loan services by financial institutions and by non-banking firms that are moving into the financial services industry. As a result, they are becoming increasingly sophisticated about selecting the services or service packages that best suit their individual needs.

In this more demanding era, Wells Fargo is meeting the needs of its customers with a strong marketing effort that consists of developing top-quality financial products, aggressive promotional programs, electronic technology and, probably most important of all, additional training for its individual staff members. The Bank has increased its share of core deposits held in all Federal Reserve member banks in California by more than 30 percent over the past decade. These core deposits provide the Bank with less costly funds for loans than could be purchased in the money markets.

Last May, the Bank improved its pioneering *Gold Account*™ package of financial services by adding several new features, including interest on checking, while raising the monthly fee from $3 to $5. An impressive sales effort by employees in all branch offices doubled the number of accounts in only 10 weeks from just under 100,000 to 200,000 Gold Accounts. By year end, the Bank had a total of 270,000 Gold Accounts.

The profitability of retail banking services was enhanced in 1981, not only through new deposit funds brought in by additional customers, but also through increased fees for our services.

The *Golden Reward*™ is a service introduced in 1980 that includes interest on checking account funds and several other features at no charge to customers who have at least $2,000 of savings in Wells Fargo. By the end of 1981, there were more than 185,000 Golden Reward customers.

As a result of these two major programs, Wells Fargo now serves nearly half the interest-on-checking market of the five largest California banks.

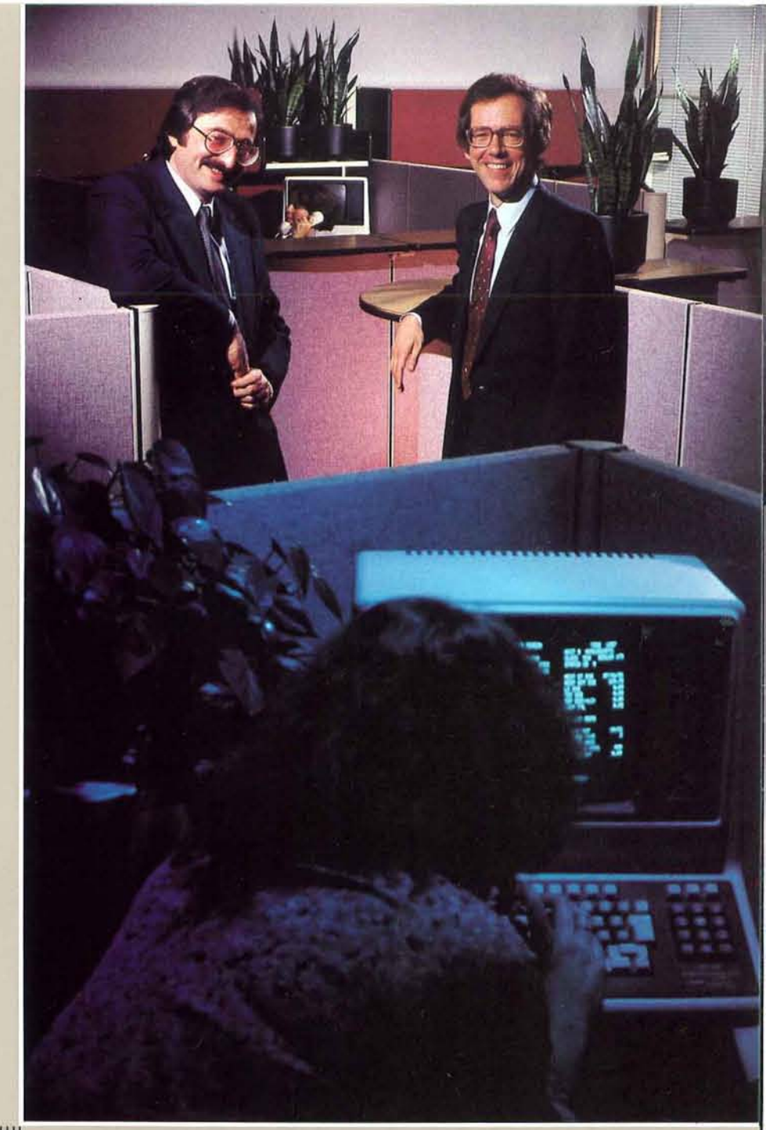
On October 1, 1981, the banking and thrift industries were permitted to offer a new savings instrument with which savers can claim a tax exemption for up to $2,000 of interest. Through an outstanding sales program, branch offices converted a sizable portion of the $10,000, 26-week savings certificates held by customers to Wells Fargo's new *Tax-Saver*™ account, and attracted a considerable amount of new money as well. At year end, there was $423 million invested in the Bank's Tax-Saver accounts, making Wells Fargo a national leader in marketing these important consumer accounts.

Since introduction of the $10,000, 26-week savings certificate in mid-1978, Wells Fargo has steadily increased its market share of these deposits. In 1981, our 26-week deposits grew by 16 percent, after a 63 percent growth in 1980. Passbook savings deposits declined in both years as consumers shifted to instruments bearing higher interest rates.

Wells Fargo currently is using its statewide Retail Banking sales force to attract new deposits in individual retirement accounts (IRAs), and opened about 12,000 of these accounts in January 1982. This major new market was created by changes made in the federal tax laws last year. Some 50 million Americans, including several million in California, became eligible on January 1, 1982, for tax benefits previously available only to persons not covered by qualified retirement plans. IRA accounts will be an important and ongoing source of deposits in coming years.

In response to the growing consumer need for financial guidance, Wells Fargo has trained more Personal Banking Officers every year since this program was introduced in 1974. The Bank's customers can rely on their Personal Bankers for assistance in selecting appropriate deposit instruments and for a variety of other services. This program has been so well received that in 1981 the Bank assigned 140 more employees to the statewide Personal Banking staff, which brings the total to more than 400 Personal Bankers.

The Retail Banking Group's most aggressive expansion of facilities in 1981 was in the network of *Express Stop*™ automatic banking machines. More than 120 Express Stops were added during the year, and there were 208 in operation throughout California at the end of 1981. More than one-quarter of the Bank's savings and checking customers now conduct part of their banking at these 24-hour machines. The established machines —those which have been in service six months or more—average 12,600 transactions each per month, including account balance inquiries, among the highest level of transactions in the nation. It is planned to have at least 450 Express Stops in operation by the end of 1982, including several located away from Wells Fargo offices. The number of customers with access cards and the volume of transactions per machine will be increased in the coming years, enhancing the cost-effectiveness of the network and continuing to free the employees in the branches for tasks requiring their participation.



William F. Zuendt, right, executive vice president and head of the Retail Banking Group, and Jack Kopec, senior vice president in charge of the Consumer Credit Division, at the new consumer loan processing center in Walnut Creek, where consolidation has resulted in better service to customers and greater efficiency.

There were 397 Wells Fargo branch banking offices in California at the end of 1981, an increase of 14 offices during the year. Again, most of the new facilities were opened in the important Southern California market, where the Bank now has 116 offices, compared with 71 offices five years ago.

With soaring costs of funds for the Bank, the last three years have been challenging ones in the area of consumer lending. Wells Fargo has been reducing its portfolio of fixed-rate consumer loans, particularly indirect loans made through dealers and retailers, and has been developing loan services with variable rates. New loan products for individual consumers that were introduced in 1981 included a pre-approved line of credit for automobile lease customers and a floating-rate loan for aircraft and boat financing.

Customer service was improved in 1981, while administrative costs were reduced, by the consolidation of consumer loan processing into four regional service centers staffed by loan service experts in the Retail Group's Consumer Credit Division. With loan servicing and processing transferred from the retail branches to these service centers, all operational aspects can be handled more effectively by specialists, leaving the branch officers with more time to meet the customer needs in their respective market areas.

In recent years, banks have found interest and servicing costs for their credit card business exceeding their interest income from this activity. At the same time, credit losses were climbing, in part due to changes in the law covering personal bankruptcies. In order to be able to continue providing this important service to its customers, Wells Fargo responded in 1981 by introducing an annual membership fee of $15 for each of its VISA and MasterCard accounts. This followed 1980 actions to raise the interest rate on outstanding balances and to tighten credit standards. In addition, the Bank last year completed in-house conversion of all its credit card processing, which will result in savings in this area.

Wells Fargo Bank's large portfolio of single-family home mortgages was not expanded in 1981. In December 1980, a decision was made to no longer offer fixed-rate, long-term loans except those that can be sold. The Bank then undertook an exhaustive effort to develop a new mortgage product that would serve both lender and borrower in an environment of volatile interest rates and, in California, legal prohibition of enforcement of the due-on-sale provisions in the mortgage contracts. In 1981, a new adjustable-rate mortgage was introduced and the loans are now being granted based on the applicant's ability to make future monthly payments if interest rates rise, as well as on the value of the property.

Nearly half of Wells Fargo's single-family home loan portfolio is now composed of variable-rate mortgages that the Bank marketed aggressively in the late 1970s. This has helped improve the yield on the Bank's portfolio.

The Personal Services Division of Wells Fargo Investment Advisors continues to work with the Retail Banking Group in providing trust and other financial services to individuals throughout California. This Division currently administers approximately $6.2 billion for individual customers in more than 8,000 accounts, and generated fee income of nearly $21 million in 1981.

In addition to Wells Fargo Bank's operations in California, subsidiaries of Wells Fargo & Company are active across the nation in serving consumers.

The Arizona, Colorado, Oklahoma, Maryland and Virginia offices of Wells Fargo Credit Corporation offer consumers adjustable-rate home equity loans, auto leases, revolving credit lines and home improvement loans. In order to cope with the difficult interest rate environment in 1981, this subsidiary reduced its operating costs by consolidating its staff and operations. It closed small offices in Phoenix, Tucson and Colorado Springs, which were satellites of nearby regional offices. During the year, the Credit Corporation sold some $10 million of second mortgages, as part of an asset sale program implemented throughout Wells Fargo during the year, thus generating new funds for loans. At year end, the Credit Corporation had more than $400 million of loans outstanding.

Wells Fargo Insurance Services, a nonbank subsidiary, provides credit-related coverage to Wells Fargo borrowers. In 1981, this company introduced disability coverage as a service for Wells Fargo Bank's consumer loan customers.

At the new San Francisco headquarters of Levi Strauss & Co., George F. Tucker, left, assistant treasurer of Levi Strauss, discusses pension fund matters with Ronald E. Eadie, executive vice president, Wells Fargo Investment Advisors, and Roberta P. Lyon, vice president and manager, Master Trust Services.

Serving business across the nation

The financial needs of corporations and business in general have been changing in recent years as firms have gained access to a greater variety of financing tools and sources for funds. To address this trend, Wells Fargo has focused on developing a full range of operational services for corporations, as well as providing loans.

A wide variety of financial services is offered to business firms of all sizes through the Bank's Corporate, Commercial and Retail Banking Groups, the Business Services Division and the Company's nonbank subsidiaries. In addition, Wells Fargo Investment Advisors offers investment management and employee benefit trust services to employers throughout the country.

The Corporate Banking Group, which provides Wells Fargo's credit and non-credit services to large and mid-sized corporations across the nation, streamlined its organization during 1981 in order to more effectively penetrate its key markets and concentrate on selling services that help generate fees and deposits. In addition to a realignment of its marketing units, the Group continued to develop its operations and systems in order to improve the quality and scope of its non-credit services. The Cash Management Department was expanded to division status as its objectives were redefined to include responsibility for serving the global cash management needs of the Bank's customers.

The development, servicing and marketing of cash management and other corporate operational services have been more effectively integrated as the operations capabilities in the wholesale banking area continue to receive strong emphasis at Wells Fargo. This is particularly important in serving multinational companies, a market which remains a top priority for the 1980s.

The Corporate Banking Group's loan production offices, which provide credit as well as non-credit services to regional markets, have been particularly effective in developing business along specialized industry lines, reflecting another of the Group's strategies. For example, the Dallas office is active in lending to the energy industry, supplementing the efforts of the primary energy lending unit in Los Angeles. The Chicago office has developed expertise in serving heavy equipment dealers, and the San Francisco office is the base for a specialized unit which provides financial services to the securities and insurance industries. All of the Group's offices are equipped to serve customers in other industries within their geographic areas, as well.

The Company engaged in a domestic asset sale program in 1981 to take advantage of its role as a loan-generating financial intermediary. Most of the loans which are passed through the program originate in one of the Bank's domestic wholesale groups, such as the Corporate, Commercial and Real Estate Industries Groups, or Wells Fargo Realty Advisors.

The Correspondent Banking Division was an essential participant in the asset sale program because it has relationships with the major U.S. banks and scores of regional banks. These customer banks turn to Wells Fargo for lending, global money transfer, and a variety of operational, documentary and international services. By serving business indirectly through other banks, Correspondent Banking generates demand deposits, in addition to fee and loan income.

Wells Fargo is providing financial services to California's mid-sized companies through the Commercial Banking Group, which was formed in 1980. This group produced nearly a 40 percent increase in commercial loans in 1981, ending the year with more than $1 billion in outstandings, total assets of $1.8 billion and a corresponding growth in business demand deposits.

The Commercial Banking Group has 18 regional offices throughout California dealing primarily with companies that have annual sales ranging from $2 million to $100 million. It also does asset-based lending for companies of all sizes. The middle-market customers are manufacturers, wholesalers, distributors, large retailers and major agribusiness firms, as well as the executives and professionals associated with those firms. Rather than restricting their business development activity to commercial lending, the Commercial Banking Group's calling officers now deal in terms of "relationship banking," with Wells Fargo providing expertise in the full range of financial services, including trade finance for the growing number of firms engaged in foreign trade.

Middle-market customers are assured of a rapid response to their diverse needs because the authority to make significant loan decisions has been delegated to the regional office level. The regional commercial bankers are experienced, well trained and very effective in serving their respective geographic markets. Their regional sales and lending officers work closely together, using a team approach that results in valued service for the customers.

Meeting at Ampex Corporation's headquarters in Redwood City are, from left, John E. Lindstedt, Wells Fargo senior vice president, Division I, Corporate Banking; H. F. "Pete" Nelson, Jr., treasurer of Ampex; Arthur H. Hausman, chairman and chief executive officer of Ampex; R. Thomas Decker, executive vice president in charge of Wells Fargo's Corporate Banking Group; and Robert McAdams, Jr., vice president-finance and chief financial officer of Ampex.

As with Corporate Banking, several of the Commercial Banking Group's offices have industry specialties because of their proximity to certain markets. The Beverly Hills regional commercial banking office has significant business with the entertainment industry, Fresno and Sacramento are active in agribusiness, San Jose serves many high-technology companies and a number of Los Angeles customers are in the apparel business.

Commercial loans generated by the Retail Banking Group's branches are the responsibility of the Group's Business Division. These loans now are maintained at two centers—San Francisco and El Monte—to ensure more professional service by loan specialists. Some 23,000 loans have been transferred from the branches to the centers for servicing and document processing, giving branch lending officers more time to generate new commercial loans in their communities.

As one of the nation's largest commercial bank lenders to agriculture, with headquarters in the largest and most diverse agricultural state, Wells Fargo has a long and strong commitment to this dynamic industry. This commitment led the Bank to establish a new Agribusiness Division in 1981. Through four geographic districts, the new division will provide fast, professional lending services, including crop loans, dairy and livestock loans, and working capital.

Outside California, Wells Fargo Ag Credit makes loans to growers and processors through its offices in Denver, Tulsa, Billings, and a new office in St. Louis. Ag Credit was profitable in 1981, its first full year of operation, and it plans to expand its geographic coverage and its loan volume in 1982.

Wells Fargo Leasing Corporation became an international company in 1981 with the opening of an office in London, England. This nonbank subsidiary increased its profitability in a difficult year of high interest rates, in part because of the profit it earns on the sale of equipment at the end of the lease periods. In addition to this inflation hedge, the Leasing Corporation earned substantial fees from the syndication of over $75 million of leases.

Wells Fargo Business Credit opened three more regional finance centers and now serves the 48 contiguous states through offices in the New York area, Atlanta, Baltimore, Chicago, Dallas, Kansas City and Los Angeles. In its third full year of operation, Business Credit increased its loan portfolio by approximately 90 percent.

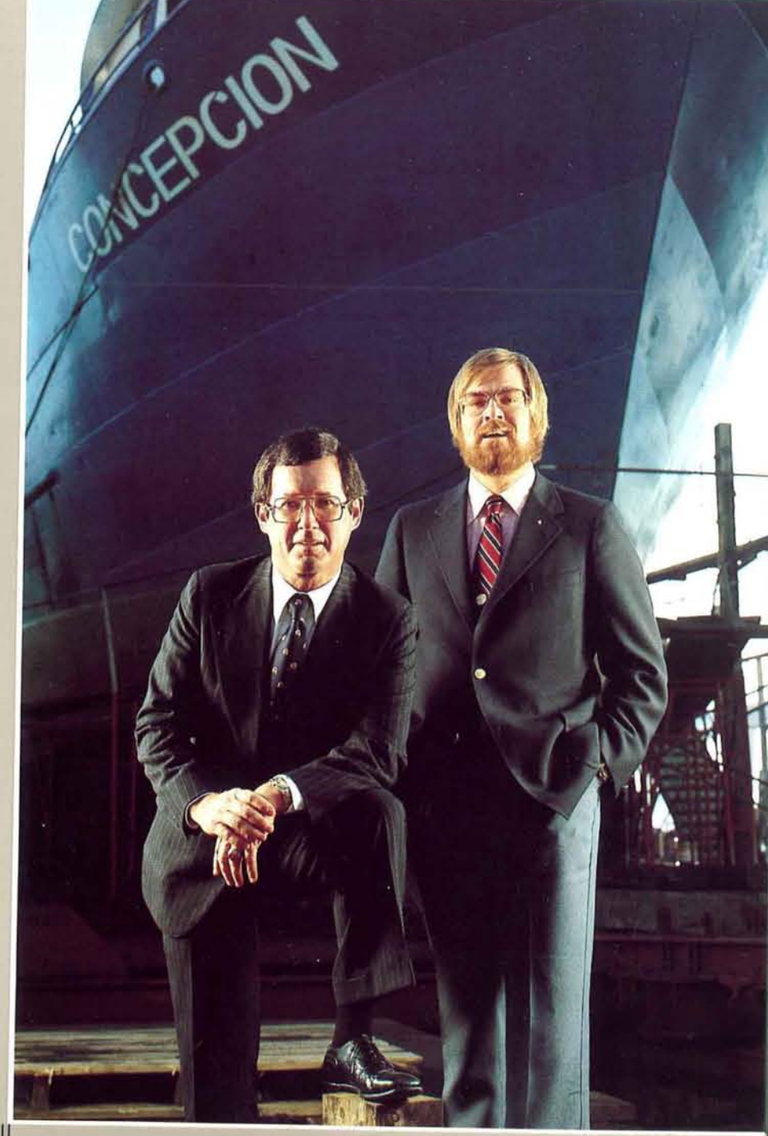
Wells Fargo Investment Advisors (WFIA) serves business firms in the United States and in the United Kingdom with investment management services. The Institutional Services Division had under management at the end of 1981 approximately $6.5 billion of employee benefit, foundation, endowment, corporate and other institutional funds.

A pioneer in the application of modern portfolio theory and in the use of computers in investment management, Wells Fargo Investment Advisors added a new fund, the Extended Index Fund, that tracks an even greater universe of stocks than its well-known Index Fund, which had assets of $3.2 billion at year end. This new fund already has grown to $200 million in its first year of existence. An International Index Fund also was successfully launched during the year.

WFIA's Institutional Counsel Service had great success in 1981 with *ROSCO*, which is a unique on-line investment management program available to money managers across the country. *ROSCO* provides profits from the marketing of expertise that Wells Fargo has developed in this field.

Investment Advisors began a new service in April of last year as a financial intermediary between brokerage houses needing shares of stock to meet delivery dates and institutional owners willing to lend shares to them from their own portfolios for a fee. This program met with excellent acceptance during the year, and the average daily balance of securities processed during the last six months was more than $250 million.

In the area of bringing automated banking services to business, Wells Fargo took some important steps in 1981. Three high-technology companies on the San Francisco Peninsula now have Wells Fargo *Expresservice*™ at their facilities for the benefit of their employees. Employees of these firms with access cards can use the Expresservice on-site automatic banking machines to conduct routine transactions without leaving their place of employment. This leads to additional Wells Fargo account relationships, as well as providing a valuable employee benefit for the companies that have the machines on their premises.



John F. Grundhofer, left, executive vice president of Wells Fargo's Commercial Banking Group, with a San Diego customer, Arthur E. Engel, president of Southwest Marine, a ship-repair firm with facilities in San Diego, San Pedro and San Francisco.

Serving the commercial real estate industry

Wells Fargo & Company is one of the nation's most active bank holding companies serving the real estate field through the Bank's Real Estate Industries Group and three subsidiaries: Wells Fargo Realty Advisors, Wells Fargo Mortgage Company and Wells Fargo Realty Services.

During 1981, high interest rates triggered a slump in the single-family housing industry that adversely affected Wells Fargo Mortgage Company and, to a lesser extent, the Bank's Real Estate Industries Group, which serves California builders and developers. However, Wells Fargo Realty Advisors, a subsidiary that deals mainly in commercial and industrial construction loans outside of California, had a strong and active year.

Eleven-year-old Wells Fargo Realty Advisors was the first subsidiary established by Wells Fargo & Company after the holding company was formed. Founded originally to manage Wells Fargo Mortgage and Equity Trust, a publicly held real estate investment trust (REIT) listed on the New York Stock Exchange, Realty Advisors has established itself as a major force in construction lending outside of California, with a network of 11 offices located in the most rapidly growing areas of the country. During 1981, Realty Advisors expanded its scope of activities to include managing two commingled real estate funds, one for U.S. pension funds and one for pension funds in the United Kingdom.

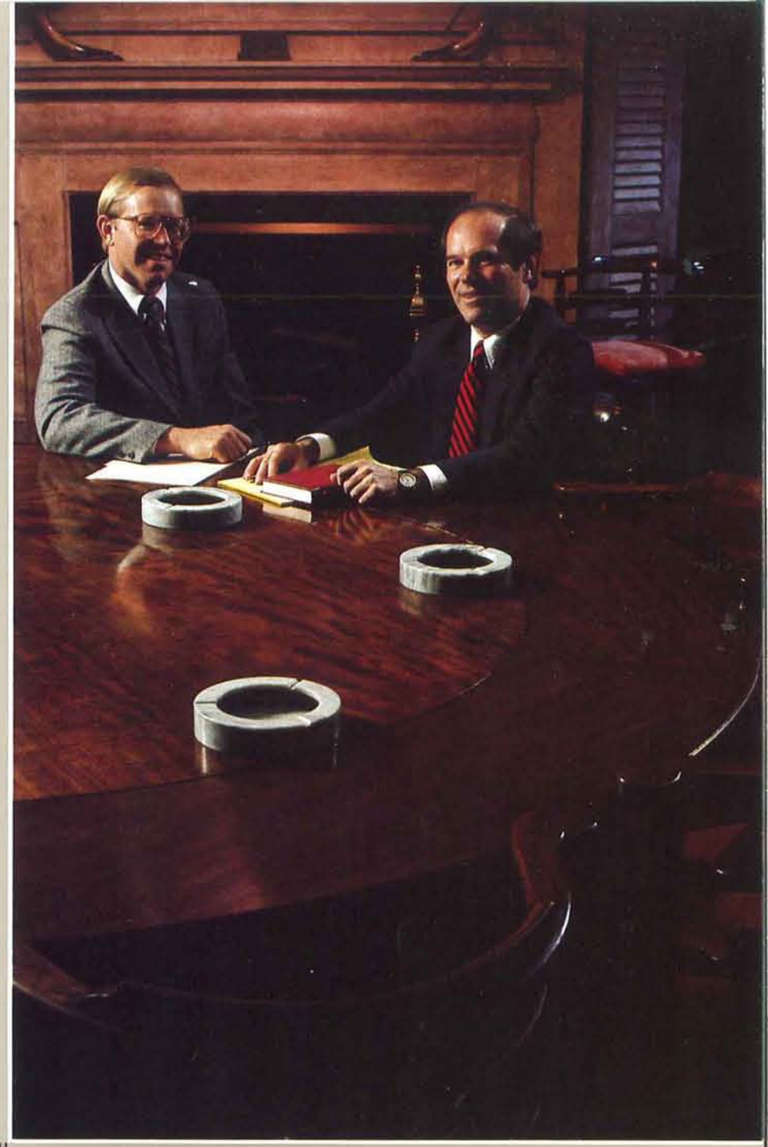
Realty Advisors' record net income in 1981 was 80 percent higher than the previous year's results. This performance resulted mainly from a 50 percent increase in the disbursed loan portfolio, which consists primarily of floating-rate construction loans. Realty Advisors also received increased management fees from advising Wells Fargo Mortgage and Equity Trust. These advisory fees are based on the performance of the Trust, which earned $3.01 per share in its most recent fiscal year, compared with $2.10 in the previous year.

The performance of Wells Fargo Mortgage Company exceeded expectations in 1981, even though it was one of the most difficult years in the history of the mortgage banking industry. Commercial loan origination activity was comparable to that of the preceding year and construction loan balances were up slightly. However, significantly lower residential volume resulted in a Mortgage Company decision to close most of its residential loan production offices, both within and outside of California. Wells Fargo Mortgage now has two residential lending offices in Hawaii and two residential divisions in California, concentrating on business originated through builders. It also has commercial offices in Washington and California, and a subsidiary in Texas that specializes in commercial property loan origination, the Ben G. McGuire Company. Servicing volume continued to increase during the year, with the servicing portfolio amounting to $4.3 billion at the end of 1981, compared with $3.1 billion a year earlier.

The Real Estate Industries Group makes short-term floating-rate construction loans, primarily in California, and it provides mortgage warehouse lending on a nationwide basis. Operations are conducted through nine field offices in major California cities. New construction lending volume in 1981 was comparable to 1980, exceeding $1 billion. Activity in 1981 was oriented more toward income properties, due in part to evidence early in the year that high interest rates would have a severe impact on home builders. The recession has caused many single-family developers to experience cash flow difficulties and, as a result, the Real Estate Industries Group had an increase in non-accrual loans. The Group believes that the overall quality of its loan portfolio is sound because of the financial strength and experience of its customers, as well as the increased values of underlying properties.

The mortgage warehousing activities of the Group experienced a lower volume of new commitments in 1981 due to the state of the national mortgage market. However, the Mortgage Warehousing Department has virtually no problem loans and continues to generate substantial income for Wells Fargo through its ongoing loan servicing.

Wells Fargo Realty Services provides specialized accounts receivable and data-processing services to real estate developers. A new and expanding market for this Wells Fargo subsidiary is the growing number of developers of time-share condominiums.



David M. Petrone, left, who is executive vice president of the Real Estate Industries Group and also oversees Wells Fargo Realty Advisors and Wells Fargo Mortgage Company, meets to discuss activities of Wells Fargo & Company's nonbank subsidiaries with Richard Oppenheimer, executive vice president and head of the commercial subsidiaries.

Providing financial services worldwide

International banking has become an increasingly competitive arena in recent years. Wells Fargo has dealt successfully with this environment by making loans with shorter maturities, managing its risks conservatively, and expanding its fee-generating and deposit-connected services, as well as improving the capacity to originate and sell assets. Despite a growing demand for loans, the supply of funds to meet the borrowing needs of companies and governments around the world continues to grow, adversely affecting international loan interest spreads.

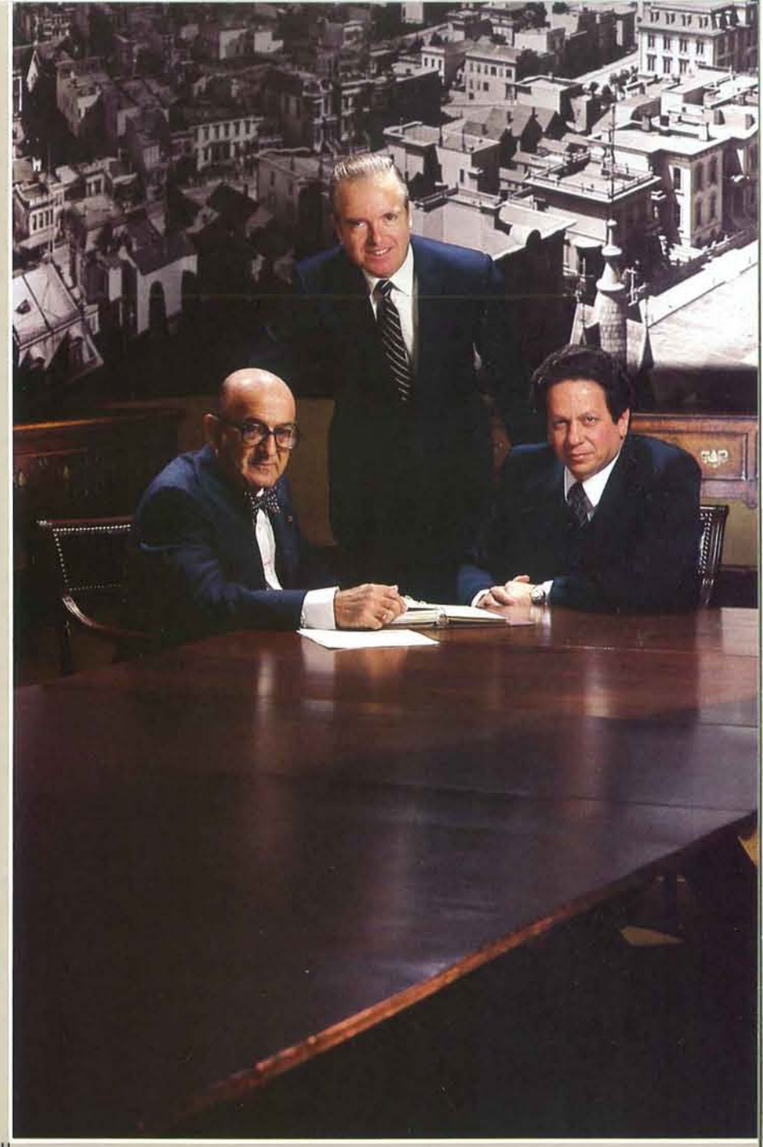
In 1981, the International Banking Group excelled in arranging loan syndications, a business in which it is very active and which produces substantial fee income for the Bank. The International Group's Merchant Banking Division arranged approximately $7 billion in syndicated financings last year, more than doubling the 1980 volume and strengthening Wells Fargo's position as one of the leading U.S. banks in this field.

International Banking's Global Correspondent Banking Division serves foreign banks with loans and a variety of vital operational services, including funds transfer, document processing and consulting services, for which it earns fees and attracts deposits. Correspondent Banking also works closely with the Merchant Banking Division in the asset-sale program and in international loan syndications.

During 1981, the International Group opened a new, full-service branch in Milan, Italy, and representative offices in Bombay, India, and Kuala Lumpur, Malaysia, in order to better serve the Bank's multinational customers and to strengthen correspondent banking relationships in those countries. Two Edge Act subsidiaries with offices in New York and Miami were consolidated into one Edge Act unit in 1981, and an international banking facility was established in San Francisco to accept eurodollar deposits in the United States without subjecting them to the reserve requirements of the Federal Reserve.

Early in 1982, the Bank received approval from Canadian banking authorities to open a nationally chartered Canadian bank. Wells Fargo Bank Canada is headquartered in booming Calgary, Alberta, and will also oversee the activities of the Toronto office that has provided corporate banking services for several years.

Looking to the international banking future, Wells Fargo plans to continue emphasizing its specialized strengths in selected markets. Selected asset sales will play a role in 1982, and syndication management and operational services will again take priority over loan volume. The International Banking Group will continue to aggressively market its merchant banking services for worldwide customers, such as export finance, private placements and eurocapital market instruments.



Signing a $40 million syndicated loan to C.A. Luz Electrica de Venezuela are, from left, Oscar Machado Zuloaga, chairman of the board, C.A. La Electricidad de Caracas; Carlos Rodriguez-Pastor, executive vice president in charge of Wells Fargo's International Banking Group; and Fernando Lauria, general manager of the Venezuelan power company.

Automation & personnel developments

As banking becomes more complex and highly automated, it is essential that Wells Fargo continue to develop the systems, software and training to support activities of customer service groups. For this reason, the Company expanded and continued to upgrade these capabilities in 1981.

The Operations Group opened its important Southern California data center at El Monte in Los Angeles County in 1981 to meet the need for current and future data processing services in the fast-growing Southern California market. The 295,000-square-foot facility will also provide back-up support to the Northern California center in handling the tremendous volumes of processing required to serve Wells Fargo's business and individual customers, including the growing number of transactions generated by the Bank's network of Express Stop automatic banking machines.

As an enhancement to the data centers' check-processing capabilities, electronic equipment has been installed to automatically repair damaged checks and deposit tickets that are rejected from our high-speed check-processing computers. This equipment enables us to repair and re-enter unreadable items in the same day's processing cycle, providing better service for our customers, and has changed what was previously a labor-intensive function to a machine-intensive one, thus reducing future costs.

Both the El Monte and San Francisco data centers have had earth stations installed on their roofs to enable them to make use of a communications satellite in orbit 23,000 miles from the earth. As this system becomes fully operational in 1982, Wells Fargo will benefit from both faster and more economical communications. It will be possible to transmit enormous volumes of data, as well as voice communications, between San Francisco and El Monte, and records in both locations can be updated several times a day.

Throughout Wells Fargo, electronic technology is being used to improve productivity and simplify many tasks. An electronic mail and word-processing system, inaugurated three years ago as an aid to technical writers and programmers, is now used statewide to convey rapid messages to executives and departments. In addition to the central computer system, mini-computers and processors are being used by offices and divisions handling a great deal of documentation work, such as loan processing.

Recognizing the growing importance of efficient data processing and transmission for domestic and foreign commercial customers, the Bank in 1981 established a Corporate/International Core Support unit to facilitate operations-oriented services for these two wholesale banking groups. This Core Support unit coordinates its activities closely with the Operations Group to assure consistent and integrated computer service to all Bank customers.

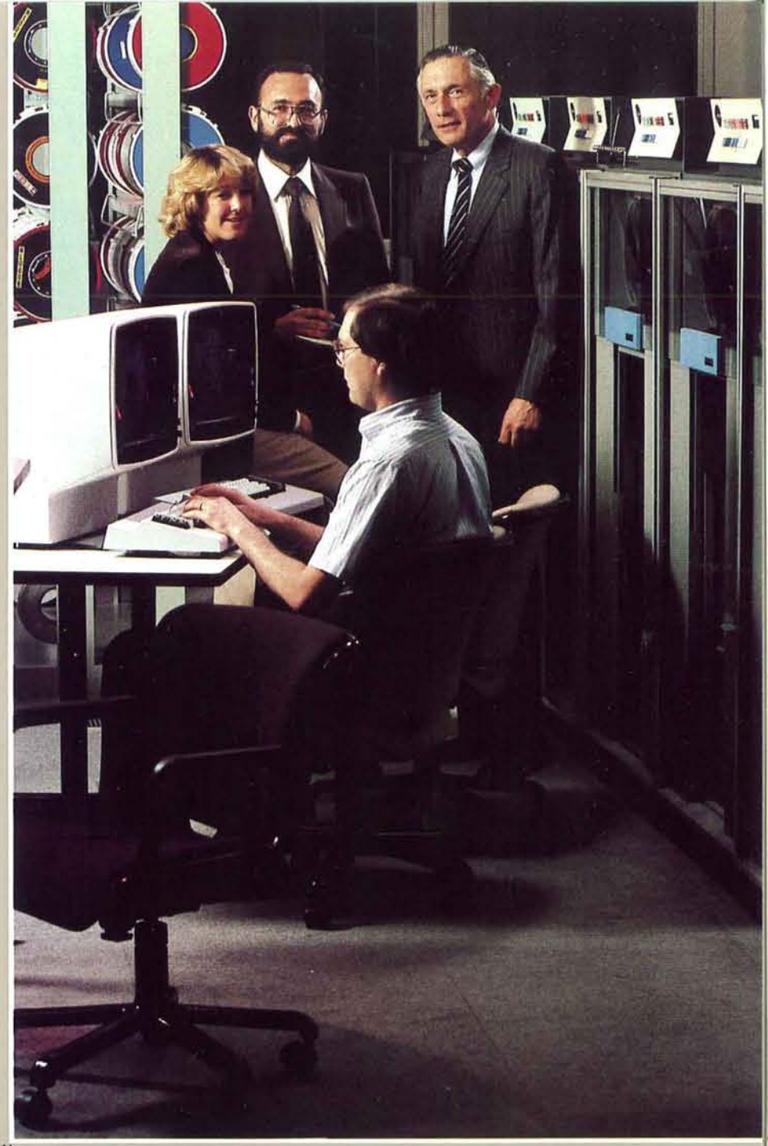
Training and Development

Highly trained and responsive employees are a critical factor in successful banking in today's increasingly automated and demanding financial world. In 1981, Wells Fargo completed the first phases of its custom-designed "Managing the Wells Fargo Way" training program for all current first-line supervisors. This phase of the program uses seminars and video modules to emphasize employee productivity, and it will continue to be used to train all new supervisors.

A new advanced management training program for senior managers was completed during the year, conducted by experts from graduate business schools and major consulting firms across the nation. This segment was designed to help participants deal effectively with continuing changes in the total business environment, and included identifying the competition, analyzing markets, developing strategic business plans and implementing organizational changes. In a follow-up segment of the program, graduates are transmitting key concepts to their own staffs through counseling and individualized projects.

In keeping with the banking industry's longstanding reputation for offering employees a wide range of training for career advancement, Wells Fargo has developed its own career information program to assist employees in focusing on new career paths. Because of the decline in real estate lending and the centralization of many types of loan processing in 1981, the career information program enabled employees in these activities to apply for positions in areas of expanding opportunity. For instance, a training program in computer programming was initiated, enabling employees to develop skills in a fast-growing field that offers a wide range of opportunities.

At the end of 1981, Wells Fargo & Company employed 18,190 persons on a full-time equivalent basis, compared with 17,460 at the end of 1980.



Pausing during a tour of the new Southern California data center in El Monte are, from left, Janet M. Wilson, assistant manager, and Andy Grosz, manager of Southern California computer operations, with Thomas M. Bigelow, executive vice president in charge of Wells Fargo's Operations Group, and, seated, Jeff Mercado, operations analyst.

Services to the community

A deep commitment toward community concerns has characterized Wells Fargo since its founding 130 years ago. Because we are so closely tied to the communities we serve, we feel a special responsibility to meet the diverse needs they represent. Three areas of the Company play especially important roles in this effort: the Community Development Department, the Wells Fargo Foundation and the Corporate Responsibility Committee.

The Community Development Department monitors and coordinates the Bank's community reinvestment and lending activities to ensure that it is identifying and meeting the credit needs of all communities we serve, including low- and moderate-income areas.

One way it seeks to achieve this objective is through the Community Contacts Program, in which branch managers work with neighborhood and community organizations and government agencies to focus on credit needs in those areas and develop programs that meet those needs. During 1981 the Community Contacts Program generated additional opportunities for the Bank to provide services to low- and moderate-income areas.

A noteworthy project during the year was a series of public-service Spanish language radio programs, created by the department in conjunction with local branches and Spanish radio stations. The programs have been broadcast in three geographic locations in California and feature Wells Fargo personnel as program hosts and guests. Each program concentrates on a particular aspect of banking and listeners can call in questions. The Spanish radio series has been very successful as an educational forum on banking and finance and in heightening the Bank's image in the Hispanic market.

Another project promoted by the Community Development Department was the forging of private/public partnerships in an effort to improve housing and commercial enterprises in communities. One such partnership is with the County of San Mateo, where Wells Fargo is providing an aggregate sum of $5 million for rehabilitation loans up to $100,000. The County, in turn, has deposited Community Development Block Grant funds with the Bank. Wells Fargo has received plaudits from San Mateo County officials for its role in this innovative loan program.

Minority small business firms continued to receive Wells Fargo's support through the Bank's special loan program, developed in 1968 to help companies that otherwise would not meet regular credit requirements. In the 13 years since the program started, the Bank has made more than 1,950 loans amounting to over $100 million, with the Small Business Administration partially guaranteeing approximately $90 million of that total. The Bank also made more than $18 million in similar loans directly, without guarantees, over the 13-year period. Consumers who do not qualify for credit under the usual standards are served by a special program created in 1972. Under this program, a total of 6,304 Low Income Finance Terms (LIFT) loans amounting to $8 million have been made in the last nine years.

Students continued to turn to Wells Fargo for financial aid, and during the year the Bank disbursed $27 million through its Student Loan Program.

Wells Fargo became the first bank in the state to provide access to an automated transaction machine (ATM) by wheelchair-bound individuals when the Bank installed a special low-level Express Stop ATM at a Berkeley branch.

The Bank also actively supported physical fitness for senior citizens by sponsoring the Wells Fargo Gamefield, a recreational walking course with exercise stations. During 1981, these courses were installed in public parks in 44 cities across California.

The second entity strongly involved in advancing the Company's goal of improving the community is the Wells Fargo Foundation. A total of $2.6 million, including educational matching gifts and United Way donations, was disbursed during the year by the Wells Fargo Foundation, which is the Company's primary vehicle for making charitable contributions, although the Company also makes some direct contributions. Of that total, nearly 41 percent went to social services, close to 26 percent to education, 16 percent to civic activities, 12 percent to the arts, and well over 5 percent to health agencies. Examples of the diversity of the activities supported by the Foundation include sponsorship of tickets for a special concert by the San Francisco Symphony for neighborhood organizations, a satellite communications system to disseminate college courses to wider audiences in the Mother Lode Country, textbooks on economics for a San Diego school district and support of the Japanese-American Cultural Community Center in Los Angeles.

Wells Fargo is one of 50 pace-setting corporations in the San Francisco Bay Area to take the lead in providing increased private support for nonprofit organizations by becoming a member of the "Two Percent Club." As a member of this organization, Wells Fargo has pledged that its total annual contributions to nonprofit organizations in the future will be the equivalent of 2 percent of its adjusted domestic pre-tax profits, rather than the previous level of 1 percent.

From left, George F. Casey, Jr., executive vice president, Funding Group; Glenhall E. Taylor, Jr., executive vice president, Credit Policy Group; and Frank N. Newman, executive vice president and chief financial officer, meet regularly to formulate asset/liability management strategies.

Senior citizens turned out enthusiastically to help open the Wells Fargo Gamefield at Pearson Park in Anaheim, one of 44 such recreational walking and exercise courses that Wells Fargo Bank sponsored throughout California in 1981.

The President's Award Program, designed to honor a Wells Fargo employee who has contributed outstanding volunteer service to the community, celebrated its fifth anniversary in 1981, drawing more entrants than ever before. The winner of the award was Allen Gehrig, an assistant vice president with the Commercial Banking Group. He received the award for his efforts on behalf of the Special Olympics.

In another unique program continued during the year, six employees took Social Service Leaves and five employees took Personal Growth Leaves.

These programs are administered as part of its many interests by the third area of the Company that is active in shaping our role in society, the Corporate Responsibility Committee. Through the Social Service Leave Program, employees with three years of experience can obtain a leave of absence of up to six months to work in a community service agency. The Personal Growth Leave Program requires 15 years of service, and employees can take a leave of absence up to three months to pursue a serious outside interest. Both programs guarantee employees their former or comparable positions upon return.

Wells Fargo's most successful United Way campaign ever was held in 1981. A total of $828,000 was contributed by employees—a 24 percent increase over the previous year—to United Ways and other human care agencies in California.

Blood drives were held in several regions in Northern and Southern California. Wells Fargo employees in the San Francisco Financial District donated a record-breaking 1,023 units of blood, ranking Wells Fargo as the largest corporate donor to the Bay Area's Irwin Memorial Blood Bank.

In one of its most basic and longstanding commitments to corporate responsibility, Wells Fargo pays close attention to equal opportunity hiring and advancement programs, assuring that all qualified applicants are considered for jobs and career development opportunities.

At year end 1981, 70 percent of Wells Fargo's employees were women and 37 percent were minorities. Of Wells Fargo officers, managers and professionals, 57 percent were women and 22 percent were minorities.

The Bank's affirmative action program is periodically reviewed by the Department of Labor and we have consistently received a positive compliance report.

Index to key financial information

Overview

Earnings (income before securities transactions) totaled $125,936,000 in 1981, an increase of 3.4 percent over 1980. On a per share basis, earnings for 1981 and 1980 were $5.41 and $5.32, respectively, an increase of 1.7 percent in 1981.

Net income in 1981 increased 1.7 percent to $123,988,000. Net income per share was $5.33 in both years. The principal reason that earnings per share increased in 1981, although net income per share did not, was that in late September, the Bank sold certain low-yielding bonds previously held in its investment portfolio. The results of the sales were $1,948,000 in after-tax securities losses. These losses are discussed below under SECURITIES TRANSACTIONS.

Included in 1981 earnings were $11,731,000 in tax-free gains from two exchanges by the Parent of its newly issued common stock for approximately $33,700,000 aggregate principal amount of the Company's long-term debt. In 1980, a $11,501,000 net of tax gain resulted from a debt repurchase program. 1981 earnings also include an $8,800,000 gain (net of taxes and a donation to the Wells Fargo Foundation) from the first quarter sale of equity securities distributed to the Bank by Wells Fargo Investment Company, (WFIC), a small business investment company owned approximately 49 percent by the Bank.

Net interest income for 1981 (before provision for loan losses) increased 7.9 percent to $730,968,000. Growth in average earning assets of 9.8 percent contributed to the increase in net interest income. The spread narrowed 4 basis points from 3.89 percent in 1980 to 3.85 percent in 1981. Contributing to the slight decline in spread was a continuing shift in the composition of consumer deposits to higher-paying, interest-sensitive deposit instruments which are more expensive than traditional sources of funds. However, despite their increasing cost to the Bank, consumer deposits continue to be less costly than current alternative sources, such as negotiable certificates of deposit and federal funds. The Bank's sizable portfolio of residential mortgages continues to hold down the spread because it includes long-term mortgages with relatively low fixed rates of interest.

Other income increased 44.6 percent to $236,123,000 for 1981. In addition to the gain mentioned above from the sale of WFIC equity securities, the increase was due to a $12,675,000 increase in service charges on deposit accounts, a $16,296,000 increase in international commissions, syndication fees and foreign exchange and a $5,838,000 increase in trust and corporate agency income.

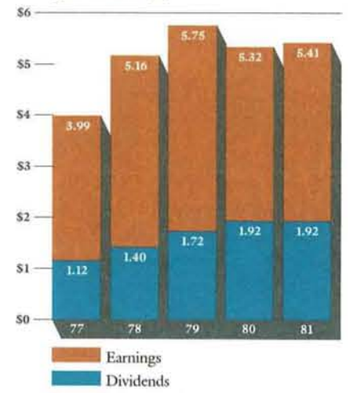
Other expense increased 25.6 percent to $749,636,000. Salaries and employee benefits increased 19.8 percent to $426,445,000. Equipment expense increased 49.6 percent to $62,682,000. Contributing to this increase were expenses associated with the expansion in the number of automated teller machines in service and the new data processing center at El Monte, California. Net occupancy expense increased 27.6 percent to $60,779,000.

Consolidated six-year summary of selected financial data

Wells Fargo & Company and Subsidiaries

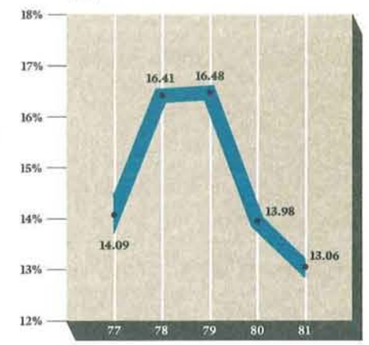
(Dollars in thousands, except per share data)	1981	1980	1979	1978	1977	1976	Change 1981/1980	Five-year compound growth rate
Net interest income after provision for loan losses	$ 672,956	$ 606,595	$ 628,573	$ 549,013	$ 422,591	$ 345,676	10.9%	14.3%
Provision for loan losses	$ 58,012	$ 71,043	$ 62,949	$ 47,537	$ 41,028	$ 46,379	(18.3)	4.6
Income before securities transactions	$ 125,936	$ 121,737	$ 130,202	$ 115,881	$ 86,381	$ 62,246	3.4	15.1
Net income	$ 123,988	$ 121,864	$ 123,416	$ 110,146	$ 85,361	$ 62,286	1.7	14.8
Per share:								
Income before securities transactions	$5.41	$5.32	$5.75	$5.16	$3.99	$3.10	1.7	11.8
Net income	$5.33	$5.33	$5.45	$4.91	$3.94	$3.10	—	11.4
Dividends declared	$1.92	$1.92	$1.72	$1.40	$1.12	$0.99	—	14.2
Total assets	$23,219,189	$23,638,063	$20,593,124	$18,611,436	$15,421,771	$13,033,300	(1.8)	12.2
Long-term debt and obligations under capital leases	$ 241,782	$ 285,319	$ 340,504	$ 361,260	$ 370,226	$ 323,744	(15.3)	(5.7)

A.
Earnings* & dividends per share ($)



*Income before securities transactions

B.
Return on stockholders' equity (%)



Ratio of income before securities transactions to average stockholders' equity

The loan loss provision was $58,012,000 compared to $71,043,000 for 1980 as net charge-offs on an annualized basis decreased to .29 percent of average loans outstanding from .39 percent for 1980. The allowance for loan losses as a percentage of total loans net of unearned income was .86 percent as of December 31, 1981, slightly lower than the .87 percent ratio as of September 30, 1981 but higher than the .85 percent ratio as of December 31, 1980.

For 1981, the effective tax rate on earnings declined to 21 percent from 30 percent for 1980 as income exempt from federal taxes increased as a proportion of income before income taxes and securities transactions. Increases in both the proportion of tax-exempt interest income and investment tax credits were important components.

The ratios below summarize key aspects of the Company's operations during the past three years. The causes for the changes in these ratios and in the comparisons above are discussed in the remainder of this analysis.

RETURN ON STOCKHOLDERS' EQUITY—earnings as a percentage of average stockholders' equity—was 13.06 percent in 1981. This compares to 13.98 percent in 1980 and 16.48 percent in 1979. This ratio reflects the profitability of the shareholders' investment and is influenced by leverage and the overall return on assets.

RETURN ON AVERAGE ASSETS FOR THE COMPANY—earnings divided by average total assets—was .52 percent in 1981 compared to .55 percent in 1980 and .68 percent in 1979. This ratio is a measure of the profitability of the resources utilized by the Company.

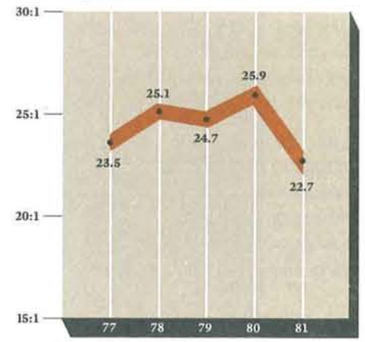
THE COMPANY'S LEVERAGE RATIO—assets divided by stockholders' equity—decreased to 22.74 at December 31, 1981 compared to 25.87 at December 31, 1980 and 24.69 at December 31, 1979. See table 14 at page 50. The Company's average leverage ratio of 25.11 in 1981 compares to 25.32 in 1980 and 24.39 in 1979. These ratios measure the extent to which external funding sources were used in building the Company's asset base. In addition to the exchanges of common stock for long-term debt and the sale of investment securities previously discussed, the reduction in leverage resulted from decisions to control outstanding balances of certain low yielding assets and to use treasury bill futures contracts in lieu of deposit placements to control asset/liability mismatches. This strategy is discussed below under ASSET/LIABILITY MANAGEMENT and leverage is further discussed below under BALANCE SHEET ANALYSIS.

Table 1 ***Statistics and ratios***

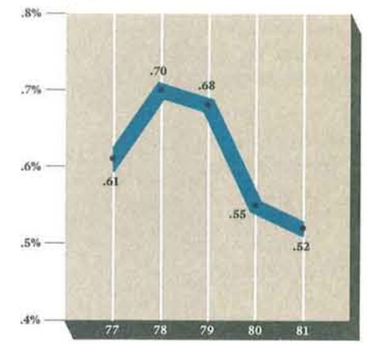
	Year ended December 31,		
	1981	1980	1979
Ratios:			
Income before securities transactions to:			
Average total assets	.52%	.55%	.68%
Average stockholders' equity	13.06%	13.98%	16.48%
Net income to:			
Average total assets	.51%	.55%	.64%
Average stockholders' equity	12.86%	13.99%	15.62%
Average stockholders' equity to average total assets	3.98%	3.95%	4.10%
Dividends declared per share to:			
Income per share before securities transactions	35.49%	36.09%	29.91%
Net income per share	31.02%	36.02%	31.56%
Stockholders' equity per share at year end	$42.38	$39.93	$36.58
Statistical summary:			
Market prices of common stock(1):			
High for year	$35⅝	$28⅝	$33
Low for year	$24⅞	$21⅞	$25½
Year end	$25½	$28½	$26⅞
Other year-end data:			
Number of stockholders(2)	23,900	24,300	21,900
Company staff (full-time equivalent)	18,200	17,500	17,500
Number of domestic and foreign banking offices	403	388	377

(1) Based on daily closing prices listed in Wall Street Journal—composite transactions.
(2) Determined based on actual number of open accounts with outstanding shares at year end.

C.
Asset to equity ratios at year end



D.
Return on average total assets (%)



Ratio of income before securities transactions to average total assets

Results for three months ended December 31, 1981

Income before securities transactions for the fourth quarter of 1981 decreased $2,638,000 or 7.7 percent from the comparable period in 1980 to $31,729,000. Included in the fourth quarter earnings for 1981 was a tax-free gain of approximately $4,800,000 from an exchange in October, 1981 of 358,767 shares of the Company's Common Stock for $13,701,000 aggregate principal amount of the Company's long-term debt. Fourth quarter 1981 earnings per share were affected by additional shares issued in this exchange. Earnings for the fourth quarter of 1980 included an after-tax gain of approximately $6,900,000 from debt repurchases.

Net interest income was $182,707,000 in the fourth quarter of 1981 as compared to $180,604,000 in the fourth quarter of 1980 and $185,331,000 in the third quarter of 1981. The spread narrowed 4 basis points from 3.95 percent in the fourth quarter of 1980 to 3.91 percent in the fourth quarter of 1981. The spread in the third quarter of 1981 was 3.86 percent. The decrease in net interest income from the third quarter to the fourth quarter of 1981 was attributable to management decisions which resulted in an improved capital position but also a decrease in earning assets—from $20,897,000,000 in the third quarter of this year to $20,251,000,000 in the fourth quarter.

As compared to the fourth quarter of 1980, other income increased 43.6 percent in the fourth quarter of 1981 to $72,903,000. Other expense increased 25.2 percent to $205,661,000 for the fourth quarter of 1981.

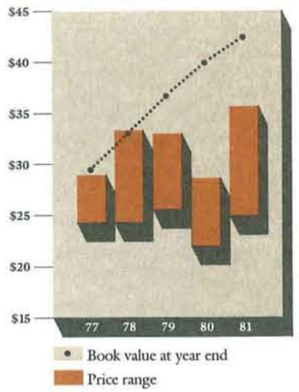
The loan loss provision was $15,239,000 in the fourth quarter of 1981 compared to $19,568,000 for the comparable period in 1980. Net charge-offs were approximately $14,600,000 in the fourth quarter of 1981 vis-a-vis approximately $14,000,000 in the fourth quarter 1980. See further discussion below at page 54.

It should be remembered that financial statements and management decisions have been significantly affected by inflation in recent years. Information on financial reporting and changing prices is presented in footnote 20 at page 87.

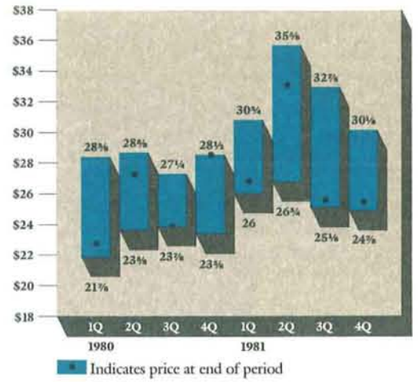
General information

Common stock of the Parent is traded on the New York Stock Exchange, the Pacific Stock Exchange, the London Stock Exchange and the Frankfurter Boerse. The high and low quarterly sales prices for the Parent's stock during 1981 and 1980 are presented in graph F as reported in the New York Stock Exchange Composite Transaction Reporting system. The approximate number of holders of record of the Parent's stock was 24,000 as of January 31, 1982.

E.
Book value per share vs. market price range



F.
Price range of common stock ($)



In 1981 and 1980, dividends declared per share totaled $1.92 in each year compared to $1.72 per share in 1979. The five-year compound growth rate for dividends was 14.2 percent. The Company intends to continue its present policy of paying quarterly cash dividends to shareholders. Future dividends will be determined by the board of directors in light of the earnings and financial condition of the Company. Additional dividend information, including information regarding restrictions on the payment of dividends, is presented in footnote 13 at page 80.

Earnings performance

The condensed consolidating schedule of income shows the major contributors of Company income as shown in the financial statements.

Condensed Consolidating Schedule of Income

Wells Fargo & Company and Subsidiaries

(In thousands)	Wells Fargo & Company (Parent)	Wells Fargo Bank, N.A.	Finance subsidiaries	Other subsidiaries	Eliminations and reclassifications	Consolidated Wells Fargo & Company
	Year ended December 31, 1981					
Interest income						
Interest and fees on loans	$ 93	$2,337,527	$248,972	$ 9	$ —	$2,586,601
Interest on securities	21,897	87,229	332	410	—	109,868
Interest on intercompany loans	389,956	23	79	9,362	(399,420)	—
Other	—	319,970	52,854	981	—	373,805
Total interest income	411,946	2,744,749	302,237	10,762	(399,420)	3,070,274
Interest expense						
Interest on deposits	—	1,619,302	—	—	—	1,619,302
Interest on borrowings	429,683	280,238	2,455	7,628	—	720,004
Interest on intercompany borrowings	1,907	172,589	222,869	2,055	(399,420)	—
Total interest expense	431,590	2,072,129	225,324	9,683	(399,420)	2,339,306
Net interest income	(19,644)	672,620	76,913	1,079	—	730,968
Provision for loan losses	—	48,959	9,053	—	—	58,012
Net interest income after provision for loan losses	(19,644)	623,661	67,860	1,079	—	672,956
Equity in earnings of subsidiaries	126,945	—	—	—	(126,945)	—
Other income	11,870	203,769	23,701	8,626	(11,843)	236,123
Other expense	9,747	687,903	56,107	7,722	(11,843)	749,636
Income before income taxes and securities transactions	109,424	139,527	35,454	1,983	(126,945)	159,443
Less applicable income taxes	(16,512)	35,379	13,700	940	—	33,507
Income before securities transactions	125,936	104,148	21,754	1,043	(126,945)	125,936
Securities losses, net of tax	(1,948)	(1,948)	—	—	1,948	(1,948)
Net income	$123,988	$ 102,200	$ 21,754	$ 1,043	$(124,997)	$ 123,988

For a financial institution, the most significant ingredient of earnings is net interest income. Simply stated, interest income, which includes certain loan-related fees, less interest expense equals net interest income. Net interest income less the provision for loan losses, plus other income, less other expense, equals income before taxes and securities transactions. Securities transactions are gains and losses arising from sales of investment portfolio securities.

In analyzing the variables which give rise to net interest income, management believes it facilitates analysis to examine interest differential, i.e., the taxable-equivalent of net interest income plus fees. Since certain forms of revenue are tax-exempt or are otherwise unequally affected by income tax laws and regulations, the Financial Summary shows revenue on the basis of fully-taxable equivalent amounts. Income from loans to states and political subdivisions is shown on a taxable-equivalent basis for 1981 and 1980. The taxable-equivalent effect of such loan income was not significant in 1979.

The tax rate used in the taxable-equivalent adjustment is based on the 46% federal tax rate and reflects the state tax that applies to income from securities and loans exempt from federal taxes. No similar state tax effect is applicable to the lease financing adjustment for investment tax credit. Imputed interest on capitalized leases has been excluded since the corresponding liability does not fund an earning asset.

Statement of Financial Accounting Standards No. 34 requires that interest costs attributable to the funding of Company-constructed fixed assets during the construction period be added to the cost of the assets and subsequently amortized. Management feels that the presentation of rates is more meaningful if this reduction of expense is omitted from the Financial Summary. The resulting presentation shows the actual interest incurred to obtain funds used by the Company. Beginning in 1982, interest expense will include amortization of costs associated with debt issuance. In 1981 and prior years, such expense has been reflected in other expense and has not been material.

Non-accrual and renegotiated loan balances and related income are included in their respective loan categories in the Financial Summary. Further detail of non-performing loans is presented at page 44. The following table reconciles interest differential with net interest income, as depicted in the financial statements.

Table 2 *Adjustments for taxable-equivalent basis*

(In millions)	1981	1980	1979
	Year ended December 31,		
Net interest income per consolidated statement of income	$731.0	$677.6	$691.5
Taxable-equivalent adjustment to obligations of states and political subdivisions	31.0	35.2	38.7
Taxable-equivalent adjustment for the municipal portion of trading account securities	.2	.3	.2
Taxable-equivalent adjustment to loans to states and political subdivisions	16.7	7.5	—
Taxable-equivalent adjustment to reflect the effect of investment tax credit on leasing	9.0	4.7	2.9
Total taxable-equivalent adjustment	56.9	47.7	41.8
Imputed interest expense on capital leases excluded from the interest differential	5.6	5.7	5.7
Capitalized interest on funds borrowed excluded from the interest differential	(3.9)	(3.2)	(1.3)
Interest differential	$789.6	$727.8	$737.7

The average other assets category is reported net of the average allowance for loan losses, which in 1981, 1980 and 1979 was $147 million, $129 million and $114 million, respectively.

Financial Summary: *Average balances, rates paid and yields*

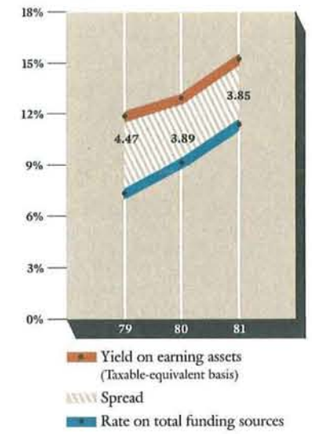
(yields on a taxable-equivalent basis)

(Dollars in millions)	1981 Average balance	1981 Yields or rates	1981 Interest income/ expense	1980 Average balance	1980 Yields or rates	1980 Interest income/ expense	1979 Average balance	1979 Yields or rates	1979 Interest income/ expense
Earning assets									
Interest-bearing deposits	$ 1,403	16.55%	$ 232.2	$ 968	13.08%	$ 126.6	$ 434	10.75%	$ 46.6
Investment securities:									
U.S. Treasury securities	440	10.40	45.7	446	10.18	45.4	481	7.57	36.4
Securities of other U.S. government agencies and corporations	276	9.01	24.9	326	8.63	28.1	386	8.22	31.7
Obligations of states and political subdivisions	694	9.19	63.8	796	9.10	72.4	886	9.01	79.9
Other securities	59	10.98	6.5	52	7.75	4.0	67	8.22	5.5
Total investment securities	1,469	9.59	140.9	1,620	9.26	149.9	1,820	8.44	153.5
Trading account securities	62	16.02	9.9	49	12.01	5.9	30	10.85	3.3
Funds sold	226	16.61	37.6	112	13.57	15.2	136	11.10	15.1
Loans:									
Commercial loans	4,950	17.98	889.8	4,089	14.54	594.6	3,597	12.47	448.4
Real estate loans:									
Construction	1,882	18.97	357.1	1,416	16.47	233.2	1,054	14.05	148.1
Mortgage	5,677	10.93	620.5	5,372	10.34	555.6	4,256	9.44	401.5
Total real estate loans	7,559	12.93	977.6	6,788	11.62	788.8	5,310	10.35	549.6
Consumer loans	2,026	14.52	294.1	2,433	13.61	331.2	2,467	12.97	320.1
Foreign loans	2,074	18.08	375.0	1,995	14.32	285.7	2,182	12.45	271.7
Fees and sundry interest	—	—	66.4	—	—	57.5	—	—	83.3
Deferred gain/loss on hedging transactions	(1)	—	.4	—	—	—	—	—	—
Total loans	16,608	15.67	2,603.3	15,305	13.44	2,057.8	13,556	12.34	1,673.1
Lease financing	765	13.50	103.3	652	11.42	74.4	505	11.24	56.8
Total earning assets	$20,533	15.23	3,127.2	$18,706	12.99	2,429.8	$16,481	11.82	1,948.4
Funding sources									
Interest-bearing liabilities:									
Deposits:									
Savings deposits (1)	$ 3,464	5.26	182.3	$ 3,179	5.27	167.5	$ 3,395	5.15	174.8
Savings certificates	5,105	13.95	712.0	3,811	11.31	431.0	2,673	8.84	236.2
Certificates of deposit	1,382	15.03	207.8	1,646	12.61	207.5	2,062	10.47	215.9
Other time deposits	584	15.18	88.6	491	11.87	58.3	599	9.73	58.3
Deposits in overseas offices	2,652	16.16	428.6	2,773	13.01	360.7	2,420	11.03	266.9
Total deposits	13,187	12.28	1,619.3	11,900	10.29	1,225.0	11,149	8.54	952.1
Funds borrowed (2)	1,569	17.33	272.0	1,722	13.44	231.5	1,503	10.84	163.0
Commercial paper	1,952	16.54	323.1	1,392	13.04	181.6	582	11.29	65.7
Intermediate-term and long-term debt	1,079	11.42	123.2	681	9.39	63.9	374	7.99	29.9
Total interest-bearing liabilities	17,787	13.14	2,337.6	15,695	10.84	1,702.0	13,608	8.90	1,210.7
Portion of non-interest-bearing funding sources	2,746	—	—	3,011	—	—	2,873	—	—
Total funding sources	$20,533	11.38	2,337.6	$18,706	9.10	1,702.0	$16,481	7.35	1,210.7
Spread and interest differential		3.85%	$ 789.6		3.89%	$ 727.8		4.47%	$ 737.7
Non-earning assets									
Cash and due from banks	$ 1,853			$ 1,846			$ 1,781		
Other	1,820			1,503			1,007		
Total non-earning assets	$ 3,673			$ 3,349			$ 2,788		
Non-interest-bearing funding sources									
Demand deposits	$ 3,644			$ 3,979			$ 3,779		
Other liabilities	1,811			1,510			1,092		
Stockholders' equity	964			871			790		
Non-interest-bearing funding sources used to fund earning assets	(2,746)			(3,011)			(2,873)		
Total net non-interest-bearing funding sources	$ 3,673			$ 3,349			$ 2,788		

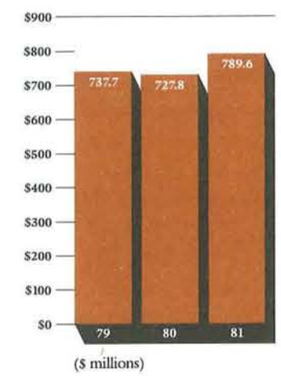
(1) Includes ATS and NOW accounts.

(2) Information relating to the breakout of intermediate-term debt in funds borrowed is not available for 1979.

G.
Spread – annual (%)



H.
Interest differential



Interest differential and spread

The difference between the average yield on earning assets and the average cost to fund these assets is called spread. Spread, both in an aggregate sense, and on a specific product basis, is an integral part of management decisions. Spread multiplied by average total earning assets equals interest differential.

Interest differential is affected by six variables: the volume and mix of earning assets, yields earned on those assets, the volume and mix of interest-bearing liabilities, rates paid on those liabilities, the proportion of non-interest-bearing funding sources and fees earned.

The interest differential was $789,565,000 in 1981, up $61,789,000 or eight percent from 1980 due in large part to the increase in yield on loans and other earning assets. From 1979 to 1980 interest differential decreased $9,956,000 or one percent. Spread decreased four basis points to 3.85 percent in 1981 following a decrease of 58 basis points from 1979 to 1980. The slight decrease in 1981 spread occurred partly because the proportion of earning assets funded by non-interest-bearing funding sources decreased from 16 percent in 1980 to 13 percent in 1981. The sharp decrease in 1980 spread was due to a precipitous drop in fees and the large amount of assets committed to long-term real estate loans and bonds. Increased yields did not match steep increases in interest rates paid.

Loan fees and sundry interest. Loan fees and sundry interest rose 16 percent in 1981 following a decrease of 31 percent in 1980. Table 3 presents loan fees by major categories. Fees in both years were adversely affected by sharp decreases in real estate loan origination fees. This reflected greatly decreased loan activity, particularly on 1-4 family residences, in response to high interest rates. Also, since October 1980, real estate loan fees in excess of estimated origination costs have been deferred and amortized over the estimated life of the loan or until the loan is paid off or sold. This caused a further decline in current fee income.

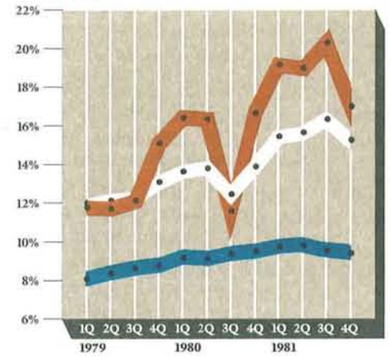
Table 3 *Loan fees and sundry interest*

(In thousands)	1981	Year ended December 31, 1980	1979
Loan Fees			
Real estate			
Bank			
1–4 family residential properties	$ 973	$ 8,111	$22,859
All other	5,550	10,071	26,252
Total Bank	6,523	18,182	49,111
Finance subsidiaries	9,750	8,573	9,355
Total real estate	16,273	26,755	58,466
Commercial	27,406	18,657	13,451
Monthly payment	4,697	4,341	3,730
Credit card	6,629	3,923	6,786
Sundry interest	11,435	3,785	892
Total	$66,440	$57,461	$83,325

There were substantial increases in commercial loan fees of 47 percent in 1981 and 39 percent in 1980. In part this reflected increased payment of loan commitment fees in lieu of compensating balances. In late 1981, the Bank initiated a policy of charging interest on past due interest on new or renewed commercial loans. All such charges are included in fee income. Monthly payment loan fees were up moderately in both years—despite decreased loan activity—due to higher charges to cover clerical and other costs.

Credit card fees decreased 42 percent in 1980 due to lower activity but rose 69 percent in 1981 due to imposition of a usage charge beginning in the third quarter of 1980. This $1 per month charge on active accounts was not collected in December 1981 but is being replaced by a $15 per year fee applicable to all accounts. This change is expected to cause an increase in credit card fee income in 1982 and also is causing a reduction in the number of accounts as unused accounts are closed or consolidated by holders. Thus far this reduction has been within management's expectations and will reduce the costs of handling unproductive accounts in the future.

I.
Selected asset yields
(%)



Investment yield on taxable-equivalent basis
Loan yield includes loan fees.
Average prime rate
Loans
Investments

The 202 percent increase in 1981 sundry interest income was mainly due to interest earned by the Bank's New York Edge Act subsidiary on customers' overdrafts and on funds transfer transactions.

Earning assets. Total earning assets averaged $20,533,000,000 in 1981, an increase of $1,827,000,000 or ten percent over 1980, when average earning assets increased 14 percent over 1979. The largest category is real estate mortgage loans, which averaged $5,677,000,000, up only six percent. Construction loans, which provide a market-sensitive yield, continued to increase strongly, rising an average of 33 percent in 1981 and 34 percent in 1980.

Average commercial loans also demonstrated strong gains of 21 percent in 1981 and 14 percent in 1980. Average foreign loans, however, rose only four percent in 1981 after decreasing nine percent in 1980. Consumer loans averaged 17 percent less in 1981 after a one percent decrease in 1980. This reflected government restraints in the first half of 1980 and continued high rates and sharp declines in automobile sales in 1981.

Leasing volume continued to advance strongly and averaged $765,000,000 in 1981. Interest-bearing deposits primarily in foreign banks (which have been used to offset the Bank's net liability position at the six month maturity category) rose from $434,000,000 in 1979 to $968,000,000 in 1980 and $1,403,000,000 in 1981. See ASSET/LIABILITY MANAGEMENT below at page 52. Holdings of relatively low-yielding bonds have been reduced; moreover, maturing securities have not been replaced. Consequently, average total investment securities decreased 11 percent in 1980 and nine percent in 1981. See BALANCE SHEET ANALYSIS on page 39 for additional comments on asset volumes.

Yields. 1981 was characterized by very high interest rates. Consequently, the yield on total earning assets rose 224 basis points to 15.23 percent. In 1980 there had been an increase of 117 basis points. In 1981, yields linked to the prime rate and money market rates rose most, with increases of 344 basis points in commercial loan yield, 376 basis points in foreign loan yield and 347 basis points in yield on interest-bearing deposits. Increases were smaller for categories where funds are committed for long periods at fixed rates. Thus the yield on long-term real estate loans was up only 59 basis points and yield on investment securities was up only 33 basis points. The small increases in yields on these assets combined with high rates paid for funding and continuing shifts in deposit mix have contributed to pressure on the Company's spread and earnings in 1980 and 1981.

In the closing months of 1981, yields earned and rates paid linked to money market rates declined rapidly; the Company's spread for the fourth quarter of 3.91 percent was up five basis points from the third quarter. At the end of 1981, the decrease in yields and rates had leveled off with the prime rate at 15.75 percent compared to a 1981 high of 20.50 percent. No prediction can be made as to the ultimate movements of rates for 1982.

Funding sources. Movements in funding sources have been greatly affected by high interest rates, the emergence of new deposit instruments, the Depository Institutions Deregulation and Monetary Control Act of 1980, competition from unregulated money market funds and tax legislation in 1981. Costs have risen as funds shifted from demand deposits and passbook savings accounts to interest-paying checking accounts (NOW) and savings accounts linked to zero balance checking accounts (ATS) and to higher cost, interest-sensitive deposits. In 1981, average demand deposits decreased eight percent or $335,000,000. By year end the balance of ATS and NOW accounts was $1,149,068,000 compared to $445,759,000 at the previous year end. In 1981, average savings certificates increased $1,294,000,000, or 34 percent over 1980. Volume of 26 week Treasury certificates, which are included in savings certificates, rose to $3,058,000,000 at December 31, 1981 from $2,628,000,000 at December 31, 1980 and $1,576,000,000 at December 31, 1979. The new Tax-Saver certificates (on which interest earned is exempt from federal income tax) were introduced on October 1, 1981 and totaled $422,947,000 at year end. As interest rates declined in the closing months of 1981, and following the removal of the 11¾ percent cap on rates in effect until August of 1981, substantial amounts moved into 30 month certificates. As of year end, balances of 30 month certificates totaled $536,000,000. This compares to $291,000,000 at June 30, 1981.

In addition to funds that shifted from existing accounts, the new instruments attracted new deposits and reduced the need for certain high cost funds. The average balances of certificates of deposits decreased 16 percent in 1981 and 20 percent in 1980. Deposits in overseas offices decreased four percent in 1981 after a 15 percent increase in 1980. Funds borrowed decreased nine percent in 1981 following a 15 percent increase in 1980. However, commercial paper outstanding averaged 40 percent higher in 1981 after an increase of 139 percent in 1980. Proceeds of this paper, sold by the Parent, are used primarily to fund the activities of the non-bank subsidiaries.

Intermediate-term debt is primarily used to fund intermediate-term assets of the non-bank subsidiaries. The Company issued significant amounts of intermediate-term debt in 1981 and 1980, resulting in the total of intermediate and long-term debt averaging 58 percent higher in 1981 than in 1980 and approximately 82 percent higher in 1980 than in 1979.

Rates paid. Sharp increases in rates paid for deposits and borrowings occurred in 1981 and 1980. Rates on savings certificates were up 264 basis points in 1981 and 247 basis points in 1980. The rate on C/Ds rose 242 basis points in 1981 and 214 basis points in 1980. For deposits in overseas offices, rates paid rose 315 basis points in 1981 and 198 basis points in 1980.

For funds borrowed, the increases were 389 basis points in 1981 and 260 basis points in 1980. For commercial paper the increases were 350 basis points and 175 basis points, respectively.

As a result of these increases, the average rate paid on all interest-bearing liabilities rose 230 basis points to 13.14 percent in 1981. In 1980 it had increased 194 basis points over 1979.

■ *Other income*

Table 4 ***Breakdown of other income***

(In thousands)	Year ended December 31, 1981	1980	1979
Service charges on deposit accounts	$ 50,521	$ 37,846	$ 30,628
Trust and corporate agency income	38,713	32,875	29,029
International commissions, syndication fees and foreign exchange	37,882	21,586	11,749
Service fees	29,068	27,159	16,415
Gain on redemption of long-term debt	11,892	12,515	1,270
Equity investment income	7,150	6,219	1,348
Trading account profits and commissions	6,466	6,523	2,293
Domestic commissions	6,251	6,414	5,523
Escrow fees	2,547	2,235	3,035
All other	45,633	9,887	9,680
Total	$236,123	$163,259	$110,970

Other income for 1981 increased 45 percent over 1980. The comparative increase for 1980 over 1979 was 47 percent. Table 4 shows the major components of other income. The most significant items are highlighted in the following paragraphs:

- International commissions, syndication fees and foreign exchange rose $16,296,000 or 75 percent over 1980 due to aggressive development of loan syndication activity, exchange trading profits, and the favorable impact of the adoption of Financial Accounting Standards Board Statement No. 52 (FASB 52). This statement supersedes FASB 8 and provides for a more realistic method of translating financial statements of foreign entities. The effect of adopting FASB 52 was to increase fourth quarter income by $3,351,000 in 1981. Prior years are unaffected; this may impair comparability among the years presented because no restatements of prior periods were made. In 1980, this category rose 84 percent over 1979 due to increased acceptance financing activity and a lower foreign loan activity in 1979.
- Service charges on deposit accounts were up $12,675,000 or 33 percent over 1980. Service and overdraft charges on NOW accounts exceeded $12,300,000, accounting for most of the increase. Most NOW accounts have been opened via the Bank's Gold Account promotion. In 1981, service charges on Gold Accounts increased by more than $6,000,000, accounting for much of the increase in NOW account income. The 24 percent increase in service charge income in 1980 over 1979 was largely due to revisions in fee schedules late in 1979.
- Gain on 1981 extinguishment of long-term debt amounted to $11,892,000, a decrease of five percent compared to such gains realized in 1980. In two separate 1981 transactions, the Parent exchanged a total of 897,247 shares of its newly issued common stock for $33,701,000 aggregate principal value of the Company's long-term debt. These exchanges decreased the Company's leverage ratio. In 1980 and 1979, the gains resulted from the repurchase of long-term debt for cash. The 1979 gain was less significant in amount. In all three years, these gains were either non-taxable or tax deferred.
- Trust and corporate agency income rose 18 percent in 1981 over 1980 and 13 percent in 1980 over 1979, reflecting new accounts, increased activity in existing accounts and fee schedule increases.
- The increase of $35,746,000, or 362 percent, over 1980 in the all other category is mainly attributable to the first quarter pre-tax gain of approximately $15,000,000 recognized on the distribution to the Bank and subsequent sale of equity securities previously held by Wells Fargo Investment Company, an unconsolidated subsidiary of the Bank. Also, fourth quarter pre-tax gains of $4,143,000 were recognized on sales or exchange of securities previously received in loan workouts and more favorable results were realized from the sale of loans and loan participations.

■ *Other expense*

Table 5 ***Breakdown of other expense***

(In thousands)	Year ended December 31, 1981	1980	1979
Salaries	$348,048	$287,833	$253,441
Employee benefits	78,397	68,089	59,428
Equipment expense	62,682	41,913	33,761
Net occupancy expense	60,779	47,649	38,530
Postage, stationery and supplies	38,323	30,051	30,182
Travel and entertainment	22,146	17,036	13,459
Telephone and telegraph	20,979	17,584	14,268
Professional services	19,187	13,177	10,919
Advertising	15,294	12,683	10,937
Outside data processing expense	9,261	11,481	10,050
Protection	7,571	5,983	4,877
Federal deposit insurance	4,525	5,084	4,955
All other	62,444	38,231	46,509
Total	$749,636	$596,794	$531,316

Other expense increased 26 percent in 1981 and 12 percent in 1980.

Salary expense in 1981 was up 21 percent compared to the prior year. In 1980, the increase was 14 percent. In 1981, the Company's year-end staff grew four percent compared to no increase in 1980 and salary levels continued to rise due to inflation. Recently, controls have been instituted which will mitigate 1982 growth in salary expense. The increase in the employee benefits category is largely a function of rising payroll taxes and group insurance costs in 1981 and 1980 in addition to the increased staff size in 1981.

The increase of 28 percent in net occupancy expense reflects new loan processing centers, expansion of the Bank's branch network and increases in repairs, maintenance and utility costs. The 50 percent increase in equipment expense was affected by the installation of large numbers of automated teller machines, by higher computer rental and software costs and by the opening of the El Monte Data Processing Center in Southern California. However, credit card processing formerly done by an outside entity was converted to internal processing, thereby causing a decline in outside data processing expense. For 1980 compared to 1979, there were increases of 24 percent in both net occupancy and equipment expense. The increase in net occupancy expense over 1979 reflected increases in rental and utility expense.

Most other categories of other expense grew, reflecting inflation, the growth of the Company and increased costs associated with the introduction of new Wells Fargo products.

The all other category was up 63 percent in 1981, largely as a result of these factors:

- An increase of $6,086,000 in special services expense, consisting mainly of payments for outside computer programming costs.
- A $3,500,000 contribution to the Wells Fargo Foundation associated with the $15,000,000 WFIC stock distribution reported above.
- In 1981, there were over $750,000 of charges by the Federal Reserve Bank for check processing, wire transfer and other services previously provided free. The most significant charges began in September, so this expense will be substantially higher in the future. However, these costs will be more than offset by earnings on funds released by concurrently lower reserve requirements.

In 1980, all other expense decreased 18 percent from 1979 due to reductions of operating losses and a special credit of $3,300,000 in 1980, which reduced interest accruals relating to state tax liabilities of prior periods.

In 1982, all other expense will be reduced by a change in accounting procedure. In 1981 and prior years, costs incurred upon the issuance of Company debt had been amortized into all other expense. Beginning in 1982, such costs will be amortized into the associated categories of interest expense as an adjustment to the cost of borrowing. Such costs in 1981 were approximately $1,200,000.

Taxes

The Company's effective income tax rate on earnings in 1981 was 21 percent. The comparable rates in 1980 and 1979 were 30 percent and 37 percent, respectively. The main reason for the continuing decline in effective tax rates was a sustained increase in tax-exempt income as a proportion of income before income taxes and securities transactions. This sustained increase was partly due to decreases in both 1981 and 1980 in income before income taxes and securities transactions. The proportion of interest income exempt from federal taxes increased in both 1981 and 1980. Additionally, gains of $11,892,000 and $12,515,000 were recognized in 1981 and 1980, respectively, on extinguishment of certain of the Company's long-term debt. Substantially all of these gains were non-taxable. In 1981, this was accomplished via exchanges of newly issued shares of the Parent's common stock for reacquired debt. In 1980 the debt was repurchased for cash. Also, a gain of approximately $15,000,000, taxable at capital gains rates, was recognized in 1981 on the distribution to the Bank and subsequent sale of appreciated marketable equity securities. The securities had previously been held by an unconsolidated subsidiary of the Bank. All of these events are discussed under OTHER INCOME above. These events explain why the tax provision decreased by $17,816,000 in 1981 and by $26,702,000 in 1980 compared to the respective prior years.

The Company is subject to significant tax burdens (in addition to income taxes described above) at the federal, state, and local levels. In 1981, 1980 and 1979, the Company expensed $31,717,000, $22,946,000 and $21,407,000, respectively, for taxes based on payroll, property values and other measures. When combined with income taxes of $31,374,000 in 1981, $51,389,000 in 1980 and $70,691,000 in 1979, the Company's aggregate tax burdens were 34 percent, 38 percent and 43 percent for those years, respectively, on income before all taxes.

Additional detail of income taxation is presented in Footnote 12 to the financial statements at page 78.

Securities transactions

Gains or losses, net of tax, from the sale of investment securities are shown separately in the consolidated statement of income and in the Parent's statement of income. The Company realized after-tax losses of $1,948,000 in 1981 compared to an after-tax gain of $127,000 in the prior year and a loss of $6,786,000 in 1979. The 1981 loss resulted primarily from the sale in the third quarter of certain low-yielding investment securities. This sale was transacted in order to free funds to finance higher-yielding assets. In this sale, $40,000,000 aggregate principal amount of securities were liquidated.

Profits or losses on trading portfolio securities are reported at page 36 under OTHER INCOME.

Balance sheet analysis

The condensed consolidating balance sheet shows year end Company asset, liability and stockholders' equity balances and indicates which entities control them.

Condensed Consolidating Balance Sheet

Wells Fargo & Company and Subsidiaries

December 31, 1981

(In thousands)	Wells Fargo & Company (Parent)	Wells Fargo Bank, N.A.	Finance subsidiaries	Other subsidiaries	Eliminations and reclassifications	Consolidated Wells Fargo & Company
Assets						
Cash and due from banks	$ 928	$1,712,399	$ 10,469	$ 5,962	$ (9,919)	$ 1,719,839
Interest-bearing deposits	362,305	858,606	—	64	(362,369)	858,606
Securities, including trading	108,656	1,131,682	5,604	3,647	—	1,249,589
Funds sold	—	6,900	—	—	—	6,900
Loans—net	1,539	15,395,560	1,539,041	350	—	16,936,490
Lease financing	—	308,396	578,503	—	—	886,899
Investment in subsidiaries	1,101,529	—	—	56,525	(1,158,054)	—
Intercompany loans	1,776,941	194	—	177,201	(1,954,336)	—
Other assets	90,643	1,465,885	78,417	10,605	(84,684)	1,560,866
Total assets	$3,442,541	$20,879,622	$2,212,034	$254,354	$(3,569,362)	$23,219,189
Liabilities and stockholders' equity						
Deposits	$ —	$17,226,215	$ —	$ —	$ (372,288)	$16,853,927
Borrowings	2,338,104	1,677,392	23,523	124,262	—	4,163,281
Intercompany borrowings	31,516	31,721	1,841,721	50,000	(1,954,958)	—
Other liabilities	49,585	1,018,800	183,508	14,033	(84,877)	1,181,049
Total liabilities	2,419,205	19,954,128	2,048,752	188,295	(2,412,123)	22,198,257
Paid-in capital and retained earnings	1,023,336	927,898	163,282	66,059	(1,157,239)	1,023,336
Foreign currency translation adjustment	—	(2,404)	—	—	—	(2,404)
Total stockholders' equity	1,023,336	925,494	163,282	66,059	(1,157,239)	1,020,932
Total liabilities and stockholders' equity	$3,442,541	$20,879,622	$2,212,034	$254,354	$(3,569,362)	$23,219,189

Investment securities

Detail of the investment portfolio by type of issuer and maturity is displayed in table 6. Investment securities balances fell late in 1981 as the Bank sold certain securities and other securities matured; see SECURITIES TRANSACTIONS. Investment securities may also serve as a back-up source of liquidity; see LIQUIDITY MANAGEMENT below for further discussion.

Table 6 Maturities and yields (taxable-equivalent basis)

				December 31, 1981 Remaining Maturity							
				One year or less		After one year through five years		After five years through ten years		After ten years	
(Dollars in thousands)	Total amount	Average yield	Average maturity (in yrs. -mos.)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Book value											
U.S. Treasury	$ 308,869	10.34%	1-9	$169,580	10.42%	$124,088	10.41%	$15,201	9.02%	$ —	—%
Other U.S. government agencies	252,592	9.05	3-0	50,799	9.22	179,815	9.19	5,100	9.14	16,878	7.05
States and political subdivisions	596,872	9.21	3-6	156,467	8.97	322,286	9.45	69,884	9.05	48,235	8.58
Other bonds, notes and debentures	34,967	8.56	2-0	29,182	7.31	1,714	15.92	2,503	16.03	1,568	11.96
Total	1,193,300			$406,028		$627,903		$92,688		$66,681	
Stocks	17,206										
	$1,210,506										
Market value											
Investments with maturities	$1,044,531			$397,319		$554,401		$60,579		$32,232	
Stocks	17,689										
Total	$1,062,220										

Interest-bearing deposits

Interest-bearing deposits fell in the fourth quarter of 1981 as management implemented the use of interest rate futures (discussed under ASSET/LIABILITY MANAGEMENT.) Such deposits had previously been used to offset the Bank's net liability position in the six month maturity category.

Loan portfolio

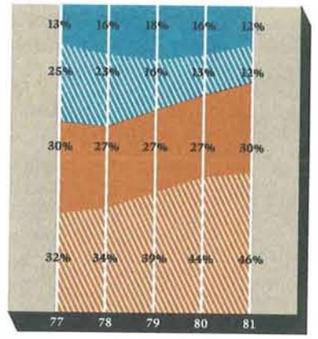
Total loans at December 31, 1981 increased six percent over year end 1980, a slower rate of growth than the increase of eight percent experienced in 1980. Average and ending balances increased within every classification of the loan portfolio except consumer loans.

Commercial loans totaled $5,326,931,000 at December 31, 1981, an increase of 13 percent compared to December 31, 1980. This compares to a 16 percent increase between December 31, 1980 and December 31, 1979. Included in commercial loans are loans to farmers, which amounted to $404,239,000 at December 31, 1981 and were up 53 percent over December 31, 1980. The Bank, which is among the five largest commercial bank lenders to agriculture in the United States, recognized the difficulties most farmers have in dealing with volatile interest costs. In November 1980, the Bank established a Base Agricultural Rate (BAR) to be used for certain agricultural loans, with the rate based on a longer-term (compared to prime) cost of funds index. The rate is reviewed monthly and borrowers' interest costs are adjusted to reflect changes in the BAR.

The Company's financial statements show the real estate loan portfolio in two categories, construction and mortgage loans. The construction category is comprised primarily of construction loans with original maturities of five years or less, but also includes other interim real estate loans. Construction loans include loans for tract homes and commercial property developments. All other real estate loans of the Company, including 5 year purchase money real estate loans, are included in the real estate mortgage category.

Construction loans at year end 1981 totaled $2,131,815,000, an increase of 32 percent over year end 1980. The comparable increase in 1980 was 13 percent. The portfolio grew at a faster rate during 1981 because of moderate new business activity combined with increased disbursements under existing loan commitments and slower payoffs. Continued high interest rates, the lack of funds in the long-term mortgage market and an uncertain economic outlook, which affected payoffs,

J. Loan mix* (%)



*Based on average loan balances

Consumer
Foreign
Commercial
Real estate

Table 7 Analysis of loan portfolio

	December 31, 1981									
		Over one year through five years (2)		Over five years (2)						
(In thousands)	One year or less (2)	Predetermined rate	Floating rate	Predetermined rate	Floating rate	Total	1980	1979	1978	December 31, 1977
Selected loan maturities:										
Real estate construction loans	$1,312,159	$ 217,881	$ 601,775	$ —	$ —	$ 2,131,815	$ 1,610,038	$ 1,422,814	$ 787,411	$ 574,405
Real estate mortgage loans (excluding loans secured by 1-4 family residential properties)	167,323	139,896	86,924	537,033	234,005	1,165,181	1,152,452	929,082	754,056	559,977
Financial institutions	331,999	74,386	34,246	1,635	4,306	446,572	526,357	597,168	493,616	435,357
Loans for purchasing and carrying securities	165,583	33,042	15,490	—	4,000	218,115	111,320	166,287	329,585	269,429
Loans to farmers	318,249	4,417	72,865	4,576	4,132	404,239	265,031	216,848	188,750	171,899
Other commercial	2,380,483	682,956	720,234	222,972	251,360	4,258,005	3,796,170	3,068,175	2,569,597	2,060,932
Total commercial	3,196,314	794,801	842,835	229,183	263,798	5,326,931	4,698,878	4,048,478	3,581,548	2,937,617
Foreign loans (1)	962,084	180,303	459,954	159,206	328,121	2,089,668	1,919,119	1,890,774	2,403,490	—
Loans attributable to international operations, including loans domiciled in domestic offices (1)	—	—	—	—	—	—	—	—	—	2,394,605
Total selected loan maturities	$5,637,880	$1,332,881	$1,991,488	$ 925,422	$825,924	10,713,595	9,380,487	8,291,148	7,526,505	6,466,604
Other loan categories:										
Secured by 1-4 family residential properties						4,605,960	4,548,821	4,034,440	2,885,148	2,149,515
Monthly payment loans						1,517,415	1,986,926	2,271,821	1,948,926	1,199,849
Credit card						460,029	475,290	596,001	535,090	414,171
Total loans						$17,296,999	$16,391,524	$15,193,410	$12,895,669	$10,230,139

(1) Foreign loans provided above for 1978 through 1981 represent loans to borrowers domiciled outside of the United States as defined by the Securities and Exchange Commission. The Bank provides international banking services from its foreign and domestic based International Group offices. The information provided above for 1977, and referred to as International Operations, represents assets and activity of that Group.

(2) Based on remaining maturities.

also contributed to an increase in loans to residential builders placed on non-accrual during 1981. Construction loans generally have relatively short maturities and their rates move with money market rates, mitigating the effect of increases in the cost to the Company of short-term funds.

Loans secured by 1-4 family residences increased one percent in 1981 to $4,605,960,000. The comparable increase in 1980 was 13 percent. Approximately half of such loans in the Bank at December 31, 1981 and December 31, 1980 were on a variable rate basis, which permits periodic and limited adjustments in the rates at which the loans were originally written. These variable rate mortgage loans afford the Company some protection against rising costs of funds. The slower rate of growth in 1981 resulted from high interest rates, the Bank's policy adopted in December 1980 not to make long-term fixed rate loans, and regulatory restraints on the types of real estate loans which could be offered. Based on new regulations adopted by the Comptroller of the Currency, an Adjustable Rate Mortgage (A.R.M.) was introduced in October 1981. The A.R.M. is a 30 year mortgage whose rate changes based on movements in the 6 month moving average cost of 3 year U.S. Treasury obligations. The A.R.M. reduces funding risk and therefore enables the Bank to offer long-term mortgages.

Consumer loans include monthly payment loans and credit card loans. Year end monthly payment loans decreased 24 percent from 1980, while credit card loans decreased three percent compared to 1980. In 1980, outstandings decreased 13 percent and 20 percent, respectively. The decline in consumer loans reflected continued rigorous Bank lending policies as well as reduced consumer demand for further borrowing, resistance to higher borrowing costs and a very weak automotive sales year.

Reflecting the recessionary economy, the Company continued to experience higher than historical loan losses in its consumer loan business, although delinquencies declined from 1980 levels. Net losses experienced in the Bank's automobile dealer indirect non-recourse program were reduced to approximately $2,000,000 in 1981 from approximately $9,800,000 in 1980. This decline in losses resulted from tighter credit standards instituted in mid-1979 as well as improved collection and recovery procedures resulting from centralization and automation. The Bankruptcy Reform Act, which makes it simpler for borrowers to declare bankruptcy, added to the Company's gross loss experience.

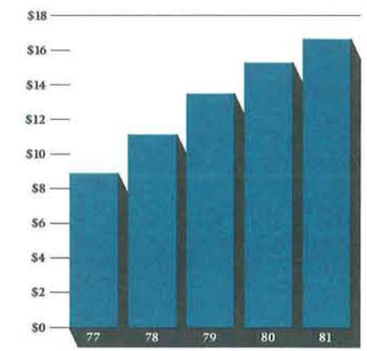
Year end foreign loans increased nine percent in 1981 to $2,089,668,000 compared to a one percent increase in 1980. These rates of growth were due to continued implementation of a strategy begun during 1978 in response to unfavorable market conditions. This strategy stressed an acceptable risk-reward relationship in pricing, credit worthiness and terms when considering new transactions. Moreover, international loan syndication activity has been accelerated during 1981. In addition to syndicating new loans, more than $286,000,000 of existing international outstandings were sold during the year.

The Company's foreign loans and acceptances at December 31, 1981 were spread among 84 countries. Such loans and acceptances in any one country did not exceed two percent of total assets. Foreign acceptances totaled $346,443,000 at December 31, 1981, a decrease of 62 percent compared to December 31, 1980. The comparable increase in 1980 was 205 percent. The increase in 1980 reflected increased customer interest in such financing. The decline in 1981 was indicative of management's decision to concentrate on higher-earning assets.

Table 8 ***Foreign loans and acceptances-breakdown by extent of country development***

(Dollars in millions except per capita GNP)	December 31, 1981 Amount	December 31, 1981 Percent	December 31, 1980 Amount	December 31, 1980 Percent
Major oil exporting	$ 264	10.8%	$ 181	6.4%
Other countries classified by per capita GNP:				
In excess of $2,000	917	37.7	998	35.3
$750 to $2,000	993	40.8	1,406	49.7
$375 to $750	244	10.0	220	7.8
$200 to $375	4	.2	6	.2
Less than $200	11	.5	17	.6
	$2,433	100.0%	$2,828	100.0%

K.
Average loans



($ billions)

Table 8 provides a schedule of foreign loans based upon the extent of country development as measured by per-capita GNP data obtained from the World Development Report prepared by the World Bank.

During 1981, the Company increased its efforts to sell assets in an attempt to confirm portfolio liquidity, decrease leverage and increase return on assets. In addition to the Bank's regular international syndication activities, the Company sold over $545,000,000 of loans, including commercial, real estate and consumer loans plus the $286,000,000 of foreign loan sales noted above. Continuation of this program will depend on management's evaluation of opportunities in the market and the level of assets to be retained.

Table 7 provides a detailed breakdown of the various components of the loan portfolio segregated by remaining maturity. The Company generally expects loans to be paid at maturity but there are certain circumstances under which loans may be "rolled-over." The Company may agree to lend money in a series of 90 day notes, with each renewal or rollover based on continued customer performance as contracted. Renewals or rollovers will also occur when a customer borrows under an existing line of credit or a revolving commitment. Finally, in the case of problem loans, the Company may decide to renew or restructure loans as part of a work-out agreement. All loans are shown in Table 7 according to their current contractual terms rather than on the basis of their original maturities.

■ *Loan portfolio management*

The object of loan portfolio management is to ensure that loans are granted on a sound basis, that Company funds are properly invested for the benefit of the shareholders and the protection of depositors, 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 loan portfolio policies 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, lending to multinationals and loan pricing.

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 ongoing basis.

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, Corporate, and Economics Departments of the Bank, who review reports prepared by professional staff economists and

assess social, political, and economic risks. Based on assessments of the committee, International Banking Group management recommends specific country limits which are then approved by the Executive Office. Despite the thoroughness of these review procedures, the swiftness with which international events occur, together with an inability to reduce longer term outstandings, will affect the level of foreign loans placed on non-accrual or renegotiated status. Foreign loans on non-accrual status declined by approximately $4,700,000 during 1981. A decrease of approximately $30,000,000 in loans to entities in Iran which had been on non-accrual status at December 31, 1980 was in part offset by problems in other foreign countries.

■ *Non-earning and partially earning assets*

Commercial, foreign, real estate (other than 1-4 family) and consumer loans (other than homeowner loans secured by second deeds of trust or mobile homes) of $25,000 and over are normally transferred to non-accrual status when 1) it becomes apparent that the payment of interest or recovery of principal is questionable, 2) when a loan is rated as doubtful by internal loan examiners or national bank examiners or 3) when it has been delinquent for 90 days or more. All exceptions to this policy require explicit approval of senior management. As a result of these policies, no large loans are carried as current where serious doubt exists as to the ability of the borrower to comply with the present loan repayment terms.

Table 9 *Non-earning and partially earning loans*

										December 31,
		1981		1980		1979		1978		1977
(In millions)	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 (2):										
Construction	$155.7	$ 2.9	$ 31.5	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Mortgage	6.1	3.0	6.3	4.5	—	—	—	—	—	—
Total real estate	161.8	5.9	37.8	4.5	34.8	3.6	31.5	4.5	18.5	14.2
Commercial loans	130.3	63.4	105.1	14.0	94.0	9.9	80.6	21.9	132.9	28.8
Consumer loans	5.6	—	4.9	—	7.5	—	4.2	—	2.7	—
Foreign loans (3)	44.7	24.6	49.3	18.4	—	—	—	—	—	—
International loans (3)	—	—	—	—	72.6	—	9.2	—	14.9	—
Total	$342.4	$93.9	$197.1	$36.9	$208.9	$13.5	$125.5	$26.4	$169.0	$43.0

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

(2) Information relating to the breakout of real estate loans between construction and mortgage is not available for years prior to 1980.

(3) Foreign loans provided above represent loans to borrowers domiciled outside of the United States as defined by the Securities and Exchange Commission. The Bank provides international banking services from its foreign and domestic based International Group offices. The information provided above for years prior to 1980, and referred to as International loans, represents assets and activity of that Group.

When an account is placed on 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. If a loan on which interest payments have been applied to principal is later restored to accrual status, current accounting policy requires that the principal balance outstanding remain on the books at the reduced level and that the interest already received be amortized into income over the remaining maturity of the loan. During 1981, approximately $1,000,000 of income was deferred and will be recognized over a period ending in 1986.

Management's classification of a loan as renegotiated or non-accrual does not necessarily mean that the loan principal will not ultimately be 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 $500,000 or more 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.

Other real estate owned, which is primarily received in foreclosure or in settlement of non-performing loans, but also includes real estate owned in connection with the transfer of Company employees, was $27,112,000 at December 31, 1981. This compares to $15,881,000 at December 31, 1980 and to $16,628,000 at December 31, 1979. This balance is included in other assets on the balance sheet.

Table 9 presents comparative data for non-accrual and renegotiated loans by category. Non-accrual loans increased by 74 percent and renegotiated loans were 154 percent higher at December 31, 1981 than at December 31, 1980. The most significant increases in non-accrual loans occurred in the areas of: 1.) construction loans to residential builders and 2.) middle market corporate borrowers. Reductions in the Bank's non-accrual loans occurred through: 1.) payments which brought the loans current or paid in full, $56,599,000, 2.) charge-offs, $13,512,000 and 3.) renegotiated loans, $7,752,000.

Loans contractually past due 90 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 1979 and prior years, similar loans 60 days or more past due were required to be shown. Both 60 and 90 day past due presentations are shown for 1980 to facilitate analysis. In analyzing the level of past due loans, management believes it is important to recognize that past due status is not necessarily indicative of potential problems. Certain loans are classified as past due although interest is current and no collection problems are anticipated. For example, a loan may be included which has been rolled over but internal documentation of the rollover has not yet been finalized. In another example, a real estate loan on which imminent payoff is expected may be included because the Bank can most expediently maintain its lien position by not formally renewing the facility.

Table 10 *Loans 90 days or more past due* (1)

				December 31,
	1981		1980	
(Dollars in millions)	Amount	Percent	Amount	Percent
Real estate loans:				
Construction loans	$ 73.3	3.4%	$ 30.2	1.9%
Mortgage loans	32.1	.6	17.6	.3
Total real estate	105.4	1.3	47.8	.7
Commercial loans	95.5	1.8	38.5	.8
Consumer loans	10.2	.5	18.3	.7
Foreign	.4	—	.8	—
	$211.5	1.2	$105.4	.6

Loans 60 days or more past due

								December 31,
	1980		1979		1978		1977	
(Dollars in millions)	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Real estate loans (1)								
Construction	$ 41.3	2.6%	$ —	—%	$ —	—%	$ —	—%
Mortgage	33.6	.6	—	—	—	—	—	—
Total real estate	74.9	1.0	39.0	.6	26.7	.6	17.5	.5
Commercial loans	67.0	1.4	25.3	.7	14.6	.4	5.7	.2
Consumer loans	40.2	1.6	29.2	1.0	29.9	1.2	12.7	.8
Foreign (2)	3.1	.2	11.8	.6	—	—	—	—
International loans (2)	—	—	—	—	1.1	—	.4	—
	$185.2	1.1	$105.3	.7	$72.3	.6	$36.3	.4

(1) Information relating to the breakout of real estate loans between construction and mortgage and 90 days past due information is not available for years prior to 1980.

(2) See the footnote to table 9 for explanation of the difference in presentation between foreign and international loans.

■ *Charge-off policies*

Management has established charge-off policies which are followed throughout the Company. Credit card accounts are charged off when they are six billing cycles delinquent or when a loss is evident, whichever is sooner. Loans secured by mobile homes are charged off when payments are past due for 180 days. Other consumer loans are charged off when 90 days delinquent, except for automobile loans if the collateral has been repossessed, in which case the loan is charged off after sale of the collateral but within 90 days after the end of the redemption period. In the latter case, the loan is placed on non-accrual status pending sale of the collateral. Credit card and consumer loans to individuals in bankruptcy are charged off upon notice of bankruptcy unless secured by a deed of trust on real property. Commercial and other loans, unless they are well secured and in the process of collection, are charged off when principal or interest is past due for 180 days or when management judges the loans 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.

Table 11 *Net charge-offs by loan category*

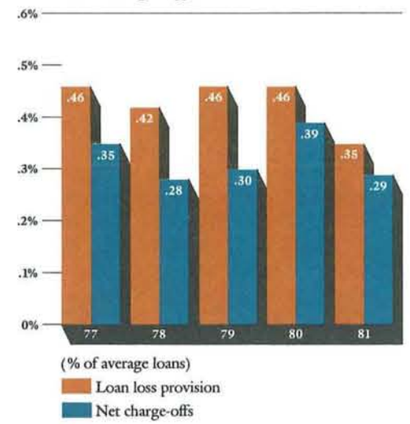
(In thousands)	Construction (1)	Real estate: Residential	Real estate: Other	Commercial	Consumer: Monthly payment	Consumer: Credit card	Foreign (2)	Total
1977								
Loan charge-offs	—	$ 7	$4,013	$21,762	$ 7,859	$ 5,908	$ 1,005	$40,554
Loan recoveries	—	2	55	5,885	1,555	1,176	303	8,976
Net charge-offs	—	$ 5	$3,958	$15,877	$ 6,304	$ 4,732	$ 702	$31,578
Net charge-offs as a percent of total	—	—	12.5%	50.3%	20.0%	15.0%	2.2%	100%
1978								
Loan charge-offs	—	$ 5	$ 234	$15,962	$ 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)	$10,874	$ 6,522	$ 8,741	$ 5,504	$31,373
Net charge-offs as a percent of total	—	—	(.9)%	34.6%	20.8%	27.9%	17.6%	100%
1979								
Loan charge-offs	—	—	$1,594	$ 9,015	$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	$ 3,320	$20,500	$16,025	$(1,269)	$40,098
Net charge-offs as a percent of total	—	—	3.8%	8.2%	51.1%	40.0%	(3.1)%	100%
1980								
Loan charge-offs	$ 82	$ 17	$ 240	$21,872	$39,579	$21,523	$ 144	$83,457
Loan recoveries	—	—	153	3,954	12,747	3,480	3,080	23,414
Net charge-offs	$ 82	$ 17	$ 87	$17,918	$26,832	$18,043	$(2,936)	$60,043
Net charge-offs as a percent of toal	.1%	—	.2%	29.8%	44.7%	30.1%	(4.9)%	100%
1981								
Loan charge-offs	$298	$503(3)	$ 233	$25,357	$22,415	$18,917	$ 3,305	$71,028
Loan recoveries	—	8	317	6,266	12,027	4,142	884	23,644
Net charge-offs	$298	$495	$ (84)	$19,091	$10,388	$14,775	$ 2,421	$47,384
Net charge-offs as a percent of total	.6%	1.1%	(.2)%	40.3%	21.9%	31.2%	5.1%	100%

(1) Information not available for years prior to 1980.

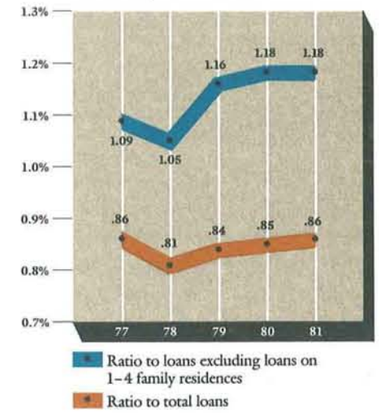
(2) The foreign category provided above for 1980 and 1981 represents loan charge-offs and recoveries of borrowers domiciled outside of the United States as defined by the Securities and Exchange Commission. The information above for years prior to 1980 represents activity of the International Banking Group, which provides international banking services from the Bank's foreign and domestic based International Group offices.

(3) Residential loan charge-offs for 1981 in the Bank were $82,000. The remaining $421,000 of such charge-offs were attributable to second mortgage loans in one of the Finance Subsidiaries.

L.
Loan loss provision vs. net charge-offs



M.
Ratio of allowance for loan losses to year-end loans (%)



During 1981, net charge-offs were $47,384,000 as compared to $60,043,000 during 1980 and $40,098,000 in 1979. As a percentage of average loans outstanding, net charge-offs were .29 percent in 1981, .39 percent in 1980 and .30 percent in 1979. According to Statement of Financial Accounting Standards No. 15 (FASB 15), subsequent to a restructuring of troubled debt, any assets received in satisfaction of nonperforming loans are accounted for as if they had been acquired for cash. During 1981, the Bank sold or exchanged certain securities previously received in settlement of nonperforming loans; these securities were carried as other assets and in keeping with FASB 15, the gains on their disposition are reflected in other income, regardless of how these assets had been acquired. Management, however, considers these gains to be tantamount to loan loss recoveries and, therefore, believes that reported net charge-offs during 1981 are overstated by approximately $1.8 million as a result of this classification. No material comparable gains were realized in either 1980 or 1979.

Credit card and monthly payment loan net charge-offs decreased from the unusually high levels of loss experienced during 1980 and 1979. Net charge-offs in other loan categories were somewhat higher than in 1980 in absolute dollar amount. But in the case of commercial loans, losses were lower as a percentage of loans outstanding. Table 11 provides a breakdown of loan losses and recoveries over the last five years by type of loan.

■ *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 1981 was $58,012,000 compared to $71,043,000 in 1980 and $62,949,000 in 1979. The amount of the provision is dependent upon the amount which management believes is required to maintain the allowance for loan losses at an adequate level after net charge-offs.

Table 12 *Changes in the allowance for loan losses*

(Dollars in thousands)	1981	1980	1979	Year ended December 31, 1978	1977
Balance at beginning of year	$ 136,200	$ 125,200	$ 102,349	$ 86,185	$ 76,735
Provision charged to expense	58,012	71,043	62,949	47,537	41,028
Deductions:					
Loans charged off	71,028	83,457	56,068	41,634	40,554
Less recoveries on loans charged off	23,644	23,414	15,970	10,261	8,976
Net deductions	47,384	60,043	40,098	31,373	31,578
Balance at end of year	$ 146,828	$ 136,200	$ 125,200	$ 102,349	$ 86,185
Total loans at end of year, net of unearned income	$17,083,318	$16,105,483	$14,860,878	$12,645,257	$10,094,976
Average loans for the year	$16,608,000	$15,305,000	$13,556,000	$11,330,000	$ 8,956,000
Allowance for loan losses as a percentage of total loans, net of unearned income, at end of year	.86%	.85%	.84%	.81%	.86%
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	1.18%	1.18%	1.16%	1.05%	1.09%
Allowance for loan losses as a percentage of average loans for the year	.88%	.89%	.92%	.90%	.96%
Net charge-offs as a percentage of average loans outstanding	.29%	.39%	.30%	.28%	.35%

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 not been significant during the past several years (charge offs in 1981 were approximately 0.01 percent of average loans outstanding.)

On an annual 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. On a quarterly basis, these loss experience factors are applied to the current loan quality classifications for the portfolio. In addition, all loans $100,000 and over which have been classified 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 to allocate the allowance is applied consistently 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. Although management allocates the allowance for loan losses to specific loan categories, the adequacy of the allowance must be considered in its entirety. It is the intent of management 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 loan losses.

Table 13 *Allocation of the allowance for loan losses*

(In thousands)	December 31, 1981 Loans outstanding	December 31, 1981 Allocation of the allowance for loan losses	December 31, 1980 Loans outstanding	December 31, 1980 Allocation of the allowance for loan losses	December 31, 1979 Loans outstanding	December 31, 1979 Allocation of the allowance for loan losses	December 31, 1978 Loans outstanding	December 31, 1978 Allocation of the allowance for loan losses	December 31, 1977 Loans outstanding	December 31, 1977 Allocation of the allowance for loan losses
Real estate loans:										
Secured by 1–4 family residential properties	$ 4,605,960	$ 4,852	$ 4,548,821	$ 581	$ 4,034,440	$ 100	$ 2,885,148	$ 100	$ 2,149,515	$ 100
Construction (1)	2,131,815	17,229	1,610,038	15,383	—	—	—	—	—	—
Other	1,165,181	5,682	1,152,452	3,220	2,351,896	11,558	1,541,467	8,462	1,134,382	2,800
Commercial loans	5,326,931	49,962	4,698,878	29,238	4,048,478	33,778	3,581,548	37,134	2,937,617	32,600
Consumer loans:										
Monthly payment loans	1,517,415	15,320	1,986,926	30,875	2,271,821	22,384	1,948,926	14,741	1,199,849	5,800
Credit card	460,029	17,644	475,290	21,539	596,001	20,055	535,090	15,016	414,171	5,400
Foreign loans (2)	2,089,668	13,054	1,919,119	14,883	1,890,774	18,440	2,403,490	19,950	—	—
International loans (2)	—	—	—	—	—	—	—	—	2,394,605	16,700
Unallocated portion of the allowance for loan losses	—	23,085	—	20,481	—	18,885	—	6,946	—	22,785
Total	$17,296,999	$146,828	$16,391,524	$136,200	$15,193,410	$125,200	$12,895,669	$102,349	$10,230,139	$86,185

(1) Information not available prior to 1980.

(2) See Footnote to table 9 for explanation of the difference in presentation between foreign and international loans.

Management considers the allowance for loan losses of $146,828,000 at December 31, 1981 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.

Deposits

As discussed under INTEREST DIFFERENTIAL AND SPREAD, the deposit environment was characterized by a continuing shift from demand deposits to interest-bearing savings deposits and NOW accounts, continuing growth in 26 week and 30 month Treasury certificates, which bear market-sensitive interest rates, and new deposit instruments such as Tax-Saver and individual retirement accounts. The Depository Institutions Deregulation and Monetary Control Act of 1980 is likely to increase rates paid on deposit instruments in the future as regulatory rate restraints give way to competition in the financial marketplace.

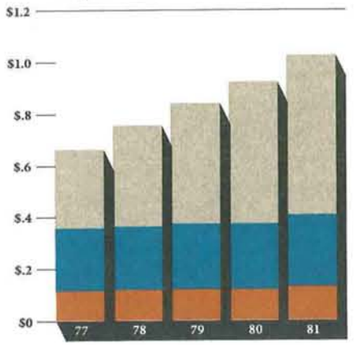
Intermediate-term debt

During 1981, the Company participated actively in the intermediate-term debt markets. The following debt was issued during the year:

- $100,000,000 of 14½% Notes due 1991 (issued by the Parent).
- $50,000,000 of 15½% Guaranteed Notes due 1984 (issued by Wells Fargo International Financing Corporation N.V.).
- $75,000,000 of 15% Guaranteed Notes due 1985 (issued by Wells Fargo International Financing Corporation N.V.).
- $36,000,000 of other notes due to 1985 (issued by the Parent).

Additionally, the 15% Guaranteed Notes due 1985 were issued with warrants entitling the holders to purchase $150,000,000 Zero Coupon Guaranteed Notes due 1988, though none of the warrants have been exercised to date. The warrants expire September 10, 1982. In February of 1982, Wells Fargo International Financing Corporation N.V. issued $125,000,000 Zero Coupon Notes due 1988.

N.
Stockholders' equity at year end



($ billions)
Retained earnings
Additional paid-in capital
Common stock

Capital adequacy and leverage

Capital adequacy, or the level of capital needed to support the operations of the Company, depends upon the overall risk to which the Company is exposed. This includes credit, operational, liquidity and interest rate risk. See LIQUIDITY MANAGEMENT.

The Bank and the Parent utilize a variety of leverage measures to evaluate capital adequacy. Such measures are shown in Table 14 for the period 1979 to 1981.

Table 14 *Leverage and capital adequacy*

	1981	1980	December 31, 1979
Company			
Assets to equity	22.74	25.87	24.69
Bank			
Assets to equity	22.56	25.06	24.73
Loans to equity	16.63	17.12	18.00
Loans excluding 1–4 family homes to equity	12.06	12.66	13.42
Risk assets* to equity	20.22	22.46	21.66
Risk assets* excluding 1–4 family homes to equity	15.65	17.85	16.92
Finance Subsidiaries			
Assets to equity	13.55	12.95	13.78

*Risk assets include all assets except cash and due from banks (other than interest-bearing deposits placed), U.S. Treasury securities and securities of other U.S. government agencies.

The reduction in leverage from year end 1980 to year end 1981 was primarily due to asset sales discussed above, the two stock for debt exchanges during 1981, growth in retained earnings (which increased equity), the use of treasury bill future contracts in lieu of deposit placements for asset/liability management and the reduction of certain other low-yielding assets.

Management reviews these measures monthly and takes appropriate action to ensure that they are within established guidelines. Management believes that its current leverage guidelines and liquidity position are reasonable and generally consistent with industry practice and that its capital position is adequate to support its various businesses.

Liquidity management

Liquidity is the ability of the Bank, the Parent and the non-bank subsidiaries to meet maturing obligations and existing commitments, to withstand fluctuations in deposit levels, to fund their operations and to provide for customers' credit needs. The liquidity of the Company ultimately depends on its profitability, asset quality, the maturity of its liabilities, its reputation and its ability to borrow in alternative money and capital markets.

The Parent currently borrows substantial funds in the commercial paper and short-term private placement markets. The Parent's commercial paper outstanding at December 31, 1981 was $1,568,000,000 and other short-term debt (one year or less) totaled $27,000,000. At December 31, 1980 and 1979, commercial paper outstanding was $2,068,000,000 and $787,000,000, respectively. Additional information on short-term borrowings is provided in footnote 7 at page 71. In addition to these short-term borrowings, the Parent raised $136,000,000 from the issuance of intermediate-term notes in the domestic capital market during 1981 and through its Netherlands Antilles financing subsidiary, Wells Fargo International Financing Corporation N.V., the Parent raised $125,000,000 in the eurodollar market.

Other sources of liquidity include the Parent's unpledged U.S. government securities portfolio, maturity extensions of short-term borrowings, the sale or runoff of assets, and confirmed lines of credit from independent banks. The Company's policy is to extend maturities of short-term borrowings when it is cost effective to do so and to maintain confirmed lines of credit from a diversified group of money center, regional and foreign banks. At December 31, 1981, the Company had $500,000,000 of such lines of credit.

The Bank shifts borrowing activities from market to market with the objective of obtaining the lowest cost funds in each maturity category while maintaining access to different borrowing markets. The Bank follows a global funds management strategy, centralizing selection of borrowing markets and maturities under one funds manager to facilitate such shifts and to control its overall borrowing position.

Demand deposits, savings accounts and savings certificates less than $100,000 provide the Bank with a sizable source of relatively stable and low cost funds. In addition, the Bank issues certificates of deposit, purchases federal funds and sells securities under repurchase agreements. Table 15 presents the Bank's borrowed funds position as of December 31, 1981.

Table 15 ***Portfolio of Money Market Borrowings**** *Wells Fargo Bank*

Average total outstanding—December 1981

Original maturity	(Dollars in billions) Amount
One to 29 days	$2.8
30 to 89 days	1.2
90 to 179 days	1.0
180 to 364 days	.8
One to two years	.7
Two to three years	.6
Three to five years	.6
Total	$7.7

*Includes certificates of deposit greater than $100,000, federal funds, eurodollar deposits, savings certificates greater than $100,000, other time deposits and funds borrowed under repurchase agreements.

Another aspect of liquidity is the short-term portion of the Bank's investment portfolio. Table 6 lists the maturity structure of the Bank's investment portfolio, including its market value. To the extent that bonds mature or can be sold to meet short-term cash needs, this portfolio is a source of liquidity. This is also true of interest-bearing deposits.

Repayment from the Company's consumer and real estate loan portfolios represents another significant source of liquidity. Currently, the Company has about $1,399,545,000 of monthly payment loans and about $5,771,141,000 of mortgage loans. In the past, a significant portion of these loans have prepaid before their maturity. In recent years, prepayment rates on mortgage loans have been reduced considerably due to high interest rates as well as legal decisions affecting the ability to enforce due on sale clauses in real estate loan contracts. These factors may continue to reduce prepayment rates in the future. Approximately $1,001,000,000 in principal payments and prepayments were made from these two portfolios in 1981.

To accommodate future growth and current business needs, the Company has committed itself to controlled expansion, particularly in Southern California, which will require the expenditure of substantial funds. Included in 1982 capital commitments are new branches of the Bank, routine relocations and remodelings of Company facilities, routine replacement of furniture and equipment and the leasing of administrative facilities in Southern California. Projected expenditures during 1982 associated with these projects are approximately $106,000,000. The Company will fund these commitments from various sources, including net income of the Company and additional borrowings of various maturities.

Asset/liability management

A principal goal of asset/liability management at Wells Fargo is to achieve an appropriate tradeoff between the Company's average spread and the variability of the spread over time. In its evaluation of that tradeoff, management relies principally upon statistical relationships among interest rates. For example, management may decide to fund prime-based three month loans with overnight borrowings even though a somewhat longer maturity mix of borrowings has had a more stable rate relation to prime. Such maturity imbalances increase the variability of the Company's spread but may also produce benefits equal to the expected average spread between the overnight and longer-maturity costs of funds. Funding positions are kept within predetermined limits designed to insure that risk taking is not excessive, and that liquidity is properly maintained.

On the other hand, decisions to shift the Company's asset/liability position are seldom predicated upon interest rate forecasts. Management believes that market expectations of future interest rates are reflected in the term structure of rates. Thus, asset/liability positioning produces no benefit unless based upon expectations that are contrary to those of the market and are correct.

The Parent, in addition to raising funds for its own use, acts as a funding source for the Finance Subsidiaries, borrowing funds in a variety of markets and lending them to the Finance Subsidiaries. The Parent borrows intermediate-term fixed rate funds to fund those subsidiaries making fixed rate intermediate-term loans or leases, and borrows short-term funds to finance those subsidiaries which make interest rate-sensitive loans. The Company believes this funding strategy assists in the overall management of interest rate risk. As of year end, the Parent and the Finance Subsidiaries combined had approximately $150,000,000 of non-interest sensitive loans financed with short-term funds. Loans are classified as non-interest sensitive if they have a fixed rate or if they have a floating rate which is currently fixed due to a usury ceiling limitation.

Table 16 depicts the Bank's interest rate sensitivity based on average balances in December 1981. Assets and liabilities have been assigned to categories according to remaining maturity; therefore, the table is not comparable to similar tables, based on original maturity, in previous shareholder reports. Maturity categories refer to interest rate maturities rather than to final maturities of obligations. For example, a new five year loan with a rate that is adjusted every 180 days would have a remaining interest rate maturity of 180 days. In 60 days, the same loan would have a remaining interest rate maturity of 120 days.

Table 16 ***Interest rate sensitivity*** *Wells Fargo Bank*

(Dollars in billions)			Averages for December 1981			
Remaining maturity	Assets	Liabilities and equity	Net assets (liabilities) (column 1 minus column 2)		Net assets (liabilities) as a percent of total assets	
One to 29 days	$ 1.8	$ 5.1	$(3.3)		(15.6)%	
Prime-based	4.2	—	4.2	(0.5)	19.9	(2.3)
30 to 179 days	2.7	4.1	(1.4)		(6.6)	
180 to 364 days	.9	1.0	(0.1)		(0.5)	
One to five years	2.8	1.6	1.2		5.7	
Over five years	4.7	.2	4.5	0.6	21.3	2.8
Non-market	4.0	9.1	(5.1)		(24.2)	
Total	$21.1	$21.1				

Management has made certain judgments and approximations in assigning assets and liabilities to rate-maturity categories. The remaining maturity of fixed rate loans is based upon recent repayment patterns rather than on contractual maturity. Assets and liabilities with no fixed maturity or with rates that do not move with money market rates are included in the non-market category. Loans based on the Bank's prime rate are placed in a special category. Because prime is an administered rate, it has no fixed maturity; however, it is influenced by money market rates.

The Bank continues to manage the maturities of liabilities that fund prime-based loans. Largely because the Bank has attracted many 26 week Treasury certificate deposits, it has more liabilities than loans which roll over every six months. To control that imbalance and to reduce the proportion of prime-based loans funded with six month liabilities, the Bank had added six month deposit placements which were funded by corresponding amounts of overnight liabilities. The six month deposit placements reduced the excess of six month liabilities, while the overnight borrowings shortened the mix of liabilities funding prime-based loans.

Since July 1981, the Bank has used a different approach to achieve a similar result. By using treasury bill futures to hedge a portion of the Bank's 26 week Treasury certificate deposits, the Bank has effectively converted that portion of its six month liabilities into funds with a three month rate maturity. That is because the effective cost of hedged 26 week treasury bills approximates the cost of consecutive 13 week treasury bills. Management believes that either hedged 26 week Treasury certificates or overnight borrowings provide attractive returns in comparison to risk when funding a portfolio of prime-based loans. The principal difference between the old and new approaches is that deposit placements increase total assets, while treasury bill futures do not. Thus the use of futures allows the Bank to reduce leverage or to add higher-yielding assets.

The treasury bill futures hedging program affects the financial statements and the financial summary. Realized gains or losses on futures contracts obtained for hedging purposes are deferred and included in the basis of assets or liabilities intended to be hedged. Such gains or losses are amortized over the remaining holding period of the associated assets or liabilities as an adjustment to interest income or interest expense. See additional disclosure in footnote 19 at page 86 and the Financial Summary at page 32.

Net assets with a remaining maturity of one year or greater declined to about $.6 billion from $1.1 billion a year ago. Net long assets were less than 3 percent of total assets in December 1981 compared to about 5 percent a year ago.

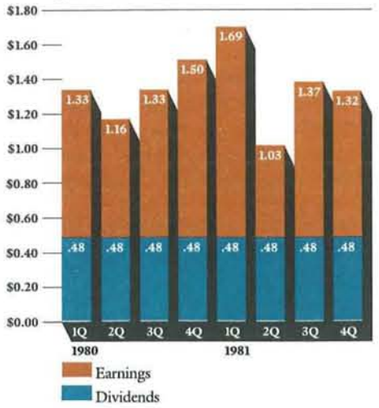
Reduction in the Bank's long position was due primarily to the following:

- The Bank increased one to five year money market borrowing to both match new bookings of one to five year fixed rate loans and to decrease the proportion of existing assets maturing in over one year which are funded with liabilities maturing in less than one year.
- Since the Depository Institutions Deregulatory Committee removed the interest rate ceiling on 30 month Treasury certificates in August 1981 (see page 36), the Bank has experienced a substantial increase in those deposits, resulting in a corresponding reduction in the long position.
- Also contributing to the reduction of the long position was the movement of about $500,000,000 in the Bank's securities portfolio into less than one year categories on a remaining maturity basis.
- The Bank originated few conventional, long-term real estate mortgage loans for its own portfolio in 1981.

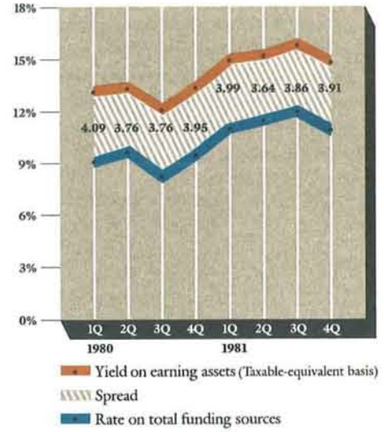
Other regulatory actions and consumer demand for various Wells Fargo products have affected the Bank's asset/liability position. The following factors are significant:

- Beginning October 1, 1981, Wells Fargo has offered Tax-Saver certificates as permitted by recent federal legislation. Thus far, these deposits appear to have come primarily from outside the Bank and from the Bank's 26 week Treasury certificates.
- Prior to the start of the Tax-Saver program, interest-sensitive 26 week Treasury certificates had continued to grow.

O.
Quarterly earnings & dividends per share ($)



P.
Spread – quarterly (%)



Deposits in NOW accounts and in accounts providing for automatic transfers between savings and checking continued to grow. These deposits are more costly than demand deposits, which have declined in the last year; however, they are relatively inexpensive sources of funds and often generate significant fee income.

The following factors appear likely to influence the Bank's asset/liability position in the future:

Changes in the tax laws have made I.R.A. accounts attractive to many consumers. An increase in the Bank's volume of these accounts would reduce its net long asset position.

Near the end of 1981, the Bank re-entered the mortgage market with the introduction of an Adjustable Rate Mortgage (A.R.M.). A.R.M.s will create less interest-rate risk than conventional mortgages because they can be funded by liabilities with maturities that match the interest-rate maturities of the A.R.M.s. Consumer acceptance of A.R.M.s is uncertain at this time.

Continued deregulation of depository institutions appears likely to lead to increases in the Bank's costs of consumer deposits and to improve the Bank's ability to compete for additional deposits.

Fourth quarter

Interest differential decreased moderately in the fourth quarter as market rates declined and the drop in yields on declining balances of earning assets was greater than the decreases in rates paid on interest-bearing liabilities. Spread increased five basis points compared to the third quarter on a moderately smaller total volume of earning assets, decreasing interest differential slightly.

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 the after tax earnings would have increased by $5,738,000 in the fourth quarter of 1981, $5,666,000 in the previous quarter and $3,600,000 in the fourth quarter of 1980. Related per share amounts were $.24, $.24, and $.16, respectively.

Quarterly fees are summarized in Table 17. A detailed comparison of rates and yields is provided in Table 19 and further detail of quarterly earnings is presented in Table 18.

Significant fourth quarter non-interest income included a non-taxable gain of $4,788,000 on redemption of long-term debt (exchange of newly issued common stock for debt), pre-tax gains of $4,143,000 on securities previously received in loan restructurings, an increase in foreign exchange income from adoption of FASB Statement No. 52 and a seasonal increase in trust fees. Previous quarters of 1981 have not been restated to reflect the adoption, effective January 1, 1981, of FASB Statement No. 52. See footnote 2 for additional information.

Table 17 — *Loan fees and sundry interest*

(In thousands)	December 31, 1981	September 30, 1981	Quarter ended December 31, 1980
Loan fees			
Real estate			
Bank			
1–4 family residential properties	$ 123	$ 198	$ 1,149
All other	1,799	1,323	2,605
Total Bank	1,922	1,521	3,754
Finance subsidiaries	2,889	2,263	2,827
Total real estate	4,811	3,784	6,581
Commercial	8,328	7,433	4,842
Monthly payment	1,457	1,205	1,099
Credit card	1,322	1,926	1,630
Sundry interest	3,767	3,270	961
Total	$19,685	$17,618	$15,113

Table 18 — *Consolidated statement of income, condensed*

	1981 Quarter ended				1980 Quarter ended			
(In thousands, except per share data)	March 31	June 30	Sept. 30	Dec. 31	March 31	June 30	Sept. 30	Dec. 31
Interest income	$737,623	$770,863	$818,519	$743,269	$577,181	$598,615	$556,018	$650,379
Interest expense	549,414	596,142	633,188	560,562	404,826	437,826	392,128	469,775
Net interest income	188,209	174,721	185,331	182,707	172,355	160,789	163,890	180,604
Provision for loan losses	16,709	11,292	14,772	15,239	16,939	17,587	16,949	19,568
Net interest income after provision for loan losses	171,500	163,429	170,559	167,468	155,416	143,202	146,941	161,036
Other income:								
Service charges on deposit accounts	10,341	12,082	13,496	14,602	9,180	9,300	9,529	9,837
Trust and corporate agency income	6,646	9,736	9,717	12,614	6,006	7,121	8,481	11,267
International commissions, syndication fees and foreign exchange	7,301	8,141	6,610	15,830	4,629	4,501	5,602	6,854
Service fees	7,449	7,725	6,504	7,390	6,335	6,714	6,687	7,423
Other	26,077	11,731	19,664	22,467	8,801	9,537	10,071	15,384
Total other income	57,814	49,415	55,991	72,903	34,951	37,173	40,370	50,765
Other expense:								
Salaries	81,331	85,181	88,797	92,739	70,010	70,318	72,377	75,128
Employee benefits	21,124	22,101	19,751	15,421	17,599	17,092	14,497	18,901
Equipment expense	11,355	14,923	15,645	20,759	9,308	10,570	9,811	12,224
Net occupancy expense	12,595	13,775	15,933	18,476	10,558	11,774	12,499	12,818
Other	46,642	46,503	48,319	58,266	37,229	33,364	35,478	45,239
Total other expense	173,047	182,483	188,445	205,661	144,704	143,118	144,662	164,310
Income before income taxes and securities transactions	56,267	30,361	38,105	34,710	45,663	37,257	42,649	47,491
Less applicable income taxes	17,533	6,524	6,469	2,981	15,186	10,811	12,202	13,124
Income before securities transactions	38,734	23,837	31,636	31,729	30,477	26,446	30,447	34,367
Securities gains (losses), net of income tax effect	2	(14)	(1,937)	1	8	143	(21)	(3)
Net income	$ 38,736	$ 23,823	$ 29,699	$ 31,730	$ 30,485	$ 26,589	$ 30,426	$ 34,364
Per share:								
Income before securities transactions	$1.69	$1.03	$1.37	$1.32	$1.33	$1.16	$1.33	$1.50
Net income	$1.69	$1.03	$1.28	$1.33	$1.33	$1.16	$1.33	$1.50

Table 19 *Average balances, rates paid and yields* (yields on a taxable-equivalent basis)

(Dollars in millions)	Fourth quarter—1981 Average balance	Yields or rates	Interest income/ expense	Third quarter—1981 Average balance	Yields or rates	Interest income/ expense	Fourth quarter—1980 Average balance	Yields or rates	Interest income/ expense
Earning assets									
Interest-bearing deposits	$ 1,084	15.74%	$ 43.008	$ 1,623	16.94%	$ 69.299	$ 1,383	13.14%	$ 45.682
Investment securities:									
U.S. Treasury securities	367	10.29	9.521	434	10.32	11.289	487	10.52	12.877
Securities of other U.S. government agencies and corporations	253	9.00	5.693	282	9.02	6.358	293	8.95	6.558
Obligations of states and political subdivisions	608	9.10	13.834	630	9.09	14.315	816	9.23	18.823
Other securities	53	7.96	1.054	65	10.63	1.727	50	6.37	.796
Total investment securities	1,281	9.38	30.102	1,411	9.52	33.689	1,646	9.47	39.054
Trading account securities	82	17.08	3.502	34	16.66	1.416	46	13.64	1.568
Funds sold	118	15.45	4.595	237	17.13	10.235	136	14.53	4.969
Loans:									
Commercial loans	5,171	16.80	218.923	5,137	19.22	248.907	4,474	15.46	173.888
Real estate loans:									
Construction	2,076	16.85	87.912	1,922	19.99	96.541	1,584	17.29	68.812
Mortgage	5,724	11.17	159.853	5,722	10.98	157.023	5,555	10.55	146.461
Total real estate loans	7,800	12.68	247.765	7,644	13.24	253.564	7,139	12.04	215.273
Consumer loans	1,863	14.68	68.594	1,946	14.71	71.818	2,301	14.06	81.060
Foreign loans	2,034	17.55	89.970	2,088	18.76	98.707	1,959	13.61	67.034
Fees and sundry interest	—	—	19.685	—	—	17.618	—	—	15.113
Deferred gain/loss on hedging transactions	(1)	—	.354	—	—	—	—	—	—
Total loans	16,867	15.23	645.291	16,815	16.34	690.614	15,873	13.87	552.368
Lease financing	819	14.60	29.900	777	14.18	27.551	691	11.96	20.670
Total earning assets	$20,251	14.87	756.398	$20,897	15.86	832.804	$19,775	13.39	664.311
Funding sources									
Interest-bearing liabilities:									
Deposits:									
Savings deposits[1]	$ 3,545	5.25	46.879	$ 3,561	5.28	47.860	$ 3,320	5.24	43.761
Savings certificates	5,581	14.42	202.870	5,213	14.48	190.260	4,116	10.84	112.184
Certificates of deposit	1,357	14.75	50.435	1,436	15.17	54.903	1,296	12.28	40.017
Other time deposits	563	15.19	21.562	597	16.35	24.605	439	12.13	13.383
Deposits in overseas offices	2,281	15.16	87.184	2,688	16.93	114.719	2,845	13.15	94.035
Total deposits	13,327	12.17	408.930	13,495	12.71	432.347	12,016	10.04	303.380
Funds borrowed	1,280	15.39	49.659	1,597	18.23	73.401	2,437	14.74	90.279
Commercial paper	1,837	14.34	66.418	2,064	17.72	92.180	1,720	14.95	64.633
Intermediate-term and long-term debt:									
Intermediate-term debt	980	12.71	31.129	960	12.44	29.844			
Long-term debt	177	7.26	3.212	204	7.92	4.038			
Total intermediate-term and long-term debt	1,157	11.87	34.341	1,164	11.64	33.882	503	8.81	11.085
Total interest-bearing liabilities	17,601	12.61	559.348	18,320	13.69	631.810	16,676	11.20	469.377
Portion of non-interest-bearing funding sources	2,650	—	—	2,577	—	—	3,099	—	—
Total funding sources	$20,251	10.96	559.348	$20,897	12.00	631.810	$19,775	9.44	469.377
Spread and interest differential		3.91%	$197.050		3.86%	$200.994		3.95%	$194.934
Non-earning assets									
Cash and due from banks	$ 1,782			$ 1,902			$ 1,877		
Other	1,519			1,936			1,715		
Total non-earning assets	$ 3,301			$ 3,838			$ 3,592		
Non-interest-bearing funding sources									
Demand deposits	$ 3,478			$ 3,525			$ 4,191		
Other liabilities	1,460			1,921			1,598		
Stockholders' equity	1,013			969			902		
Non-interest-bearing funding sources used to fund earning assets	(2,650)			(2,577)			(3,099)		
Total net non-interest-bearing funding sources	$ 3,301			$ 3,838			$ 3,592		

(1) Includes ATS and NOW accounts

Consolidated Balance Sheet

(In thousands)

Assets	1981	December 31, 1980
Cash and due from banks	$ 1,719,839	$ 1,704,397
Interest-bearing deposits	858,606	1,438,063
Investment securities, at cost (market value $1,062,220 and $1,512,787 at December 31, 1981 and 1980, respectively)	1,210,506	1,672,104
Trading account securities	39,083	51,967
Funds sold	6,900	221,050
Loans:		
Commercial loans	5,326,931	4,698,878
Real estate construction loans	2,131,815	1,610,038
Real estate mortgage loans	5,771,141	5,701,273
Consumer loans	1,977,444	2,462,216
Foreign loans	2,089,668	1,919,119
Total loans	17,296,999	16,391,524
Less:		
Allowance for loan losses	146,828	136,200
Unearned income	213,681	286,041
Total net loans	16,936,490	15,969,283
Lease financing	886,899	723,095
Premises and equipment, net	367,653	302,646
Due from customers on acceptances	441,392	944,084
Accrued interest receivable	340,916	310,038
Other assets	410,905	301,336
Total assets	$23,219,189	$23,638,063

The accompanying notes are an integral part of these statements.

(In thousands)

Liabilities and stockholders' equity	1981	December 31, 1980
Deposits:		
Demand—domestic	$ 3,619,546	$ 4,119,667
Demand—foreign	148,972	155,766
ATS and NOW accounts	1,149,068	445,759
Savings deposits	2,485,190	2,773,542
Savings certificates	5,572,096	4,463,908
Certificates of deposit	1,256,302	1,410,889
Other time deposits	592,620	537,011
Deposits in overseas offices	2,030,133	2,300,926
Total deposits	16,853,927	16,207,468
Borrowings:		
Federal funds borrowed and repurchase agreements	986,850	1,253,363
Commercial paper outstanding	1,578,605	2,075,641
Other	421,393	677,917
Total borrowings	2,986,848	4,006,921
Acceptances outstanding	441,831	944,683
Accrued taxes and other expenses	494,921	460,464
Intermediate-term debt	934,651	519,296
Long-term debt	174,114	215,793
Obligations under capital leases	67,668	69,526
Other liabilities	244,297	300,339
Total liabilities	22,198,257	22,724,490
Stockholders' equity:		
Preferred stock—no par value, authorized 10,000,000 shares, none issued	—	—
Common stock—$5 par value, authorized 50,000,000 shares, outstanding 24,090,184 shares and 22,878,409 shares at December 31, 1981 and 1980, respectively	120,451	114,392
Additional paid-in capital	271,327	246,585
Retained earnings	631,558	552,596
Equity adjustment from foreign currency translation	(2,404)	—
Total stockholders' equity	1,020,932	913,573
Total liabilities and stockholders' equity	$23,219,189	$23,638,063

The accompanying notes are an integral part of these statements.

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Income

(In thousands, except per share data)	Year ended December 31, 1981	1980	1979
Interest income			
Interest and fees on loans	$2,586,601	$2,050,254	$1,673,131
Interest on investment securities:			
Taxable	77,119	77,556	73,676
Exempt from federal income taxes	32,749	37,197	41,141
Total interest on investment securities	109,868	114,753	114,817
Interest on trading account securities	9,742	5,631	3,030
Interest on interest-bearing deposits	232,233	126,600	46,636
Interest on funds sold	37,549	15,195	15,099
Lease financing income	94,281	69,760	53,900
Total interest income	3,070,274	2,382,193	1,906,613
Interest expense			
Interest on deposits	1,619,302	1,225,045	952,169
Interest on borrowings	591,184	409,887	226,682
Interest on intermediate-term and long-term debt	128,820	69,623	36,240
Total interest expense	2,339,306	1,704,555	1,215,091
Net interest income	730,968	677,638	691,522
Provision for loan losses	58,012	71,043	62,949
Net interest income after provision for loan losses	672,956	606,595	628,573
Other income			
Service charges on deposit accounts	50,521	37,846	30,628
Trust and corporate agency income	38,713	32,875	29,029
International commissions, syndication fees and foreign exchange	37,882	21,586	11,749
Service fees	29,068	27,159	16,415
Other	79,939	43,793	23,149
Total other income	236,123	163,259	110,970
Other expense			
Salaries	348,048	287,833	253,441
Employee benefits	78,397	68,089	59,428
Equipment expense	62,682	41,913	33,761
Net occupancy expense	60,779	47,649	38,530
Other	199,730	151,310	146,156
Total other expense	749,636	596,794	531,316
Income before income taxes and securities transactions	159,443	173,060	208,227
Less applicable income taxes	33,507	51,323	78,025
Income before securities transactions	125,936	121,737	130,202
Securities gains (losses), net of income tax effect of $(2,133) in 1981, $66 in 1980 and $(7,334) in 1979	(1,948)	127	(6,786)
Net income	$ 123,988	$ 121,864	$ 123,416
Per share			
(based on average number of common shares outstanding of 23,277,922, 22,872,062, 22,657,695)			
Income before securities transactions	$ 5.41	$ 5.32	$ 5.75
Securities transactions, net of income tax effect	(.08)	.01	(.30)
Net income	$ 5.33	$ 5.33	$ 5.45

The accompanying notes are an integral part of these statements.

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Changes in Financial Position

(In thousands)	Year ended December 31, 1981 Financial resources Provided from	Used for	Year ended December 31, 1980 Financial resources Provided from	Used for	Year ended December 31, 1979 Financial Resources Provided from	Used for
Net income	$ 123,988	$ —	$ 121,864	$ —	$ 123,416	$ —
Non-cash items included in net income:						
Provision for loan losses	58,012		71,043		62,949	
Provision for deferred income taxes	4,177		25,739		35,483	
Provision for depreciation and amortization	32,507		25,485		19,965	
Gain on exchange of equity for debt		11,731				
Equity adjustment from foreign currency translation		2,404				
Cash dividends declared		45,026		43,914		39,023
Conversion of 3¼% convertible capital notes	1,465		269		2,321	
Common stock issued—other, net of repurchases	6,452		1,259		4,779	
Exchange of stock for debt	22,884					
Operations and equity	249,485	59,161	245,659	43,914	248,913	39,023
Interest-bearing deposits	579,457			913,784	25,587	
Net loans		1,025,219		1,304,648		2,255,719
Lease financing		163,804		117,503		184,777
Investment securities	461,598		10,853		142,471	
Funds sold	214,150			220,550	93,400	
Trading account securities	12,884			46,318	30,345	
Earning assets	1,268,089	1,189,023	10,853	2,602,803	291,803	2,440,496
Total deposits	646,459		376,453		1,012,344	
Total borrowings		1,020,073	1,858,898		482,448	
Intermediate-term and long-term debt	385,407		257,893		135,239	
Deposits and borrowings	1,031,866	1,020,073	2,493,244		1,630,031	
Cash and due from banks		15,442	78,597		336,708	
Net additions to premises and equipment		96,721		74,987		43,565
Other assets		110,362		75,394		37,435
Other liabilities		60,219		24,491	32,320	
Other, net	1,561			6,764	20,744	
Other	1,561	282,744	78,597	181,636	389,772	81,000
Total	$2,551,001	$2,551,001	$2,828,353	$2,828,353	$2,560,519	$2,560,519

The accompanying notes are an integral part of these statements.

Wells Fargo & Company and Subsidiaries

Consolidated Statement of Stockholders' Equity

(In thousands)

	Common stock	Additional paid-in capital	Retained earnings	Foreign currency translation	Total stockholders' equity
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
Net income—1980			121,864		121,864
Conversion of convertible notes	46	223			269
Stock issued to employee benefit plans and other	1,535	5,877			7,412
Stock repurchased	(1,201)	(4,952)			(6,153)
Cash dividends declared			(43,914)		(43,914)
Net increase	380	1,148	77,950		79,478
Balance December 31, 1980	114,392	246,585	552,596		913,573
Restatement of foreign currency translation (net of income tax benefit of $21)				(60)	(60)
Balance January 1, 1981	114,392	246,585	552,596	(60)	913,513
Net income—1981			123,988		123,988
Conversion of convertible notes	253	1,212			1,465
Stock issued to employee benefit plans and other	2,194	9,748			11,942
Exchange of stock for debt	4,486	18,398			22,884
Stock repurchased	(874)	(4,616)			(5,490)
Cash dividends declared			(45,026)		(45,026)
Equity adjustment from foreign currency translation (net of income tax benefit of $801)				(2,344)	(2,344)
Net increase	6,059	24,742	78,962	(2,344)	107,419
Balance December 31, 1981	$120,451	$271,327	$631,558	$(2,404)	$1,020,932

The accompanying notes are an integral part of these statements.

Wells Fargo & Company (Parent)

Balance Sheet

(In thousands)

	December 31, 1981	1980
Assets		
Cash and due from banks	$ 928	$ 1,933
Security repurchase agreement	6,721	3,340
Marketable securities	108,656	246,513
Dividend receivable from Wells Fargo Bank, N.A.	11,524	11,524
Advances to subsidiaries	1,600,634	2,053,375
Intermediate-term loans to subsidiaries	432,931	325,000
Long-term loans to subsidiaries	99,000	99,000
Investments in common stock of principal subsidiaries:		
Bank subsidiary	928,713	872,544
Other subsidiaries	172,816	124,645
Accrued interest receivable from subsidiaries	18,312	13,838
Other assets	62,306	35,496
Total assets	$3,442,541	$3,787,208
Liabilities and Stockholders' Equity		
Demand notes payable	$ 15,076	$ 25,950
Commercial paper outstanding	1,568,202	2,067,777
Other short-term notes outstanding	26,581	95,010
Accrued expenses and other liabilities	530	6,980
Interest payable	37,492	26,500
Dividends payable	11,563	10,982
Intermediate-term debt	655,030	499,723
Long-term debt	104,731	140,713
Total liabilities	2,419,205	2,873,635
Stockholders' equity:		
Preferred stock—no par value, authorized 10,000,000 shares, none issued	—	—
Common stock—$5 par value, authorized, 50,000,000 shares; outstanding, 24,090,184 shares and 22,878,409 at December 31, 1981 and 1980, respectively	120,451	114,392
Additional paid-in capital	271,327	246,585
Retained earnings	631,558	552,596
Total stockholders' equity	1,023,336	913,573
Total liabilities and stockholders' equity	$3,442,541	$3,787,208

The accompanying notes are an integral part of these statements.

Wells Fargo & Company (Parent)

Statement of Income

(In thousands, except per share data)

	Year ended December 31, 1981	1980	1979
Income			
Dividends from subsidiaries:			
Wells Fargo Bank, N.A.	$ 46,097	$ 46,091	$ 41,174
Finance subsidiaries	4,375	20,250	10,000
Other subsidiaries	1,698	—	—
Interest income:			
From subsidiaries	389,956	232,990	92,714
From others	21,990	24,452	1,374
Other income	11,870	7,764	814
Total income	475,986	331,547	146,076
Expense			
Salaries and employee benefits	1,843	1,619	894
Interest expense	431,590	264,191	97,916
Other expense	7,904	5,265	3,516
Total expense	441,337	271,075	102,326
Income before income tax benefit and securities transactions and undistributed income of subsidiaries	34,649	60,472	43,750
Income tax benefit	16,512	8,638	3,260
Income before securities transactions and undistributed income of subsidiaries	51,161	69,110	47,010
Equity in undistributed income of subsidiaries:			
Wells Fargo Bank, N.A.	58,051	57,955	84,841
Other subsidiaries	16,724	(5,328)	(1,649)
Total equity in undistributed income of subsidiaries	74,775	52,627	83,192
Income before securities transactions	125,936	121,737	130,202
Securities losses of Wells Fargo Bank, N.A., net of income tax effect of $(2,133) in 1981, $(1) in 1980, and $(7,334) in 1979	(1,948)	(1)	(6,786)
Securities gains in 1980 of Wells Fargo & Company (Parent), net of income tax effect of $67	—	128	—
Net income	$123,988	$121,864	$123,416
Per share			
(based on average number of common shares outstanding):			
Income before securities transactions	$ 5.41	$ 5.32	$ 5.75
Securities transactions, net of income tax effect	(.08)	.01	(.30)
Net income	$ 5.33	$ 5.33	$ 5.45

The accompanying notes are an integral part of these statements.

Wells Fargo & Company (Parent)

Statement of Changes in Financial Position

(In thousands)

	Year ended December 31, 1981 Financial resources Provided from	Used for	Year ended December 31, 1980 Financial resources Provided from	Used for	Year ended December 31, 1979 Financial resources Provided from	Used for
Net income	$123,988	$ —	$ 121,864	$ —	$ 123,416	$ —
Equity in undistributed net income of subsidiaries	(74,775)		(52,627)		(76,406)	
Cash dividends declared		45,026		43,914		39,023
Capital contributions to subsidiaries, net		29,565		61,006		9,731
Conversion of 3¼% convertible capital notes	1,465		269		2,321	
Common stock issued—other, net of repurchases	6,452		1,259		4,779	
Exchange of stock for debt	22,884					
Operations, equity and contributions	80,014	74,591	70,765	104,920	54,110	48,754
Commercial paper outstanding		499,575	1,280,519		538,173	
Funds borrowed under repurchase agreement				160,000	160,000	
Other short-term notes outstanding		42,429		14,138	109,148	
Intermediate-term and long-term debt	93,325		321,955		120,000	
Interest payable	10,992		10,661		10,595	
Borrowings	104,317	542,004	1,613,135	174,138	937,916	
Loans and short-term advances to subsidiaries and affiliates	344,810			1,335,817		717,345
Marketable securities	137,857			30,867		213,281
Security repurchase agreement		3,381		3,340	10,087	
Other, net		47,022		34,818		22,733
Other	482,667	50,403		1,404,842	10,087	953,359
Total	$666,998	$666,998	$1,683,900	$1,683,900	$1,002,113	$1,002,113

Wells Fargo & Company (Parent)

Statement of Stockholders' Equity

(In thousands)

	Common stock	Additional paid-in capital	Retained earnings	Total stockholders' equity
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
Net income—1980			121,864	121,864
Conversion of convertible notes	46	223		269
Stock issued to employee benefit plans and other	1,535	5,877		7,412
Stock repurchased	(1,201)	(4,952)		(6,153)
Cash dividends declared			(43,914)	(43,914)
Net increase	380	1,148	77,950	79,478
Balance December 31, 1980	114,392	246,585	552,596	913,573
Net income—1981			123,988	123,988
Conversion of convertible notes	253	1,212		1,465
Stock issued to employee benefit plans and other	2,194	9,748		11,942
Exchange of stock for debt	4,486	18,398		22,884
Stock repurchased	(874)	(4,616)		(5,490)
Cash dividends declared			(45,026)	(45,026)
Net increase	6,059	24,742	78,962	109,763
Balance December 31, 1981	$120,451	$271,327	$631,558	$1,023,336

The accompanying notes are an integral part of these 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 industry practices. 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 intercompany accounts and transactions are eliminated in consolidation. Investments of the Parent in its principal subsidiaries are accounted for by the equity method. Other subsidiaries and affiliates in which there is at least 20 percent ownership are generally accounted for by the equity method and less than 20 percent owned investments are carried at cost. These investments are reported in other assets; income, including disposition gains and losses, is included in other income.

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 securites held for investment purposes are valued at cost, adjusted for amortization of premium and accretion of discount.

Gains or losses on the sale of trading account securities are considered part of normal operations. Interest earned on trading account securities is shown separately. Gains or losses on the sale of investment securities are recognized only upon realization and are 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, 3-15 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. Capitalized leased assets are depreciated using the straight-line method over the life of the respective lease, which ranges generally from 20-30 years. 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.

Foreign currency translation The Company has adopted FASB Statement No. 52 which employs the net investment concept for foreign operations. Under this concept, a functional currency is designated for each foreign entity based on the currency of the primary economic environment in which the entity operates. The assets, liabilities and operations of an entity denominated in other than its functional currency are initially remeasured into its functional currency with the gain or loss recognized in current period income. For consolidation purposes, the financial statements are then translated into U.S. dollars using the current rate method. Translation adjustments are disclosed as a separate component of equity. Such adjustments are reversed upon sale or upon complete or substantially complete liquidation of the investment.

Foreign currency intercompany transactions which are of a long-term investment nature and forward exchange contracts which hedge equity investments are measured monthly at current market rates. The gain or loss from such measurement is included in the translation adjustment in the separate component of equity.

Gains or losses from other foreign currency transactions, including gains or losses from foreign exchange trading activities, are recognized in the current period under other income. Premiums or discounts on forward exchange contracts which are associated with the funding of assets from liabilities of a different currency (swap transactions) are deferred and amortized into interest income or expense over the life of the contract.

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 and Wells Fargo Credit Corporation. Policies for those subsidiaries engaged in leasing activities 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. Unearned income on direct financing leases is amortized over the lease terms by methods producing approximately level rates of return on net lease assets.

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 provided on the earnings of foreign consolidated subsidiaries which may be repatriated to the U.S under the assumption that all such earnings will be distributed in the future as dividends. No income taxes are provided on such earnings which are intended to be indefinitely reinvested abroad. In addition, income taxes are provided on undistributed earnings of foreign 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. In the evaluation, numerous factors are considered, including, but not necessarily limited to, general economic conditions, loan portfolio composition, prior loan loss experience, and management's estimation of future potential losses.

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

Other real estate owned Other real estate owned, consisting of real estate acquired through foreclosure or deed in lieu of foreclosure and excess bank real estate, is carried at the lower of cost or market. When the property is acquired, any excess of the loan balance over market 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.

Non-performing loans Generally, a loan of $25,000 and over is placed on non-accrual status when the loan becomes 90 days past due as to principal or interest, when the full timely collection of interest or principal becomes uncertain, when the loan is classified as doubtful by either internal loan examiners or national bank examiners, or when any portion of the principal balance has been charged off. The accrued and unpaid interest is reversed and interest is not accrued until the loan is made current. The transfer of a loan to non-accrual status does not necessarily indicate that any portion of the principal outstanding is uncollectible.

Deferred loan fees Loan origination fees on residential mortgages in excess of estimated costs of origination are deferred and amortized to income by an interest method using a 12 year life pool method. If the loan is paid off or sold, the unamortized portion of the fee is taken into income.

Interest rate futures Gains and losses on futures contracts obtained for hedging purposes are deferred and included in the measurement of the dollar basis of the asset acquired or the liability incurred for which the hedge was intended and amortized over the asset or liability holding period as an adjustment to interest income or interest expense.

FINANCE SUBSIDIARIES The Finance Subsidiaries consist of Wells Fargo Ag Credit (WFAC), 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.

2. *Foreign currency translation*

In 1981, the Financial Accounting Standards Board (FASB) superseded Statement No. 8 with Statement No. 52 regarding foreign currency translation. As a result, the Company changed its foreign currency translation policy, effective January 1, 1981. The current policy is disclosed in Footnote 1. The Company has not restated its financial statements for 1980 or 1979.

The effect of this change is to increase income before income taxes and securities transactions and net income by $3,351,000 and $2,469,000, respectively for the year ended December 31, 1981. Net income per share amount was increased by $.11 for the year ended December 31, 1981. This change was made in the fourth quarter of 1981 and a restatement of the prior three quarters of 1981 will not be done. Therefore, the total adjustment for 1981 flowed through the fourth quarter's earnings.

3. *Deferred loan fees*

During the fourth quarter of 1980, the Company reassessed its estimates of costs for making loans. As a result, the Company changed its income recognition procedures for loan origination fees by deferring residential mortgage loan origination fees in excess of estimated costs, as explained in Footnote 1.

For the year ended December 31, 1981, this change reduced net income by $2,150,000, and reduced related per share amounts by $.09. For the quarter and year ended December 31, 1980, this change in estimate reduced net income by $1,372,000 and reduced related per share amounts by $.06.

4. *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:

	1981			1980			1979		
		Market value			Market value			Market Value	
(In thousands)	Book value		Percent of book value	Book value		Percent of book value	Book value		Percent of book value
U.S. Treasury securities	$ 308,869	$ 296,713	96.1%	$ 512,329	$ 491,264	95.9%	$ 460,165	$ 449,331	97.6%
Securities of other U.S. government agencies and corporations	252,592	226,035	89.5	292,893	263,642	90.0	353,763	333,170	94.2
Obligations of states and political subdivisions	596,872	487,558	81.7	812,264	704,650	86.8	803,386	733,219	91.3
Other securities	52,173	51,914	99.5	54,618	53,231	97.5	65,643	62,114	94.6
Total investment securities	$1,210,506	$1,062,220	87.8	$1,672,104	$1,512,787	90.5	$1,682,957	$1,577,834	93.8

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 $8,608,000, $9,263,000, and $2,054,000 in 1981, 1980 and 1979, 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 $720,000,000 at December 31, 1981, and $875,000,000 at December 31, 1980.

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

	1981		1980		1979	
(In thousands)	Book value	Market value	Book value	Market value	Book value	Market value
Municipalities within California	$155,265	$121,944	$292,930	$261,044	$237,629	$210,274
State of California	$ 66,693	$ 43,069	$ 68,055	$ 48,160	$ 57,771	$ 51,100

5. Premises & equipment

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

(In thousands)	Cost	Accumulated depreciation and amortization	Net
At December 31, 1981			
Land	$ 38,351	$ —	$ 38,351
Premises	247,872	77,235	170,637
Furniture and equipment	200,998	80,343	120,655
Leasehold improvements	58,480	20,470	38,010
Total	$545,701	$178,048	$367,653
At December 31, 1980			
Land	$ 35,813	$ —	$ 35,813
Premises	230,669	71,074	159,595
Furniture and equipment	147,330	69,518	77,812
Leasehold improvements	45,901	16,475	29,426
Total	$459,713	$157,067	$302,646

See Note 15 for the amount of these assets held under capital leases.

The accumulated depreciation claimed for federal income tax purposes is approximately $184,744,000 at December 31, 1981 and $157,524,000 at December 31, 1980. The principal differences between amounts claimed for federal income taxes and the amounts reported above are related to using both an accelerated method of depreciation for tax purposes for assets acquired between 1974 and 1980, the accelerated cost recovery system after 1980, compared to the straight-line method of depreciation for book purposes, and to leases capitalized for book purposes but not for tax purposes.

Depreciation and amortization expense was $31,714,000, $24,692,000 and $19,161,000 for years ended December 31, 1981, 1980 and 1979, respectively.

Approximately $3,914,000, $3,194,000 and $1,332,000 of interest related to construction projects was capitalized in 1981, 1980, and 1979, respectively in accordance with FASB Statement No.34.

6. Loans & allowance for loan losses

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

(In thousands)	Year ended December 31, 1981	1980	1979
Balance at beginning of year	$136,200	$125,200	$102,349
Additions			
Provision charged to expense	58,012	71,043	62,949
Deductions			
Net charge-offs:			
Loans charged off	71,028	83,457	56,068
Recoveries on loans charged off	(23,644)	(23,414)	(15,970)
Net deductions	47,384	60,043	40,098
Balance at end of year	$146,828	$136,200	$125,200

The following table sets forth the approximate impact upon interest income of non-accrual or renegotiated status loans for the years shown.

(In thousands)	December 31, 1981	1980
Total non-accrual and renegotiated loans	$436,241	$233,959
Income which would have been recorded under original terms	$ 55,191	$ 34,093
Gross interest recorded	$ 15,462	$ 8,874
Commitments to lend additional funds	$ 28,812	$ 12,548

7. Deposits

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

(In thousands)	Year ended December 31, 1981	1980	1979
Savings deposits	$ 182,302	$ 167,489	$ 174,840
Savings certificates	712,011	430,995	236,173
Certificates of deposit	207,778	207,560	215,911
Other time deposits	88,626	58,274	58,302
Deposits in overseas offices—interest bearing	428,585	360,727	266,943
Total	$1,619,302	$1,225,045	$ 952,169

The following table presents interest paid and balances of domestic time certificates of deposit of $100,000 or more:

(In thousands)	Year ended December 31, 1981	1980	1979
Interest expense	$ 487,307	$ 376,395	$ 339,208
Year-end balances for time deposits of $100,000 or more:			
Certificates of deposit	$2,479,660	$2,420,200	$2,841,915
Other time deposits	592,206	536,929	559,432
Total	$3,071,866	$2,957,129	$3,401,347

8. 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 borrowings in the consolidated balance sheet. (Included in other borrowings are notes of the Parent with original maturites of one year or less.) Outstanding amounts and maturities of selected borrowings were as follows:

(Dollars in thousands)	Year ended December 31, 1981	1980
Federal funds borrowed (Consolidated)		
Average amount outstanding	$ 696,000	$ 407,000
Daily average rate	16.53%	13.12%
Highest month-end balance	$1,161,000	$1,185,000
Rate on outstandings at year end	12.55%	21.18%
Security repurchase agreements (Consolidated)		
Average amount outstanding	$ 455,000	$ 456,000
Daily average rate	15.82%	12.69%
Highest month-end balance	$ 473,000	$ 536,000
Rate on outstandings at year end	11.27%	16.76%
Commercial paper (Consolidated)		
Average amount outstanding	$1,952,000	$1,392,000
Daily average rate	16.54%	13.04%
Highest month-end balance	$2,446,000	$2,076,000
Rate on outstandings at year end	12.78%	18.65%
Money Market—Eurodollars (Consolidated)		
Average amount outstanding	$ 324,000	
Daily average rate	15.96%	(1)
Highest month-end balance	$ 647,000	
Rate on outstandings at year end	13.56%	
Money Market notes (Parent)		
Average amount outstanding	$ 74,000	$ 108,000
Daily average rate	17.23%	13.23%
Highest month-end balance	$ 117,000	$ 140,000
Rate on outstandings at year end	12.70%	19.98%
Demand notes (Parent)		
Average amount outstanding	$ 19,000	$ 32,000
Daily average rate	15.77%	12.77%
Highest month-end balance	$ 29,000	$ 44,000
Rate on outstandings at year end	13.09%	17.54%

(1) Information not available for 1980.

The Parent had available lines of credit with non-affiliated banks totaling $500,000,000 and $315,000,000 at December 31, 1981 and 1980, respectively and with Wells Fargo Bank of $10,000,000 and $20,000,000 at December 31, 1981 and 1980, respectively. Of these lines, $500,000,000 supported money market and demand note borrowing arrangements in 1981, compared with $325,000,000 available for this purpose in 1980. The lines of credit require commitment fees or compensating balances. Compensating balance requirements at December 31, 1981 and 1980 were $600,000 and $1,200,000, respectively. The lines were utilized by the Parent for two days in 1981 and eight days in 1980.

9. *Intermediate-term & long-term debt*

Intermediate-term debt has an original maturity of more than one year and not more than ten years. Long-term debt has an original maturity of ten years or more. The Company's intermediate and long-term debt is detailed on page 73:

(In thousands)	December 31, 1981	1980
Intermediate-term debt:		
Of Wells Fargo & Company (Parent)		
11.55% Notes due 1983	$150,000	$150,000
12¼% Notes due 1983	100,000	100,000
9.55% Notes due 1985	150,000	150,000
10⅝% Notes due 1985	99,763(1)	99,723(1)
14½% Notes due 1991	98,734(1)	—
Other notes due in varying amounts to 1985	29,717(1)	—
Of Wells Fargo International Financing Corporation N.V.		
15½% Guaranteed Notes due 1984	49,790(1)	—
15% Guaranteed Notes due 1985	74,472(1)	—
Of Wells Fargo Bank, N.A.		
Eurodollar borrowings	169,220	—
Of Wells Fargo Leasing Corporation		
9½%–10½% senior notes due in varying amounts to 1983	12,932	19,573
Of Wells Fargo Realty Advisors		
12% mortgage notes due 1984	23	—
Total intermediate-term	$934,651	$519,296
Long-term debt		
Of Wells Fargo & Company (Parent)		
3¼% Convertible Capital Notes due 1989	$ 815	$ 2,281
7⅞% Sinking fund debentures due 1997	39,922	43,932
8⅝% Notes due 1998	37,500	50,000
8.60% Debentures due 2002	27,309	44,500
Of Wells Fargo Bank, N. A.		
6½% Euro Deutsche Mark Debentures due 1988 of Wells Fargo International Investment Corporation	7,916	11,934
4½% Capital notes due 1989	38,777	38,777
4¼%–4½% Collateral trust and mortgage bonds due to 1993 of ATC Building Company and other mortgages on premises	11,307	12,278
Of Wells Fargo Leasing Corporation		
8% Senior Notes due 1988	10,500	12,000
Of Wells Fargo Realty Advisors		
9¾% mortgage notes due to 2003	68	91
Total long-term debt	$174,114	$215,793

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

(In thousands) 1982	1983	1984	1985	1986	After 1986	Total
$81,276	$305,971	$95,646	$351,947	$30,926	$251,523	$1,117,289(1)

(1) The following notes were issued at a discount. The face amounts outstanding are:

10⅝% Notes	$100,000,000
14½% Notes	$100,000,000
15½% Guaranteed Notes	$ 50,000,000
15% Guaranteed Notes	$ 75,000,000
Other notes due to 1985	$ 36,000,000

The 11.55% and 12.25% notes are not redeemable prior to their maturity.

The 9.55% notes may be redeemed, in whole or in part, at par, at the Company's option beginning July 1, 1983. The 10⅝% notes may be redeemed, in whole or in part, at par, at the Company's option beginning June 15, 1984. The 14½% notes may be redeemed, in whole or in part, at par, at the Company's option beginning June 1, 1988.

Other notes of the Parent due in varying amounts to 1985 include three privately placed notes, each of which were issued at a discount. As stated above, the face amount of these notes totaled $36,000,000: $10,000,000 7% Note due June 30, 1984; $10,000,000 7% Note due August 1, 1984; and $16,000,000 9.325% Note due July 29, 1985.

The 15½% and 15% guaranteed notes, issued by Wells Fargo International Financing Corporation N.V. and guaranteed by Parent, are not redeemable prior to maturity except that they are redeemable in whole at any time in the event withholding taxes in the United States or the Netherlands Antilles are imposed. The 15% Guaranteed Notes due September 10, 1985 were issued with warrants to purchase $150,000,000 Zero Coupon Guaranteed Notes due September 10, 1988 at a price reflecting an effective annual interest rate of 14.75%. None of the warrants, which expire on September 10,1982, have been exercised to date.

Intermediate-term debt for 1981 includes $169,220,000 of Eurodollar borrowings with original maturities of greater than one year and with rates varying from 10.25% to 16.81%. Reported amounts for 1980 have not been restated for $250,820,000 of Eurodollar borrowings, with original maturities of greater than one year, which were included in borrowings on the balance sheet. These Eurodollar borrowings are general obligations of the Bank and are not guaranteed by the Parent.

The $12,932,000 senior notes of Wells Fargo Leasing Corporation with interest at 9½% to 10½% may be prepaid under certain circumstances. The Parent has not guaranteed these notes; however, if the net worth of Wells Fargo Leasing Corporation falls below a certain level the Parent may be asked to purchase these notes.

The 12% mortgage notes due 1984 and the 9¾% mortgage note due 2003 are obligations of Wells Fargo Realty Advisors, not guaranteed by the Parent.

The 3¼% Convertible Capital Notes originally issued by the Bank may be currently redeemed at the option of the Company at .4875 percent premium and at decreasing premiums in the future. These notes are convertible into common stock of the Company at $29.00 per share. The Parent has assumed joint and several liability for all payments of principal and interest on the convertible capital notes.

On September 30,1981, the Company exchanged 538,480 shares of common stock for $20,000,000 aggregate principal amount of its long-term debt: $14,860,000 8.60% debentures plus $5,140,000 8⅝% notes described below. On October 27, 1981, the Company exchanged 358,767 common shares for $13,701,000 aggregate principal amount of its long-term debt: $7,360,000 8⅝% notes plus $4,010,000 7⅞% debentures plus $2,331,000 8.60% debentures. The gains resulting from these exchanges are included in 1981 other income.

The 7⅞% sinking fund debentures require an annual sinking fund payment of $3,125,000 beginning November 15, 1982. 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 exceeding $3,125,000. Beginning on November 15, 1982, the Company may, in addition to sinking fund redemptions at par, redeem debentures at a premium of 3.69 percent and at decreasing premiums thereafter. The Company currently holds $35,078,000 of the debentures which are available for future sinking fund payments.

The 8⅝% notes require a mandatory annual principal payment of $1,700,000 beginning November 1, 1983. At its option, beginning November 1, 1983, the Company has the non-cumulative right to increase principal payments by $1,700,000 a year, of which it intends to prepay at least $425,000 a year (included above in the payment schedule). Beginning on November 1, 1983, the Company may prepay principal at a premium of 4.063 percent and at decreasing premiums thereafter. The Company currently holds $12,500,000 of the notes.

The 8.60% sinking fund debentures require an annual sinking fund payment 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 a premium of 4.30 percent and at decreasing premiums thereafter. The Company currently holds $22,691,000 of the debentures available for future sinking fund payments.

The Euro Deutsche Mark Debentures, which are hedged, require annual sinking fund payments of DM 5,000,000. The Company currently holds DM 16,992,000 of the Debentures available for future sinking fund payments. Gains on repurchases of DM 5,143,000 of these Debentures acquired in 1981 are included in 1981 other income. In addition to required sinking fund payments, redemptions can be made at a two percent premium and at decreasing premiums until maturity. Payment of principal and interest on the Euro Deutsche Mark Debentures has been guaranteed by the Parent.

The 4½% Capital Notes of the Bank may be currently redeemed at the option of the Bank at .675 percent premium and at decreasing premiums through 1983 and thereafter at par. The Parent has not guaranteed these notes.

The 4¼%–4½% collateral trust and mortgage bonds are payable in annual installments of $1,000,000 until 1988 and then $500,000 until 1993. The bonds are secured by deeds of trust on $39,291,000 of Bank premises, at cost. The bonds can presently be redeemed at .935 percent premium for the 4¼% bonds and at 1.71 percent premium for the 4½% bonds. The other mortgages on premises comprising this category were secured by deeds of trust on $3,015,000 of Bank premises at December 31, 1981. 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 8% Senior Notes of Wells Fargo Leasing Corporation may be currently prepaid at a 1.6 percent premium and at lesser premiums until June 1, 1983, when the notes may be redeemed at par. The Parent has not guaranteed these 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 general obligations, to depositors and certain other creditors of the Bank.

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 and the payment of cash dividends. See Note 13 for discussion of restrictions as to payment of cash dividends. The Company was in compliance with the provisions of the borrowing agreements at December 31, 1981.

10. *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 Euro Deutsche Mark Debentures, are currently detachable and expire on October 1, 1988.

At the 1979 annual meeting, the shareholders adopted the 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, when the option becomes exercisable, the optionee may surrender or forfeit 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 common stock based on the market price at date of surrender. There were 35,144 and 6,500 unoptioned shares available for grant under the Plan at December 31, 1981 and 1980, respectively.

Outstanding options—Stock Option and Appreciation Plan

	Number of shares
December 31, 1980, beginning balance	393,500
Options issued in 1981	—
Options forfeited in 1981 (as defined above)	(20,500)
Options cancelled or lapsed in 1981	(9,500)
December 31, 1981, ending balance	363,500

Year of Grant	Number of shares	Option price and fair value at date of grant: Per share	Aggregate
			(In thousands)
1980	161,500	$26.25	$4,239
	3,000	$23.13	69
1979	199,000	$28.13	5,598
Total	363,500		$9,906

None of the options previously granted became exercisable in 1980. The following options became exercisable in 1981:

Number of shares	Option price: Per share	Aggregate	Fair value at date options became exercisable: Per share	Aggregate
		(In thousands)		(In thousands)
229,000	$28.13	$6,442	$28.63	$6,556

Under the Company's Stock Option Plan, a separate plan in existence since 1973, 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. At the 1980 annual meeting, the shareholders adopted an amendment to the Stock Option Plan which modified the forfeiture provisions of the plan to provide optionees essentially the same stock appreciation rights on their options as is provided under the Stock Option and Appreciation Plan discussed above. There were 105,172 and 11,366 unoptioned shares available for grant at December 31, 1981 and 1980, respectively.

The status of options outstanding at December 31, 1981 is summarized below:

Outstanding options—Stock Option Plan

	Number of shares
December 31, 1980, beginning balance	333,700
Options issued in 1981	—
Options forfeited in 1981 (as defined above)	(107,200)
Options cancelled in 1981	(3,000)
December 31, 1980, ending balance	223,500

Year of Grant	Number of shares	Option price and fair value at date of grant: Per share	Aggregate (In thousands)
1980	62,000	$26.25	$1,628
1978	5,000	$27.50	137
	5,000	$27.63	138
	64,000	$24.88	1,592
1974	45,000	$20.25	911
1973	42,500	$21.88	930
Total	223,500		$ 5,336

Options which became exercisable in 1980

Number of shares	Option price: Per share	Aggregate (In thousands)	Fair value at date options became exercisable: Per share	Aggregate (In thousands)
5,000	$27.50	$ 137	$24.00	$ 120
5,000	$27.63	$ 138	$26.75	$ 134
92,000	$24.88	$2,289	$23.88	$2,197

None of the options previously granted became exercisable in 1981.

Options exercised (outright purchase of common stock only)

Year exercised	Number of shares	Option price: Per share	Aggregate (In thousands)	Fair value at date options exercised: Per share	Aggregate (In thousands)
1980	1,000	$21.88	$ 22	$28.00	$ 28
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

No options were exercised in 1981.

Of options previously granted under both plans, 127,700 shares and 12,000 shares were forfeited in 1981 and 1980, respectively. Compensation expense is accrued for the forfeiture component of both the Stock Option and Appreciation Plan and the Stock Option Plan. The expense was reduced in 1981 by $951,000 under both plans, due to a decline in year end stock prices. The expense accrued in 1980 under both plans was $1,612,000. Under the Stock Option and Appreciation Plan, no expense was accrued in 1979 since the market price of the shares declined subsequent to the date of grant. Under the Stock Option Plan expense was reduced by $213,000 in 1979 as a result of the decline in the stock price.

The Restricted Share Rights Plan was approved by the shareholders as adopted by the Board of Directors, in 1981. The persons eligible to receive share rights are the key executives of the Company or its subsidiaries selected by the Compensation Committee which administers the Plan. The Plan was amended during 1981 to provide that the Company will make cash payments, in lieu of issuing Common Stock, in satisfaction of income tax withholding obligations and, at the option of the employee, directly to the employee; provided, however, that Common Stock must be issued in payment of at least 50 percent of the number of share rights. Shares of Common Stock which are not issued under the Plan as a result of cash payments cannot become subject to future share rights under the Plan.

As of December 31, 1981 the Company had granted 74,750 tentative share rights to 80 employees. The tentative share rights convert into final share rights during the second quarter of 1984, based on the Company's performance in 1981, 1982 and 1983. The holders of the share rights are entitled to the number of shares of Common Stock represented by the final share rights held by each person on January 1, 1986.

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 percent of fair market value at the end of the option period, twelve months after the date of the grant. In 1981 approximately 115,000 shares were issued under the plan, and options for approximately 106,000 shares, based on their value at the date of grant, were outstanding at December 31, 1981. Additional options for 535,000 shares at December 31, 1981 were available for grant through 1983. The plan is non-compensatory and results in no expense to the Company.

Outstanding options—Employee Stock Purchase Plan

	Number of shares
December 31, 1980, beginning balance	123,452
Options exercised in 1981	(110,874)
Options issued in 1981	115,281
Options cancelled in 1981	(21,494)
December 31, 1981, ending balance	106,365

Year of Grant	Number of shares	Option price and fair value at date of grant: Per share	Aggregate (In thousands)
1981	106,365	$32.05	$3,409

The following table summarizes common stock reserved, available for issue and issued and outstanding as of December 31, 1981:

	Number of shares
3¼% Convertible capital notes	26,771
Warrants	399,960
Employee stock purchase plan	641,923
Employee stock ownership plan	65,564
Dividend reinvestment plan	42,257
Incentive and savings plan	206,273
Stock option plan	327,316
Restricted share rights plan	400,000
Stock option and appreciation plan	400,000
Total shares reserved	2,510,064
Shares available for issue	23,399,752
Shares issued and outstanding	24,090,184
Total shares authorized	50,000,000

11. *Employee benefits*

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

(In thousands)	Year ended December 31, 1981	1980	1979
Retirement plans	$11,688	$11,061	$9,128
Profit sharing plans	$ 6,360	$ 6,197	$6,691

The Company has a non-contributory, defined benefit retirement plan which covers substantially all employees. Current service costs are funded as accrued. Past service costs are amortized and funded over a period of 30 years from the date such costs were established. In 1981, the Company identified the portion of the plan liability attributable to participants who retired before December 31, 1981. The Plan established a dedicated bond portfolio with plan assets which is designed to produce a yield of 13.7 percent.

The effect of an improved return in the dedicated portion of the plan results in an actuarial gain. The actuarial gain is being amortized equally over 15 years and is expected to result in a reduction in the provision of approximately $2,300,000 annually starting in 1981. Also in 1981, the mortality assumption was changed to anticipate longer life expectancy, resulting in an addition in the provision of approximately $1 million starting in 1981.

Effective January 1, 1981, the plan was amended to redetermine pension credits based on the five-year average salary through December 31, 1980 for service to that date, resulting in an addition to the provision of approximately $300,000 starting in 1981.

The following estimated plan benefit and asset information is presented for plan years which ended on December 31:

Actuarial present value of accumulated benefits

(In thousands)	December 31, 1981	1980
Vested	$106,600	$108,000
Nonvested	18,000	16,700
Total	$124,600	$124,700
Net assets available for benefits	$117,900	$105,500

A yield rate of 13.7 percent is used in determining the actuarial present value of accumulated plan benefits for those participants who retired before December 31, 1981. The assumed rate of return used in determining the actuarial present value of accumulated plan benefits for other participants in 1981 and for all participants in 1980 and 1979 was 7¼ percent.

Establishment of a dedicated bond portfolio during 1981 for certain retired participants decreased the actuarial present value of accumulated benefits $21,400,000.

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 participate.

The Company estimates a future contribution of $2,600,000 and $1,895,000 for 1981 and 1980, respectively, and has made a contribution of $1,576,000 for 1979. Currently, it is uncertain as to when the 1980 and 1981 plan years' tax credits will be utilized as reductions of the Company's federal tax liability. If such credits are utilized, plan participants will receive their portion of the contribution.

12. *Income taxes*

Current and deferred income tax provisions (benefits), including the tax effect of securities transactions, were as follows on page 79.

(In thousands)	Year ended December 31, 1981	1980	1979
Parent			
Current:			
Federal	$ (9,094)	$ (3,234)	$ (7,045)
State and local	(2,540)	(2,048)	(2,178)
	(11,634)	(5,282)	(9,223)
Deferred:			
Federal	(5,702)	(3,791)	(800)
State and local	(1,310)	501	(571)
	(7,012)	(3,290)	(1,371)
Total	$(18,646)	$ (8,572)	$(10,594)
Consolidated			
Current:			
Federal	$ 2,808	$ 1,140	$ 10,376
State and local	9,584	12,376	12,912
Foreign	14,805	12,134	11,920
	27,197	25,650	35,208
Deferred:			
Federal	(1,849)	24,307	32,038
State and local	2,138	418	4,365
Foreign	3,888	1,014	(920)
	4,177	25,739	35,483
Total	$ 31,374	$ 51,389	$ 70,691

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

(In thousands)	Year ended December 31, 1981	1980	1979
Parent			
Cash basis accounting for tax purposes	$ (7,012)	$ (2,423)	$(2,191)
Adjustment relating to repurchase of debt	—	(867)	867
Other	—	—	(47)
Total	$ (7,012)	$ (3,290)	$(1,371)
Consolidated			
Cash basis accounting for tax purposes	$(25,482)	$(16,294)	$ 9,072
Deferred income on lease financing	32,014	38,927	26,942
Greater (lesser) loan loss deduction for income tax purposes	(8,865)	2,275	(3,133)
Other	6,510	831	2,602
Total	$ 4,177	$25,739	$35,483

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

The reconciliation on page 80 of the statutory federal income tax rate to the effective tax rate is based on income before securities transactions.

The effective tax rate on securities gains or losses differs from the federal income tax rate of 46 percent because of state income taxes, net of federal income tax benefit.

The Company had deferred income taxes payable of $195,712,000 and $190,333,000 at December 31, 1981 and 1980, respectively. It has current income tax refunds receivable of $3,161,800 and $142,000 at December 31, 1981 and 1980, respectively. At December 31, 1979, the Company had deferred income taxes payable of $160,214,000 and a current refund receivable of $17,627,000.

For financial statement purposes, the Company had deferred investment tax credit for property purchased for lease to customers of $44,348,400 at December 31, 1981, $33,306,000 at December 31, 1980 and $20,795,000 at December 31, 1979.

Investment tax credits of $26,060,700 and $4,211,000 generated by the Company in 1981 and 1980, respectively will be carried to future years' tax returns. These credit carry-forwards expire 15 years after the year in which the credit originated.

The Company has not provided federal taxes on $3,872,700 of undistributed earnings of foreign subsidiaries since these earnings are indefinitely reinvested in the subsidiaries. If these earnings were distributed back to the Parent, federal taxes less credit for foreign taxes on the distributed earnings would be provided at that time. The subsidiaries involved were formed in 1981, therfore no indefinitely reinvested income was reflected in prior years' income.

The Company's income before taxes and securities transactions includes $93,000,000, $63,000,000 and $41,000,000 from its foreign subsidiaries and branches for 1981, 1980 and 1979, respectively.

	Year ended December 31,		
	1981	1980	1979
Parent			
Statutory federal income tax rate	46.0%	46.0%	46.0%
Increase (decrease) in tax rate resulting from:			
Dividends from and undistributed earnings of subsidiaries	(53.4)	(48.3)	(48.7)
Gain on redemption of debt	(4.9)	(2.7)	—
State and local taxes on income, net of federal income tax benefit	1.7	.7	(.2)
Other	(4.5)	(3.3)	.3
Effective tax rate	(15.1)%	(7.6)%	(2.6)%
Consolidated			
Statutory federal income tax rate	46.0%	46.0%	46.0%
Increase (decrease) in tax rate resulting from:			
Tax exempt interest income	(14.4)	(11.9)	(9.4)
State and local taxes on income, net of federal income tax benefit	4.1	4.5	5.3
Gain on redemption of debt	(4.1)	(2.8)	—
Amortization of investment tax credit	(2.6)	(1.2)	(.6)
Investment tax credit on premises and equipment	(4.3)	(1.6)	(1.2)
Capital gain rate difference	(3.2)	(.5)	(.4)
Other	(.5)	(2.8)	(2.2)
Effective tax rate	21.0%	29.7%	37.5%

13. *Dividends and undivided profits*

Dividends payable by the Parent to its shareholders are restricted by certain debt convenants. Under the most restrictive of these, as of December 31, 1981, the Parent could have declared additional dividends of approximately $459,467,000.

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, 1981 the Bank could have declared additional dividends of approximately $209,094,000.

As a member of the Federal Reserve System, the Bank is subject to certain restrictions under the Federal Reserve Act, including restrictions on any extension of credit to its affiliates. In particular, the Parent and its non-banking subsidiaries are prohibited from borrowing from the Bank unless the loans are secured by specified obligations. Such secured loans and other regulated investments by the Bank to the Parent or to any such subsidiary are limited in amount to 10 percent of the Bank's capital and surplus and in the aggregate to 20 percent of the Bank's capital and surplus. At December 31, 1981 the Bank had no loans outstanding to the Parent.

Net assets of the consolidated and unconsolidated subsidiaries are restricted from distribution to the Parent as described above. At December 31, 1981 such restrictions on net assets totaled $760,642,000, and total net assets of these subsidiaries were $1,154,835,000.

The retained earnings of the Parent included $477,666,000, $404,881,000 and $352,266,000 of undistributed earnings of subsidiaries at December 31, 1981, 1980 and 1979, respectively.

14. *International and 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, liabilities and activity of that Group. Securities and Exchange Commission interpretations have defined foreign loans and revenue-producing assets as transactions in which the customer is domiciled outside the United States. Both international and foreign operations have been summarized for 1981 and 1980.

(In millions)	December 31, 1981	1980
Assets		
Interest bearing deposits—foreign	$ 846	$1,374
Acceptances	346	909
Loans		
Government sector:		
Loans to or guaranteed by central governments and central banks	384	352
Loans to other government entities	305	427
Private sector:		
Loans to commercial banks	463	356
Loans to other private entities for commercial and industrial purposes	937	784
Total loans	2,089	1,919
Total assets	$3,281	$4,202
Liabilities		
Deposits of banks located in foreign countries:		
Interest-bearing	$ 555	$ 908
Non-interest-bearing	104	41
Total	659	949
Deposits of foreign governments and institutions	57	346
Other deposits:		
Interest-bearing	1,455	2,073
Non-interest-bearing	41	93
Total	1,496	2,166
Total deposits (1)	2,212	3,461
Acceptances	346	909
Total liabilities	$2,558	$4,370

(1) Includes all interest-bearing and non-interest-bearing deposits for both foreign branches and Edge Act subsidiaries.

The allowance for loan losses related to foreign activities for 1981, 1980 and 1979 has changed as follows:

(In thousands)	1981	1980	1979
Balance at January 1	$14,883	$12,040	$13,390
Provision charged to expense	2,325	(1,846)	(2,619)
Other	(1,733)	1,753	—
Recoveries of amounts charged off	884	3,080	4,110
Loans charged to the allowance	(3,305)	(144)	(2,841)
Balance at December 31	$13,054	$14,883	$12,040

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, 1981, 1980 and 1979 or for the years then ended were as follows:

1981

(In millions)	Domestic operations	U.S. domicile	Canada	Europe	International operations Foreign activities: Latin America and Mexico	Asia and Pacific Basin	Middle East and Africa	Total
Total operating revenue	$ 2,665.2	$ 25.7	$14.2	$ 213.0	$ 237.7	$ 117.1	$ 33.5	$ 3,306.4
Income before income taxes and securities transactions	$ 107.0	$ 2.0	$ 1.1	$ 17.4	$ 19.6	$ 9.6	$ 2.7	$ 159.4
Net income	$ 96.7	$ 1.1	$ .6	$ 9.1	$ 10.1	$ 5.0	$ 1.4	$ 124.0
Identifiable assets:								
Net loans	$14,770.1	$ 77.7	$31.3	$ 475.3	$1,147.2	$ 303.0	$131.9	$16,936.5
Acceptances	73.2	21.7	—	104.7	149.4	75.7	16.7	441.4
Interest-bearing deposits	—	12.5	34.0	443.1	70.2	286.5	12.3	858.6
Other	4,982.7	—	—	—	—	—	—	4,983.4
Total identifiable assets	$19,826.0	$111.9	$65.3	$1,023.1	$1,366.8	$ 665.2	$160.9	$23,219.2

1980

(In millions)	Domestic operations	U.S. domicile	Canada	Europe	International operations Foreign activities: Latin America and Mexico	Asia and Pacific Basin	Middle East and Africa	Total
Total operating revenue	$ 2,147.3	$ 20.0	$ 6.5	$ 88.9	$ 162.9	$ 82.5	$ 37.4	$ 2,545.5
Income before income taxes and securities transactions	$ 123.2	$ 3.7	$ .8	$ 5.6	$ 26.7	$ 9.0	$ 4.1	$ 173.1
Net income	$ 97.0	$ 1.9	$ .4	$ 2.8	$ 13.3	$ 4.5	$ 2.0	$ 121.9
Identifiable assets:								
Net loans	$13,943.6	$106.6	$37.3	$ 338.1	$ 977.2	$ 365.5	$201.0	$15,969.3
Acceptance	—	35.2	—	80.2	266.3	542.8	19.6	944.1
Interest-bearing deposits	—	63.9	40.0	873.0	248.8	210.4	2.0	1,438.1
Other	5,286.6	—	—	—	—	—	—	5,286.6
Total identifiable assets	$19,230.2	$205.7	$77.3	$1,291.3	$1,492.3	$1,118.7	$222.6	$23,638.1

1979

(In millions)	Domestic operations	U.S. domicile	Canada	Europe	International operations Foreign activities: Latin America and Mexico	Asia and Pacific Basin	Middle East and Africa	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
Interest-bearing 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

A condensed income statement for foreign activities follows:

(In thousands)	1981	Year ended December 31, 1980	1979
Interest income	$577,904	$357,177	$277,100
Interest expense	502,264	288,135	214,400
Net interest income	75,640	69,042	62,700
Provision for loan losses	2,325	(1,846)	(2,619)
Net interest income after provision for loan losses	73,315	70,888	65,319
Other income	37,638	21,081	13,769
Other expense	$ 60,593	45,851	41,854
Income before income taxes	$ 50,360	$ 46,118	$ 37,234
Net income (1)	$ 26,187	$ 23,059	$ 18,623

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

The net consolidated gains arising out of foreign currency transactions during the year and included in the determination of net income were $17,260,000 in 1981, $4,377,0000 in 1980 and $1,637,000 in 1979. An additional cumulative translation adjustment of $3,226,000 was booked directly to retained earnings as required per the adoption in 1981 of FASB 52, "Foreign Currency Translation." In prior years, comparable amounts had been included in the determination of net income.

15. *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, 1981			
Premises	$89,374	$36,404	$52,970
Furniture and equipment	13	3	10
Total	$89,387	$36,407	$52,980
At December 31, 1980			
Premises	$89,017	$33,726	$55,291
Furniture and equipment	6,659	6,312	347
Total	$95,676	$40,038	$55,638

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, 1981 are as follows on page 84.

(In thousands)	Capital leases	Operating leases
Year ended December 31,		
1982	$ 10,576	$ 17,210
1983	10,240	15,575
1984	9,949	12,470
1985	9,737	10,102
1986	9,659	9,129
Thereafter	110,539	54,387
Total minimum lease payments	160,700	$118,873
Executory costs	(26,376)	
Amounts representing interest	(66,656)	
Present value of net minimum lease payments	$ 67,668	

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

	Year ended December 31,		
(In thousands)	1981	1980	1979
Consolidated	$40,416	$28,914	$22,072

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

			December 31,
(In thousands)	1981	1980	1979
Total minimum lease payments to be received	$ 879,277	$ 590,684	$ 479,207
Allowance for losses	(6,285)	(5,638)	(5,129)
Unguaranteed residual value	272,288	262,842	229,573
Unearned income	(270,359)	(183,900)	(137,166)
Net investment in direct financing leases	$ 874,921	$663,988	$566,485

The net investment in leveraged leases was not significant.

The Company recognized $4,754,000, $3,008,000 and $1,556,000 of unearned income in 1981, 1980 and 1979, respectively, to offset initial direct costs of acquiring leases. The Bank does not recognize unearned income to offset initial direct costs of acquiring leases.

At December 31, 1981, direct lease receivables were due in installments to 1998. Installments mature as follows:

(In thousands)	
Year ended December 31,	
1982	$193,699
1983	164,086
1984	138,838
1985	115,947
1986	87,833
Thereafter	178,874
	$879,277

16. *Parent company financing*

Notes with original maturities greater than one year receivable by the Parent from its subsidiaries are as follows:

	1981		December 31, 1980	
(In thousands)	Intermediate-term	Long-term	Intermediate-term	Long-term
Wells Fargo Bank, N.A.				
8¼% Subordinated capital note due 1998	$ —	$25,000	$ —	$25,000
Finance Subsidiaries:				
Wells Fargo Credit Corporation:				
14% Note due 1985	34,000			
14.95% Note due 1991	33,500			
15.05% Note due 1984	8,102			
15.7% Note due 1984	7,968			
12.56% Note due 1985	40,000			
11.85% Note due 1983	10,000		10,000	
12.55% Note due 1983	35,000		35,000	
9¾% Note due 1985			70,000	
10.95% Note due 1985			55,000	
8¾% Note due 2002		7,200		7,200
Wells Fargo Leasing Corporation:				
11.85% Note due 1983	10,000		10,000	
12.55% Note due 1983	25,000		25,000	
9¾% Note due 1985	25,000		25,000	
10.95% Note due 1985	25,000		25,000	
14.95% Note due 1991	41,500			
15.82% Note due 1985	12,860			
7½% Subordinated debenture due 1997		15,000		15,000
8¾% Note due 2002		25,000		25,000
Wells Fargo Mortgage Company:				
12.55% Note due 1983	5,000		5,000	
9¾% Note due 1985	10,000		10,000	
10.95% Note due 1985	5,000		5,000	
8¼% Subordinated debenture due 1998		6,800		6,800
Wells Fargo Realty Advisors:				
11.85% Note due 1983	5,000		5,000	
12.55% Note due 1983	5,000		5,000	
9¾% Note due 1985	25,000		25,000	
10.95% Note due 1985	15,000		15,000	
14.95% Note due 1991	5,000			
7½% Subordinated debenture due 1997		2,800		2,800
8¼% Subordinated debenture due 1998		7,200		7,200
8¾% Note due 2002		10,000		10,000
Total Finance Subsidiaries	382,930	74,000	325,000	74,000
Other Subsidiaries:				
Wells Fargo Financing Corporation:				
11% Note due 1986	19,000			
11% Note due 1986	26,000			
11% Note due 1986	5,000			
Total other Subsidiaries	50,000	—	—	—
Total	$432,930	$99,000	$325,000	$99,000

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

17. *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 $897,000 in 1981, $1,882,000 in 1980 and $3,966,000 in 1979. WFMC also services real estate loans for the Bank and for Wells Fargo Credit Corporation, another affilitate. Fees received under this program were $2,148,000 in 1981, $1,498,000 in 1980 and $867,000 in 1979. WFMC may 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 $36,436,000 at December 31, 1981, and $33,099,000 at December 31, 1980. In 1979, WFMC began marketing loans on behalf of the Bank for a fee. Fee income relating to this service was $151,000 and $325,000 in 1981 and 1980, respectively. 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 $1,171,000 in 1981, $308,000 in 1980, and $492,000 in 1979.

Wells Fargo Realty Advisors (WFRA) is involved in participation agreements with the Bank and with WFMC. At December 31, 1981 the Bank participated in $38,961,000 loans with WFRA and WFMC participated in $35,771,000 in loans with WFRA.

Wells Fargo Business Credit (WFBC) also has participation agreements with the Bank. At December 31, 1980 the Bank participated in $565,000 in loans with WFBC. At December 31, 1981 the Bank did not participate in loans with WFBC.

See Note 16 for Parent company financing of the subsidiaries.

18. *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. The Bank had outstanding commitments under stand-by letters of credit at December 31, 1981 totaling $465,997,000.

At December 31, 1981, the Bank had an investment of less than $10,000,000 in a French bank that may be nationalized.

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.

In 1981, the Bank discovered an embezzlement of approximately $21,000,000. Management believes that all but $1,000,000 will be covered by insurance. This $1,000,000 expected loss has been accrued in the expenses of the first quarter of 1981.

19. *Interest rate futures*

The Company has accounted for interest rate futures in accordance with the rules proposed by a special task force of the American Institute of Certified Public Accountants in an issues paper submitted to the FASB. Interest rate futures contracts are purchased to protect net interest spreads. At December 31, 1981 the Company had long positions in interest rate futures contracts which amounted to $475,000,000. Also at December 31, 1981 there were deferred gains on closed positions which amounted to $1,230,000.

20. *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 may be helpful in understanding and assessing the data presented.

Basis of supplementary presentation

The financial data set forth below were 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 and are intended to eliminate financial statement distortions caused by general inflation. Such distortions generally include overstatement of reported earnings and understatement of reported effective rates of taxation.

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—premises and equipment and monetary assets and liabilities.

The principal difference between 1981 income from continuing operations as determined on the historical cost/constant dollar basis and net income as reported in the financial statements is additional depreciation expense in the historical cost/constant dollar presentation caused by increasing the value of premises and equipment before computing depreciation expense thereon. However, premises and equipment are relatively insignificant on the Company's balance sheet. Therefore, this tends to minimize the difference between these two income measurement concepts. It should be noted that the accounting principles involved do not change under historical cost/constant dollar assumptions; only the unit of measure changes under this concept. Restatement based on current cost data has been omitted because there is no material difference from constant dollar data.

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.

The Company believes that comparisons of price level adjusted data are most meaningful when interpreted in terms of trends and relationships among the periods. Management believes that these effects are more appropriately measured through careful analysis of interest-rate sensitivity and liquidity management as discussed in the risk management section on pages 51 through 54 of this report. Management does not believe that the restatement of financial data based on changes in the CPI is necessarily indicative of the effects of inflation on financial institutions. Virtually all assets and liabilities of a bank are monetary in nature. Accordingly, changes in interest rates may have a significant impact on a bank's performance. Interest rates, however, do not necessarily move in the same direction or in the same magnitude as prices of other goods and services. The nature of the Company's operations is such that there will always be an excess of monetary assets over monetary liabilities. Therefore, this calculation will always show a loss of purchasing power in periods of price increases. However, this is not necessarily the most meaningful way to assess the impact of inflation on a financial institution.

How well the Company copes with changing prices and fluctuating interest rates may also be assessed by analyzing its asset and liability structure. This is developed under Asset/Liability Management in Management's Discussion and Analysis, beginning at page 52. Additional insight can be obtained by reference to the schedule of average balances, rates paid and yields. The Company believes such analysis is superior to mechanical restatement as specified by FASB Statement No. 33.

Statement of income from continuing operations adjusted for changing prices

Wells Fargo & Company and Subsidiaries

(In thousands) (Average 1981 dollars)	Year ended December 31, 1981
Reported income after securities transactions but before taxes	$155,362
Less tax provision and tax effect of securities transactions	31,374
Historical net income	123,988
Adjustment to restate costs for the effect of general inflation	
Depreciation and amortization expenses	(17,909)
Income from continuing operations	$106,079
Loss from decline in purchasing power of net amounts of monetary assets held (not tax effected)	$ 48,402

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) (Dollars expressed in average 1981 dollars)				Year ended December 31,	
Historical cost information adjusted for general inflation	1981	1980	1979	1978	1977
Net interest income (after provision for possible loan losses)*	$ 672,956	$ 669,516	$ 787,234	$765,359	$634,236
Income before gains/losses on securities transactions	$ 125,936	$ 116,545	$ 143,598		
Income from continuing operations	$ 106,079	$ 116,685	$ 135,100		
Per common share:				*Information*	
Income before gains/losses from securities transactions	$4.64	$5.09	$6.34	*not*	
Net income	$4.56	$5.10	$5.96		
Purchasing power loss on net monetary assets held during the year	$ 48,402	$ 72,302	$ 82,681	*required*	
Net assets at year end	$1,475,229	$1,328,894	$1,307,033		
Other information:					
Cash dividends declared per common share	$1.92	$2.12	$2.15	$1.95	$1.68
Market price per common share at year end	$25½	$30⅛	$31⅞	$36⅜	$39⅜
Average consumer price index	272.4	246.8	217.5	195.4	181.5

*Net interest income is not presented on a taxable-equivalent basis.

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, 1981 and 1980 and the related statements of income, stockholders' equity, and changes in financial position for each of the years in the three-year period ended December 31, 1981; and the consolidated balance sheets of Wells Fargo & Company and Subsidiaries as of December 31, 1981 and 1980 and the related consolidated statements of income, stockholders' equity, and changes in financial position for each of the years in the three-year period ended December 31, 1981. 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), and the consolidated financial position of Wells Fargo & Company and Subsidiaries at December 31, 1981 and 1980, and the results of their operations and changes in their financial position for each of the years in the three-year period ended December 31, 1981, 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 18, 1982

Directors

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

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

William R. Breuner
Chairman of the Board
John Breuner Company
(retailer of home furnishings)

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

Donald M. Koll
President, The Koll Company
(real estate development)

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)

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
Retired Chairman of the Board
Rice Growers Association
of California

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

Carl E. Reichardt
President and Chief Operating
Officer

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

Donald B. Rice
President, The Rand Corporation
(nonprofit research and analysis
firm)

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.

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

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, CA 94163

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

**President and Chief Operating Officer*
Carl E. Reichardt

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

**Vice Chairman*
Richard M. Rosenberg

**Vice Chairman*
Paul Hazen

Executive Vice Presidents
Thomas A. Bigelow
Richard J. Borda
George F. Casey, Jr.
Lewis W. Coleman
R. Thomas Decker
Ronald E. Eadie
John F. Grundhofer
E. Alan Holroyde
Robert L. Joss
Richard Oppenheimer
Jesun Paik
David M. Petrone
Carlos Rodriguez-Pastor
Glenhall E. Taylor, Jr.
William F. Zuendt

Executive Vice President and Chief Financial Officer
Frank N. Newman

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

Senior Vice President and Chief Loan Examiner
Douglas P. Holloway

Senior Vice President and Director of Taxes
Alan C. Gordon

Senior Vice President and General Auditor
Orion A. Hill, Jr.

Senior Vice President and Treasurer
Alan J. Pabst

Vice President and Controller
David L. Rice

Vice President and Director of Investor Relations
Timothy Shahen

**Member of the Executive Office*

Wells Fargo Bank, N.A.
420 Montgomery Street
San Francisco, CA 94163

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

**President and Chief Operating Officer*
Carl E. Reichardt

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

**Vice Chairman*
Richard M. Rosenberg

**Vice Chairman*
Paul Hazen

Executive Vice Presidents
Thomas A. Bigelow
Richard J. Borda
David D. Brown
George F. Casey, Jr.
Lewis W. Coleman
R. Thomas Decker
Ronald E. Eadie
James C. Flood
John F. Grundhofer
E. Alan Holroyde
Robert L. Joss
Richard Oppenheimer
Jesun Paik
David M. Petrone
Carlos Rodriguez-Pastor
Glenhall E. Taylor, Jr.
William F. Zuendt

Executive Vice President and Chief Financial Officer
Frank N. Newman

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

Senior Vice President and Chief Loan Examiner
Douglas P. Holloway

Senior Vice President and 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

Commercial Banking Group

John F. Grundhofer
Executive Vice President

Northern Area
Russell F. Dwyer
Senior Vice President

Southern Area
Charles M. Johnson
Senior Vice President

Senior Credit Officer
Michael J. Gillfillan
Senior Vice President

Corporate Banking Group

R. Thomas Decker
Executive Vice President

William R. Sweet
Senior Vice President and
Deputy Manager

Division I
John E. Lindstedt
Senior Vice President

Division II
John H. Mullin
Senior Vice President

Division III
Robert P. Morrow III
Senior Vice President

Corporate/International Core Support

Global Operations
E. Alan Holroyde
Executive Vice President

International Global Operations
Hans Tjian
Senior Vice President

Cash Management Services
Gary R. Fiedler
Senior Vice President

Credit Administration
Richard M. Lingua
Senior Vice President

Credit Policy Group

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

Gordon S. Grout
Senior Vice President and
Deputy Manager

Finance Group

Frank N. Newman
Executive Vice President and
Chief Financial Officer

Clyde Ostler
Senior Vice President

Management Reporting and Analysis
John T. Byrom
Vice President

Management Sciences
Eric R. Durant
Vice President

Controller's Division
David L. Rice
Vice President and
Controller

Funding Group

George F. Casey, Jr.
Executive Vice President

Thomas H. Boughey
Senior Vice President

John P. Caulfield
Senior Vice President

International Banking Group

Carlos Rodriguez-Pastor
Executive Vice President

Jesun Paik
Executive Vice President
and Deputy Manager

Asia Pacific Division
Brian K. Wagar
Vice President

Europe/Africa/Middle East Division
William D. Wright
Senior Vice President

Latin America Division
M. Augusto Blacker
Senior Vice President

Country Review
Samuel A. Costanzo
Senior Vice President

Global Correspondent Banking Division
Donald W. Jardine
Senior Vice President

Merchant Banking Division
Charles A. Greenberg
Senior Vice President

Management Services Group

Business Services
David E. Weymouth
Senior Vice President

Community Development
George G. Skou
Senior Vice President

Marketing
Douglas M. Brown
Senior Vice President

Public and Governmental Affairs
Jackson L. Schultz
Senior Vice President

Public Relations
George F. Caulfield
Senior Vice President

Economics
Joseph A. Wahed
Vice President

Urban Affairs
Robert J. Gicker
Vice President

Operations Group

Thomas A. Bigelow
Executive Vice President

Computer Operations
Robert R. Hewlett
Senior Vice President

Bert N. Gruber
Vice President

Karen Wegmann
Vice President

Real Property Management and Support Services
Daniel S. Livingston
Senior Vice President

Systems Development
John A. Crooks
Senior Vice President

James Boland
Vice President

Frank H. Lippmann
Vice President

Richard R. Paulsen
Vice President

Data Center Operations
Milton G. Wetzel
Vice President

Personnel

Lewis W. Coleman
Executive Vice President

Planning

Robert L. Joss
Executive Vice President

Real Estate Industries Group

David M. Petrone
Executive Vice President

Dale R. Walker
Senior Vice President and
Deputy Manager

Loan Administration
Kenneth G. Edwards
Senior Vice President

Retail Banking Group

William F. Zuendt
Executive Vice President

Northern Area
James C. Flood
Executive Vice President

D. Pat McGuire
Senior Vice President

Southern Area
David D. Brown
Executive Vice President

Agribusiness Division
Michael M. McNickle
Senior Vice President

Business Division
Susan Robinson
Senior Vice President

Consumer Credit Division
Jack Kopec
Senior Vice President

Credit Card Division
Gina L. Husby
Senior Vice President

Bank Operating Procedures
John C. Kilhefner
Vice President

Electronic Banking
Cecilia McRoskey
Vice President

Wells Fargo Investment Advisors
Trust and Investment Services

Ronald E. Eadie
Executive Vice President

William W. Jahnke
Senior Vice President

Institutional Services Division
William L. Fouse
Senior Vice President

International Services Division
James R. Vertin
Senior Vice President

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

Support Services Division
Betty T. Widlund
Vice President and
Senior Trust Officer

Subsidiaries

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

Howard Tiffen
Vice President and Managing
Director

Wells Fargo Bank Canada

Calgary Office
Esso Plaza, East Tower
#3106, 425-1st St., S.W.
Calgary, Alberta T2P 3L8
Canada

Peter G. Wood
President

Toronto Office
Continental Bank of
Canada Bldg.
130 Adelaide Street, West
Suite 1410
Toronto, Ontario M5H 3P5
Canada

James M. Lucchesi
Vice President and
General Manager

Wells Fargo Bank International

Miami Office
848 Brickell Avenue
Miami, Florida 33131

William M. Scearce
Vice President and
General Manager

New York Office
45 Broad Street
New York, New York 10005

James G. Motter
Senior Vice President and
General Manager

Wells Fargo Corporate Services, Inc.
R. Thomas Decker
Chairman

Atlanta Office
3340 Peach Tree Road, N.E.
Atlanta, Georgia 30026

Stanley A. Latham
Vice President and
Manager

Chicago Office
55 West Monroe Street
Chicago, Illinois 60603

Shepherd G. Pryor IV
Vice President and
Manager

Dallas Office
12201 Merit Drive
Dallas, Texas 75251

G. Hardy Watford
Vice President and
Manager

New York Office
Park Avenue Plaza
55 East 52nd Street
19th Floor
New York, New York 10055

William L. Hart
Vice President and
Manager

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

Alessandro degli Alessandri
Vice President and
Managing Director

Branches

Buenos Aires
Rivadavia 501
1035 Buenos Aires, Argentina

Armando da Silva Tavares
Vice President and Manager

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

William D. Wright
Senior Vice President and
Division Head

Milan
Piazza Borromeo 12
20123 Milan, Italy

Andrea Corsini
Assistant Vice President
and Manager

Singapore
2 Shenton Way
Singapore 1
Republic of Singapore

John Muncy
Vice President and
Regional Manager

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

W. Peter McAndrew
Senior Vice President and
Regional Manager

Nassau
c/o International Banking
Group
475 Sansome Street
San Francisco, California 94163

Representative Offices

Australia: Sydney
Brazil: São Paulo
Chile: Santiago
Colombia: Bogotá
Hong Kong
Iberian Peninsula:
Madrid, Spain
India: Bombay
Indonesia: Jakarta
Korea: Seoul
Malaysia: Kuala Lumpur
Mexico: Mexico City
Peru: Lima
Philippines: Manila
Thailand: Bangkok
Venezuela: Caracas

Major Affiliates

Allgemeine Deutsche Credit-Anstalt, AG
Frankfurt, Germany

Arrendadora Serfin, S.A.
Mexico City, Mexico

Ayala Investment & Development Corporation
Manila, Philippines

Dubai Bank Limited
Dubai

Ecuatoriana de Financiamientos, S.A.
Guayaquil, Ecuador

Empresa Financieras Continental, S.A.
Panama City, Panama

Shanghai Commercial Bank Limited
Hong Kong

Wells Fargo Commercial Nonbank Subsidiaries

Richard Oppenheimer
Executive Vice President

Wells Fargo Ag Credit

7801 East Belleview Avenue
Englewood, Colorado 80111

Ralph E. Peters
President

Wells Fargo Business Credit

12750 Merit Drive
Dallas, Texas 75251

Thomas D. Drennan
President

Wells Fargo Credit Corporation

6991 East Camelback Road
Scottsdale, Arizona 85251

Larry S. Crawford
President

Wells Fargo Insurance Services/Central Western Insurance Company

120 Montgomery Street, Suite 1230
San Francisco, California 94104

Robert Crudo
Vice President

Wells Fargo Leasing Corporation

425 California Street
San Francisco, California 94104

Richard Oppenheimer
Chairman

Theodore J. Rogenski
President

Wells Fargo Realty Services

572 East Green Street
Pasadena, California 91101

James V. Marmorstone
President

Wells Fargo Securities Clearance Corporation

45 Broad Street
New York, New York 10004

Ronald G. Hillman
President

Wells Fargo Real Estate Nonbank Subsidiaries

David M. Petrone
Executive Vice 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

Frederick W. Petri
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.
Salvador, Bahia, Brazil

Edward Carlson
Chairman
UAL, Incorporated
Chicago, Illinois

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

Jacques Desazars de Montgailhard
President
Pechiney-Ugine Kuhlmann
Paris, France

Göran Ennerfelt
President
Axel Johnson and Company
Stockholm, Sweden

Sir Campbell Fraser
Chairman
Dunlop Holdings, Limited
London, England

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

The Rt. Hon. Lawrence Kadoorie, C.B.E., J.P.
Sir Elly Kadoorie and Sons
Hong Kong

Adolf Kracht
Partner of Bankhaus Merck, Finck and Company
Munich, West Germany

Jonkheer H. Kraijenhoff
Akzo-nv
Arnhem, The Netherlands

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

Monroe E. Spaght
Royal Dutch Shell (retired)
London, England

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

Sir James Vernon, A.C., C.B.E.
Director
C.S.R., Limited
Sydney, Australia

Stock Exchange Listings

New York Stock Exchange
Pacific Stock Exchange
London Stock Exchange
Frankfurter Böerse

Transfer Agents

Wells Fargo Bank, N.A.
Corporate Agency
Department #0180
420 Montgomery Street
San Francisco, California 94163

Registrars of Stock

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

Notice to Shareholders

The annual meeting of Wells Fargo & Company will be held at 2 p.m. on Tuesday, April 20, 1982, at the Biltmore Hotel, 515 S. Olive Street, Los Angeles, 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 #1055
Wells Fargo & Company
475 Sansome Street
San Francisco, California 94163

WFC0382B