WELLS FARGO

Wells Fargo & Company 1983 Annual Report

We deliver ■

That philosophy of service has sparked Wells Fargo & Company's growth during the last 131 years ■ From the era of providing dependable banking and express services for California's Gold Rush pioneers to today's electronic age, Wells Fargo has always delivered the finest in contemporary financial services to its customers ■ Just as this has been the key to our strong success in the past, it will be our guiding precept for future achievements as well ■

Contents

Highlights

Wells Fargo & Company and Subsidiaries

(Dollars in thousands, except per share data)	1983	1982	Percentage increase
FOR THE YEAR			
Net income	**$154,900**	$138,638	12%
Per common share			
Net income	**$6.03**	$5.81	4
Dividends declared	**$1.98**	$1.92	3
AT YEAR END			
Assets	**$27,017,621**	$24,814,047	9
Loans	**$20,676,719**	$20,237,745	2
Stockholders' equity	**$ 1,347,771**	$ 1,100,435	22
Book value per common share	**$50.15**	$46.62	8

Letter to Shareholders

Members of Wells Fargo's Executive Office are: (from left) Richard M. Rosenberg, vice chairman of the board; Carl E. Reichardt, chairman and president; and Paul Hazen, vice chairman.

In 1983, the banking industry experienced its first full year of deposit deregulation, a transition that brought tremendous changes to the basic economics of the banking business. We believe the strategies we have been putting into place for the past several years, in anticipation of deregulation, enabled Wells Fargo & Company to be successful in this initial year of transition to a significantly different operating environment.

With removal of interest rate limits on some deposit accounts in the waning months of 1982 and further liberalization in rates and terms in 1983, banks witnessed a large influx of consumer dollars, and the outflow of deposits to money market funds was stemmed. However, payment of market rates of interest to consumers for their deposits, combined with aggressive competition, creates the potential for much narrower interest differential spreads industry-wide. In planning for this new business setting, Wells Fargo in recent years has been initiating strategic changes to develop and implement new, convenient and more cost-effective ways to deliver financial services to consumers and businesses, and to give greater emphasis to the asset-generation aspects of our operations.

These strategies began to take effect in 1983, with the result that solid gains were recorded in earnings, assets and in our capital base; interest spreads on loans widened; and our increase in noninterest expenses was held to less than 1 percent during the year.

For 1983, net income was nearly $155 million, compared with $138.6 million in 1982. On a per-share basis, earnings were $6.03, compared with $5.81 the previous year.

Earnings in the prior year reflected $1.30 per share in nonrecurring items, including sales of real estate and stock from a small business investment company. For 1983, nonrecurring items totaled 42 cents per share, arising from 1982 tax-related adjustments and sale of real estate in San Francisco's financial district. When 1983 earnings are adjusted to remove the effect of these special items, net income per share for the last year was up approximately 24 percent over the comparably adjusted figure in 1982.

Interest spread on total earning assets in 1983 increased to 4.33 percent from 4.06 percent in 1982, reflecting our more selective loan and deposit strategies as well as the more stable interest rate environment during the year. Because of improved spreads and a 4 percent increase in the volume of earning assets, the Company achieved a 10 percent gain in net interest income on a taxable equivalent basis during the year.

Especially noteworthy, total net interest income of $915 million exceeded total noninterest expenses by $75 million. Increasingly, many banking companies have found that revenue from their basic business, net interest income, is being exceeded by their operating expenses and peripheral activities are necessary to achieve profitability. We are pleased that we reversed this trend in 1983 at Wells Fargo.

Wells Fargo & Company utilized the capital and credit markets in 1983 and early 1984 to obtain additional funds both to augment the Company's already strong capital base and to fund general corporate activities. In March, three million shares of preferred stock were issued, contributing $150 million to capital. During the year, $400 million in notes were issued under shelf registrations. In January of this year, the Company sold $50 million in notes and filed a shelf registration covering $250 million in securities. In February, a registration was filed for $100 million of floating rate subordinated notes.

The speed with which our issues have been sold attests to the favorable view of our organization's soundness held by the financial markets.

As a reflection of this strength and in anticipation of continued solid earnings growth in the future, Wells Fargo's Board of Directors voted in November to increase the quarterly dividend on the Company's common stock from 48 cents per share to 54 cents.

At the end of 1983, Wells Fargo's ratio of primary capital to assets was 5.68 percent, compared with 5.16 percent a year ago.

Most of Wells Fargo's operating units contributed to the Company's 1983 earnings gain by improving their profitability over prior year levels. The Commercial Banking Group, which serves medium-sized business firms in California, increased its loans outstanding during 1983 by approximately 30 percent. Although the outstanding loans of the Real Estate Industries Group remained essentially flat, very substantial new business volume was generated by the Group. Especially pleasing was the low level of our nonaccrual and restructured real estate loans relative to the industry, which confirmed our belief that we have built one of the strongest real estate organizations in the nation. Our Corporate Banking Group, however, suffered from the highest level of nonaccruals in its history, principally as a result of loans to the energy industry.

The finance subsidiaries of the Company had a strong year with the exception of Wells Fargo Ag Credit, which suffered a number of severe loan losses in agricultural loans in the Rocky Mountain and Midwest regions. Wells Fargo Capital Markets, a domestic merchant bank operation organized early in 1983, became profitable in its first year of operation.

The Retail Banking Group devoted considerable effort during the year to marketing new deposit and loan

services and to streamlining operations and automating delivery systems. Deposits in the Wells Fargo *Market Rate Account*™ by the end of 1983 totaled nearly $5 billion. As a result, total core deposits—which include demand and savings accounts, interest-bearing checking accounts, and savings certificates—rose to nearly $17 billion by year end, an increase of 17 percent over the previous year. The Group focused on asset generation in 1983 to capitalize on the improvement in consumer confidence. A consumer loan campaign was launched early in the year and continues into 1984. This campaign, which features variable-rate lines of revolving credit, second mortgages, and auto, aircraft and boat loans, contributed to the year-end total of nearly $2.5 billion in the consumer loan portfolio. The single-family real estate loan portfolio, nearly half of which is composed of adjustable or variable rate mortgages, totaled about $3.6 billion at the end of 1983. We are pursuing a strategy of reducing our older, fixed-rate and limited-variable-rate residential real estate loans to a smaller percentage of our overall loan portfolio.

While aggressively marketing Wells Fargo's creative array of consumer services, Retail Banking also worked vigorously in 1983 to consolidate its operations in order to deliver convenient services to its customers in a more cost-effective manner. With removal of most elements of the Regulation Q mandated subsidy, which required banks to pay below-market rates on deposits, we are convinced that it is critical to reduce our operating expenses in serving consumers. To begin to achieve this, some 30 branches have been closed, consolidated or transformed into smaller, automated facilities over the past two years. The number of branch offices in California at year end was 373. During the months ahead, we will continue to review the viability of other California branch offices and make decisions about their future.

Installation of *Express Stop*™ automated transaction machines in both branches and at off-site locations was stepped up during 1983, and the total number of *Express Stops* in service at the end of the year was 739. In 1983, more than 41 million transactions were handled by the *Express Stops*.

International loans, particularly to Latin America, were a source of considerable concern to banks and regulators in 1983. Wells Fargo's foreign loans at the end of the year totaled just under $3 billion, or 14 percent of the total loan portfolio. Our Company has been cooperating with financial officials in Mexico and Brazil, with our associates in the banking industry and with the International Monetary Fund to negotiate a restructuring of loans to these nations. Solutions are being sought that will enable those nations to meet their debt obligations over the longer term without placing undue restrictions on their economic growth.

The Company has been developing innovative services for small and large business firms in recent years to generate new sources of fee income to aid in offsetting the slower growth in loans and interest income. A new *Micro-Express*™ cash management service was introduced in 1983 to assist corporate treasurers in managing their funds nationwide from their desk-top computer terminals. Through the WESTNET Group—the affiliation of Wells Fargo and the leading bank holding companies in Arizona, Colorado and Hawaii—lockbox and weekend check-clearing services have been established to serve companies on a regional basis. The Commercial Banking and International Banking Groups are in the process of introducing an automated letter of credit service to assist importers and exporters with more efficient payment on foreign trade transactions. These are just a few of the new electronic applications Wells Fargo has underway to support the financial needs of its customers.

In addition, all units of the Company are continually reviewing their fees and service charges in light of the new economics imposed by deregulation, and many fees were increased during 1983. As a result of new fee-generating services and increased charges on traditional services, fee income was up strongly for the year. Because the major impact of higher fee schedules is now behind us, we do not foresee continued increases in fee income of the magnitude experienced in the past year.

Wells Fargo is examining all of its lines of business and its services in the new light cast upon the financial services industry by deregulation. While recent strategies have proved successful in positioning the organization for the early stages of deregulation, it is anticipated that further change and innovation will be required to meet ongoing competitive developments in the industry. The Company is seeking the right mix of activities to maintain growth and profitability while providing efficient and convenient service to its wide variety of customers.

Early in 1983, for instance, it was determined that without substantial additional investment in systems, Wells Fargo would not remain competitive in providing corporate trust and agency services to corporations. As a consequence, the Bank's Corporate Agency and Corporate Trust Departments were sold to an eastern bank with a substantial investment in this very paper-intensive activity. Seventy employees from the Bank's departments transferred to the new organization.

Also sold during 1983 was Wells Fargo Realty Services, a small subsidiary based in Pasadena, California, that provided specialized accounts receivable and data processing services to developers. Here again, all of the approximately 40 employees transferred into the new entity.

The Company will continue to analyze its lines of business to determine where Wells Fargo can add the most value to the service provided to the customer. At the end of the decade, the Company may well be engaged in fewer types of activities or different activities than have been traditional, but will strive to be an industry leader in those activities and geographic areas in which it has chosen to compete.

During 1983, there were a number of changes in Wells Fargo's senior management. Robert L. Kemper retired from the Company and resigned as vice chairman of the Board of Directors. He has been succeeded in this position by Richard M. Rosenberg, 53, a 22-year veteran with the Company and a member of the Executive Office. Other members of the Executive Office are Carl E. Reichardt, 52, chairman, president and chief executive officer, and Paul Hazen, 41, vice chairman.

Several new executive vice presidents were appointed during the year. They are: Gordon S. Grout, 46, head of the Credit Policy Group; Charles M. Johnson, 41, deputy head of the Commercial Banking Group; Jack Kopec, 39, head of the Consumer Services Division of the Retail Banking Group; William R. Sweet, 46, deputy head of the Corporate Banking Group; and Dale R. Walker, 41, head of the Real Estate Industries Group.

Two directors of Wells Fargo & Company reached the mandatory retirement age of 70 in 1983 and did not stand for re-election. They were Ernest C. Arbuckle, emeritus dean of the Stanford University Graduate School of Business, former chairman of Wells Fargo's Board and Board member since 1967, and W. P. Fuller III, retired vice president of the Western Region of PPG Industries and a member of Wells Fargo's Board since 1954. Both gentlemen are now directors emeritus. The Company's management and the Board of Directors thank them both for their years of dedicated service. Their valuable counsel was of immeasurable assistance during the recent fast-paced years of banking change.

Newly named to the Board of Directors in 1983, along with Mr. Rosenberg, was Robert K. Jaedicke, 54, dean of the Graduate School of Business at Stanford. We welcome Mr. Jaedicke and look forward to his guidance in the years ahead.

In a very complex environment of change, innovation and realignment of strategic positions and goals, Wells Fargo's staff of approximately 16,200 individuals did an outstanding job in 1983. Without their tremendous support, enthusiasm and flexibility, we could not have achieved the fine performance we recorded during the year. With their help we expect to meet the continued challenges presented by a deregulated financial industry, and to make the further shifts in direction that will enable us to grow and prosper in the years ahead.

Carl E. Reichardt

Carl E. Reichardt
Chairman, President and
Chief Executive Officer

March 5, 1984

Review of Operations

State-of-the-art electronics designed to serve customers more effectively create an exciting financial environment at the Pasadena-Lake money center, an experimental office. Personal banking officers use desk-top computers to illustrate investment opportunities to customers, *Information Stops* feature computer-directed screens that display product information, and with their *Express Stop* ATM cards, customers can quickly transact business at six ATM machines. Wells Fargo's Branch Terminal System enables offices throughout California to communicate with each other electronically.

Delivering to consumers

Consumer banking has been the area of our business most profoundly affected by the moves toward deregulation over the past two years. Lifting of interest rate ceilings on deposits has had a major impact on services, expenses, operations and strategies of the Retail Banking Group. Despite the rapidly changing banking environment, Wells Fargo has remained a strong competitor for consumer deposits.

At the close of 1983, the Wells Fargo market rate checking and savings accounts totaled approximately $5 billion. This added substantially to the Company's stable base of core deposits, which were up 17 percent from a year earlier.

The challenge faced successfully this year at Wells Fargo has been to put these funds to work profitably while streamlining operations. The Company has accomplished this with a vigorous consumer loan program supported by the energetic and creative sales efforts of its employees.

Consumer borrowers had new options in 1983. Wells Fargo introduced its gold *MasterCard* with a revolving credit line from $5,000 to $25,000. *Equity Advantage,*™ an innovative line of credit for homeowners secured by a first or second mortgage, was introduced in early 1983, and the credit line maximum was increased to $250,000 later in the year. The maximum line of credit for *Capital Advantage,*™ which provides unsecured credit for qualifying customers, was increased to $50,000.

Rates paid on these credit lines fluctuate with changes in the cost of funds, as do rates on an increasing number of other loans offered to Wells Fargo consumers and homebuyers. Adjustable-rate loans provide strong profitability protection for the loan portfolio against future fluctuations in interest rate levels.

Through the increasing use of technology, Wells Fargo is studying ways to serve consumers reliably and quickly in a more cost-effective manner.

At the experimental Pasadena-Lake office, for example, Wells Fargo customers can do their everyday banking and can receive current financial information from on-line computers. With the help of their *Personal Bankers*™ they can review and analyze their investment choices. At an *Information Stop,*™ customers may generate on a terminal screen the rates, terms and monthly payments for a loan being considered. Or, they may view current stock prices and can place a buy or sell order through WESTNET discount brokerage, a service provided by the WESTNET Group composed of Wells Fargo and the leading bank holding companies in Arizona, Colorado and Hawaii. The Pasadena-Lake office is a model to test new concepts in delivering financial services more conveniently and efficiently.

Another new concept is the "mini-facility," a Wells Fargo office occupying less than 1,000 square feet but offering consumers the personal assistance of two or three officers and 24-hour-a-day access to their money through two *Express Stop* automated transaction machines (ATMs).

The Bank's customers are continually doing more of their routine transactions at these *Express Stops* and at about 750 others throughout the state. Today, more than half of Wells Fargo's 1.2 million customers have adopted self-service banking at *Express Stops,* a higher proportion than at most other banks in California.

In early 1984, new features were added to the *Express Stops,* making it possible for individuals to do the majority of their banking transactions at the ATM.

To access ATMs, customers insert their *Express Banking Card,* and punch in a secret code known only to them. In January, Wells Fargo installed a new statewide system that allows customers to select the secret code of their choice. This eliminates the assignment and mailing of codes and permits a customer to privately change a secret code instantly to keep it secure.

Wells Fargo is the leader among California banks in supplying automated banking in the work place with *Expresservice.*™ Now, in more than three dozen California hospitals, plants and offices, 120,000 employees can choose to have their pay deposited automatically and bank where they work, using a Wells Fargo *Express Stop.*

Wells Fargo customers found that their *Express Banking Cards* were welcome, too, in shops and stores during 1983. In September, 13 Livingston's fashion stores in Northern California introduced a new payment option—customers could have the price of their purchase instantly debited from their Wells Fargo checking account at the point of sale.

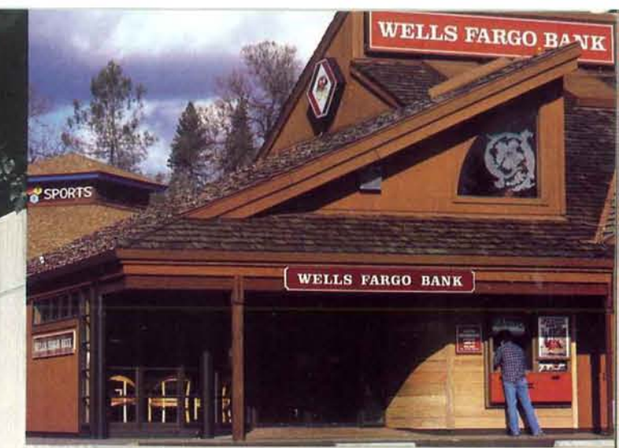
These point-of-sale systems are being introduced in other retailers' locations during 1984, including gasoline service stations and food stores.

During the year, Wells Fargo and four other major California banks formed *Interlink,* a nonprofit corporation, to develop a switching network that will allow consumers to make purchases with a banking card issued by any financial institution that is part of the network. It is envisioned that the card will be accepted at a wide variety of shops, grocery stores, and other retail locations.

Wells Fargo customers will also soon have easy access to their cash at several thousand *MasterTeller* ATMs in major U.S. cities, resorts and airports, through an arrangement with MasterCard's national network.

The growing popularity of self-service banking underscores the need for fewer full-service branch offices throughout California than was traditional in the past. The Company has consolidated and closed 30 branch offices and will be reviewing the viability of other offices this year.

Individual retirement accounts (IRAs) are one of Wells Fargo's most popular services. The IRA customer service staff has dramatically improved its response time to customer queries with high speed information retrieval equipment.



A warm ambience marks the Grass Valley mini-facility, a new type of office that delivers banking services with a small staff and electronic banking aids. A video terminal displays product information and customers conduct routine banking at *Express Stop* ATMs. Personal banking officers counsel customers on loans and investment products such as *Market Rate* and *Individual Retirement Accounts.*

While some 600,000 Wells Fargo consumers bank electronically, our customers also continue to rely on the individualized service of the personal banking officer. During the year, this corps of knowledgeable bank officers increased to 565, offering valuable assistance to consumers in this era of deregulation as they contemplate a wide array of bank services.

Consumers outside of California look to Wells Fargo for innovative consumer loans that are provided by Wells Fargo Credit Corporation, headquartered in Scottsdale, Arizona. Through six regional offices in five states, the consumer finance subsidiary offers a variety of loans, among them *Equity Advantage,* auto leasing and loans secured by stocks, bonds and real estate.

A Houston office was opened in 1983, supplementing the business development efforts of the Dallas office, which opened in late 1982, in the active Texas market. Another Company subsidiary, Wells Fargo Insurance Services, provides credit-related insurance coverage for borrowers of both the Credit Corporation and the Bank.

In early 1984, Wells Fargo introduced a new individual retirement account (IRA), *Next Stage IRA,*™ that offers consumers the choice of two investment funds, five different deposit options for investing, plus self-directed securities investments. Deposits in the Bank's IRAs have grown now to more than $500 million, the second largest bank IRA portfolio in the nation.

Wells Fargo's expertise in providing sound, reliable personal trust services to individuals and families continues to make it a leader in California. The Bank has trust offices in 10 communities in the state and knowledgeable trust officers who counsel customers on a wide range of financial service options.

As in the past, consumers represent a vital part of Wells Fargo's customer base, and the Company is committed to continue profitably delivering innovative and convenient services to individuals and families in California and beyond.

Delivering to business across the nation

During 1983, Wells Fargo expanded its services to the nation's businesses. The Bank has developed a wide range of capabilities to meet their specialized needs for credit and financing, and to serve the increasing requirements for more comprehensive financial data by companies of all sizes.

In a year that saw growth of only 3.2 percent in commercial and industrial loans nationwide, Wells Fargo's average commercial loans increased 17 percent. The Bank's Commercial Banking Group, which is targeted toward small and mid-sized firms and their executives in California, increased its loans outstanding by more than 30 percent.

Medium-sized businesses have a need for secured and unsecured loans and lines of credit, including specialized asset-based financing, trade financing, cash management and other operational services. Typically, these customers utilize a higher percentage of their loan commitments than most borrowers. Entrepreneurs and professionals are also served by the Commercial Banking Group with personalized private banking programs and imaginative financing.

Loan decisions for this important market are made locally, in one of the 25 regional commercial banking offices in key communities throughout the state. New regions were established during the year in Salinas, Walnut Creek, San Bernardino, Santa Rosa and the Imperial Valley. Special trade finance offices are located in Los Angeles and San Francisco.

In many of these offices, Wells Fargo offers specialized expertise in certain industries such as garment manufacturing, entertainment, high technology, warehousing, distribution and agribusiness.

The Company is the nation's second largest private lender to agriculture through the Bank's agricultural lending experts in California and Wells Fargo Ag Credit, a nonbank subsidiary headquartered in Englewood, Colorado.

Wells Fargo agribusiness customers include growers, processors, distributors and many businesses supporting agriculture in California, the leading agricultural producing state in the U.S. Specialized ag loan departments—located in California agricultural communities in the San Joaquin, Sacramento, Salinas, Imperial and Coachella Valleys—serve agribusiness customers from Oregon to the Mexican border.

Wells Fargo Ag Credit, which serves agribusiness customers nationwide through six offices, encountered severe loan losses, reflecting the troubled nature of the agricultural economy in the Rocky Mountain and midwestern states. In 1983, this subsidiary was restructured to improve its performance and to bring it to the standards experienced by our agricultural lending operations in California. We remain committed to this market and believe the new organization will be an important contributor to our overall success in the years ahead.

The Corporate Banking Group, the Trust and Investment Group and three other nonbank subsidiaries of the Company are also organized to specifically provide expertise and financial services to business markets.

Through offices in Atlanta, Chicago, Dallas, Denver, Los Angeles, New York and San Francisco, the Corporate Banking Group delivers loans, lines of credit and operational services to large corporations. In a fiercely competitive year, Wells Fargo's corporate bankers maintained the Company's share of the market and expanded marketing efforts to add new customers, especially among medium-sized companies outside of California.

Corporations, utilities and institutions are among the customers taking advantage of Wells Fargo's expertise in mini and micro computers to improve their financial performance. The *MicroExpress* advanced treasury management system retrieves overnight account information so that corporate treasurers can make their daily investment and borrowing decisions in time to obtain the most favorable rates available when the markets open. Investment management clients of Wells Fargo Investment Advisors (WFIA) rely on a minicomputer named ROSCO to monitor their portfolios and ROSCO plays an integral part in the investment management of WFIA's commingled index funds.

To meet the requirements of large corporations for accurate, immediate information 24 hours a day, the Company continued work begun in 1982 to build new operational capacity. The addition of new technologies to our electronic payment systems now gives corporate customers more analytical information about their accounts faster than ever before.

At dawn in an office alongside a plant, a warehouse or a ranch, a company's money manager can now check a personal computer to review the day's financial picture, determine the amount of funds available and transmit a message to the Bank. Within minutes, company funds are moved and invested.

The new Wells Fargo *MicroExpress* cash management system performs this service daily for customers across the U.S. Introduced in May, *MicroExpress* is one of several sophisticated cash management services designed to help corporate treasurers manage money electronically using their own personal computers. Through WESTNET, Wells Fargo also provides a multi-state lockbox, cash concentration and controlled disbursement network.

During 1984, the Company will introduce an automated letter of credit to provide more rapid service for firms active in international trade.

This same operational excellence is provided to correspondent banks, thrift institutions and others in the financial services industry through Wells Fargo's Financial Institutions Division.

Wells Fargo's analytical approach to lending is a matter of pride to the organization and recognized nationally. The Company's Uniform Credit Analysis program, developed in 1976 to train Wells Fargo lending officers, has been adopted for use throughout the country by Robert Morris Associates, the professional association of bank credit executives.

For merchants who are credit card customers of Wells Fargo, the Bank provides *WellService*, a point-of-sale terminal that verifies a credit card or check electronically. The largest merchant terminal network in the nation, *WellService* streamlines processing so that the day's credit card receipts are deposited faster. The Bank's fees from these merchants increased in 1983 by 40 percent as retail sales improved and the Bank gained a greater share of market of those sales made by means of a charge card.

For large and small companies and unions, the management of private pension and employee benefit funds is a complex and significant issue. A greater number of these firms are seeking the help of Wells Fargo's Trust and Investment Group. Wells Fargo Investment Advisors is recognized as a national leader for its unique approach to investment management—involving index funds and related investment management techniques derived from modern portfolio theory. With more than $13 billion under management, this division counts many of the Fortune 100 among its clients. Wells Fargo pioneered the stock index fund idea in 1971 and has the nation's largest such fund today. The *Bond Index Fund*, the *Yield Tilt*™ *Fund*, the *Extended Market Fund*, the *International Index Fund* and a funds allocation service round out an innovative line of investment choices for companies.

Now similar services are being offered to mid-sized California businesses. *Retirement Advantage*,™ introduced in the fall of 1983, is a prototype program that can be tailored for employers who provide pension plans, thrift plans and profit sharing plans. This program combines the functions of investment management and plan trusteeship efficiently for maximum advantage to employers.

Wells Fargo delivers services to businesses outside of California through several nonbank subsidiaries. Wells Fargo Business Credit, a company based in Dallas, Texas, specializing in commercial finance, saw a 49 percent increase in loans collateralized by customers' assets. Customers of Business Credit are often fast-growing, smaller firms with a need for financing, and include electronics firms, manufacturers and service industries.

Wells Fargo Leasing Corporation introduced a new vendor leasing program this year that is targeted to serve manufacturers of office equipment, computers and materials handling equipment. Through offices in three states, Wells Fargo Leasing syndicates term leases for the acquisition of capital equipment by major corporations and mid-sized companies.

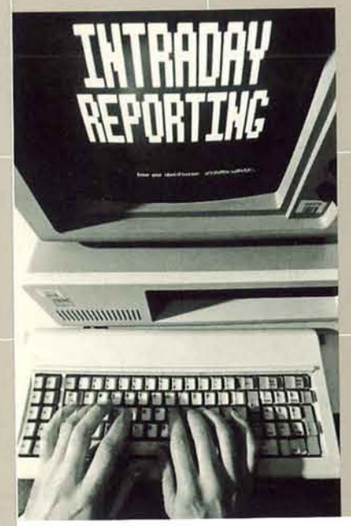
Wells Fargo Capital Markets, Inc., founded in January 1983, became profitable in its first year of operation. The subsidiary generates fee income for the Company by making private placements, syndicating loans and arranging leveraged buyouts for businesses. During the year, the subsidiary worked closely to arrange financing for customers of both the Corporate and Commercial Banking Groups.

To concentrate our resources on those services where we believe Wells Fargo adds greatest value, the Company will selectively withdraw from certain businesses. In 1983, Wells Fargo sold the Corporate Agency and Corporate Trust Departments, which specialize in stock registration and transfer. In early 1984, the Company announced the sale of the Institutional Counsel Service, an advisory service designed to serve money managers.

Delivering to the real estate industry

To builders in California and across the U.S., Wells Fargo is well known for its expertise in providing innovative financial services through the Bank's Real

Business customers rely on Wells Fargo's new *Global Funds Transfer System* to transmit letter of credit payments and other funds around the world. More than 2,500 customers use the wire transfer system, which processes domestic and international payments representing billions of dollars that transfer daily through the Federal Reserve. *Intraday Reporting*, a computerized time-sharing service that reports daily balances and funds to business subscribers, is part of the Bank's innovative *Information Express*, a cash management system.



The Bank's architecturally striking computer center in El Monte in Southern California represents a major investment in an advanced data processing structure. In addition to running many of the Company's computer applications, the center and its highly skilled staff provide a backup facility for the principal computer center in Northern California.

Estate Industries Group and two nonbank subsidiaries, Wells Fargo Realty Advisors and Wells Fargo Mortgage Company.

The Bank's Real Estate Industries Group serves California-based developers with construction loans and interim "standing" loans. The Group serves mortgage companies across the nation by warehousing mortgages—that is, making loans to finance single-family mortgages originated by these firms until they are sold ultimately to investors.

New loan volume during 1983 increased 74 percent over the activity of 1982 and represented another record for the Group. Lending to developers of single-family homes was extremely strong. The Group found many opportunities to finance income properties as well, although some geographic markets required extreme selectivity due to overbuilding.

During 1983, the Group reduced its problem loans outstanding, closing the year with a total of $96 million in real estate owned and nonearning loans, down from a peak of $212 million in October of 1982.

Entering 1984, therefore, the Group has brought problem assets to a low level, and is well positioned to post significant growth in its business with developers in California.

For the eighth consecutive year Wells Fargo Realty Advisors, Wells Fargo & Company's first nonbanking subsidiary, recorded increased profitability. Realty Advisors provides real estate financing outside of California through a network of 11 regional offices. New offices were opened in Washington, D.C., and Tampa, Florida.

The loans outstanding in Realty Advisors' portfolio increased 14 percent in 1983, while nonearning assets were less than 1 percent of the loan portfolio. New business grew by more than $250 million in 1983 to $842 million. Prospects for new loans appear bright, as Realty Advisors entered 1984 with a record high volume of loans in process.

In addition to real estate lending, Realty Advisors provides investment advisory services to Wells Fargo Mortgage and Equity Trust, a real estate investment trust listed on the New York Stock Exchange; Wells Fargo Real Estate Equity Fund, an investment fund for U.S. employee benefit trusts; and The Wells Fargo Property Unit Trust, a United Kingdom-based investment trust which invests in U.S. real estate.

Wells Fargo Mortgage Company enjoyed a strong year in 1983, producing records in loan servicing, in net income and in originating commercial and residential loans. The mortgage servicing portfolio at the end of 1983 was nearly $4.7 billion, up from $4.4 billion the year earlier. Although the general improvement in the real estate market associated with lower interest rates contributed to the improved performance, a significant portion of the gain resulted from new programs initiated in 1981 and 1982.

Of particular note was the Mortgage Company's success in originating and servicing various city and county mortgage revenue bond programs that enable first-time home buyers to finance home purchases at below-market interest rates. During 1983, Wells Fargo Mortgage Company successfully bid on over $650 million of these commitments in California and expects to fund more than $1 billion of these loans during the next three years.

As a result of the Company's ongoing review of all its lines of business, Wells Fargo Realty Services, a small Southern California data processing service for resort and recreational land developers, was sold to another financial organization in 1983.

Delivering financial services abroad

The International Banking Group made significant strategic changes in 1983, emphasizing trade-related services to U.S. companies doing business in the Far East, and to companies in the Pacific Basin doing business in California and the West.

Wells Fargo's total foreign loans at the close of 1983 amounted to $3 billion or about 14 percent of the Company's total loans. The greatest concentration of the Company's foreign loans is in Latin America. Additional discussion of foreign outstandings can be found in Management's Review and Analysis on page 41 of this report.

While the Company sees improvement in Mexico's economic health, we recognize the complexities of the debt problem in several Latin American nations. Wells Fargo is taking an active role within the international banking community to find long-term solutions to this critical subject.

Restructuring of loans to Mexico and Brazil, in cooperation with the International Monetary Fund, has narrowed the Company's interest spreads. However, with the perspective that comes from more than 100 years of banking in Latin America, Wells Fargo expects these resource-rich Latin American economies will regain momentum in time. Essential to this recovery is a program of debt restructuring that restores a normal flow of credit as quickly as possible.

The remainder of foreign loans were spread among more than 70 countries.

In setting a new direction, the International Banking Group established a California Division to spearhead its goal of providing more import and export financing and trade documentation services to California-based companies. Operating out of the state's key trade centers, our international banking officers are aggressively marketing these services to the thousands of medium-sized companies in California.

This market is large and growing, for California, when considered by itself,

Turnaround time on loan decisions has been shortened for commercial and residential developers who are customers of the Bank's Real Estate Industries Group (REIG) since the Group's Professional Office System (PROFS) computer network became operational in 1983. REIG's eight offices in California are connected to the PROFS network, which allows staff members to communicate instantaneously with each other and simultaneously send information to all Group officers working on a particular project. With the computer's split screen capability, REIG officers give clients an overall picture of their project's status, including loans outstanding and financial analysis.

ranks as the seventh largest among trading nations in the world. Wells Fargo has charted foreign trade patterns particularly in the Pacific Basin, and is positioning international trade specialists in key locations abroad.

A new Global Funds Transfer System (GFTS) was installed during the year, streamlining the transfer of between $8 billion and $10 billion every day for some 2,500 corporations, businesses and banks in the U.S. and abroad. GFTS combines payment processing systems used to serve both domestic and international transfers. It expands Wells Fargo's capacity to serve a greater number of customers and to add new money transfer services. Lower operating costs and more sophisticated and effective internal audit controls are also expected from this investment.

During the year, several international operations were decentralized and moved into regional centers in the U.S. and in foreign locations, to be even more responsive to customers.

To reduce operating costs in certain markets, the Bank closed international representative offices in Frankfurt, Bombay, Lima, Santiago and Bogota. Wells Fargo continues to operate branch offices in Hong Kong, Singapore, Tokyo, Buenos Aires, London, Milan and Nassau, and maintains 11 representative international banking offices.

The Company also operates international banking facilities in New York and Miami.

Wells Fargo Bank Canada, headquartered in Calgary, Alberta, serves mid-sized companies in the western provinces with wholesale lending, foreign exchange and other international services.

With its newly defined strategies well in place at the end of 1983, Wells Fargo intends to aggressively pursue trade finance opportunities that are especially appropriate because of our geographical position.

Personnel developments

In 1983, Wells Fargo employees, fewer in number than for several years, made a determined commitment to work more productively, a critical necessity in the new environment of deregulation. At year end, the staff could count many successes.

"Ideas for the '80s," the Company program to encourage and reward employees' dollar-saving ideas and suggestions, saw increased participation and a series of tangible cost savings in almost every division of the organization.

At mid-year, the Company launched a "war" on paper. As a part of this paper reduction campaign, departments throughout the organization actively reviewed operations, changed procedures, simplified forms, reduced staff bulletins and duplicate reports, discarded files and made greater use of our electronic mail systems. At the end of the first six months, paper purchases for the Company were down, and enthusiasm among the staff for additional paper reduction programs continues to run high.

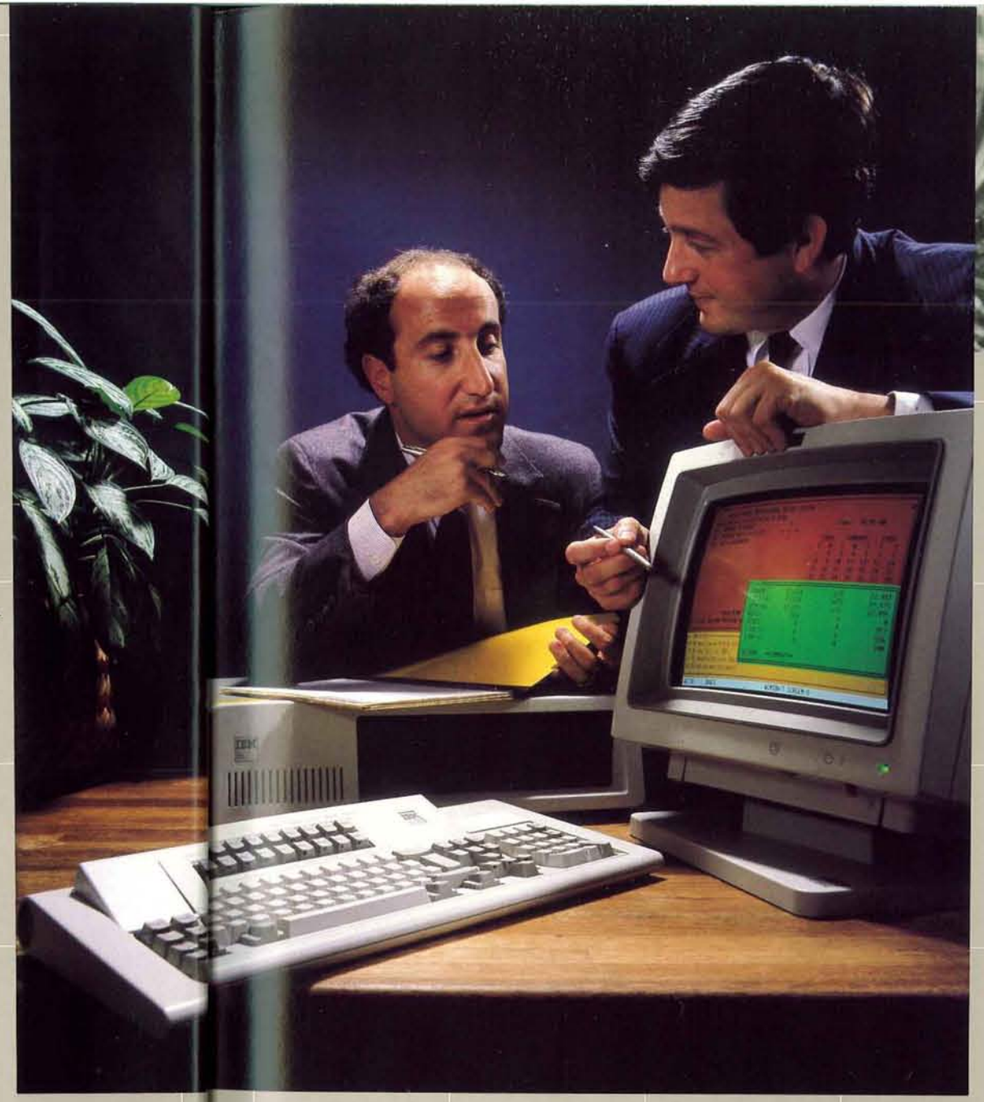
During 1983, Wells Fargo installed a new computer system for personnel management. This system integrates more efficiently personnel reporting, record-keeping and benefits information.

The Company introduced the first of several changes and refinements to its employee benefit plans. A new Tax Advantage Plan for staff members became effective January 1, 1984, replacing the Company's Incentive and Savings Plan. Due to changes in tax law, employees now may contribute up to 10 percent of their base pay, before taxes are deducted. After three years of eligibility, their contributions will be matched by the Company dollar-for-dollar up to 4 percent of their pay.

Wells Fargo staff members continue to be our greatest resource. In the first full year of bank deregulation, Company employees proved to be resilient in the face of numerous changes and were especially dedicated to serving our customers well. At year end, the Company's staff numbered 16,200, on a full-time equivalent basis.

Services to the community

In this age of advanced technology and electronic innovations, Wells Fargo continues to be deeply involved in the well-being of the communities we serve. Despite the closures of branch offices in some of the neighborhoods we have served in the past, our commitment to the credit requirements of those communities remains strong.



More than 30,000 tapes containing three billion bytes of data processing information form the core of Wells Fargo's sophisticated systems and programming operations.

Helping us meet our responsibilities as a corporate citizen are the Community Development and Urban Affairs Division, the Wells Fargo Foundation and the Corporate Responsibility Committee.

The primary charge of the Community Development and Urban Affairs Division is to ensure that the Company's numerous departments identify and fulfill the credit needs of the diverse groups in our market areas, including people with low and moderate incomes.

During 1983, the Bank participated in several valuable projects designed to bring housing and neighborhood rehabilitation to urban areas.

In San Francisco, Wells Fargo played a pivotal role in the development of a 396-unit rental housing project in the city's South-of-Market-Street area. The project was financed with a $40 million mortgage revenue bond issued by the city's Redevelopment Agency, secured by a letter of credit from Wells Fargo. This development is the first major rental project to be constructed in San Francisco in 20 years.

Wells Fargo was also instrumental in helping to provide affordable housing in Los Angeles, when the Bank entered into an agreement with the Los Angeles Community Redevelopment Agency to help finance single-family owner-

In an unusual project to promote self-service banking to San Francisco's Hispanic community, Bank offices in the city's Mission District hired seven bilingual students to give demonstrations of *Express Deposit* boxes in lobbies and *Express Stop* machines. In the four offices where the pilot project ran during December and January, self-service banking increased significantly. Here, a customer at the Mission-22nd Street office learns how to complete an *Express Deposit* transaction.

occupied housing and multi-family rental units with two special low-interest loan programs.

The Hollywood Redevelopment Agency also received a special grant from Wells Fargo to develop a master plan for rejuvenating the fading neighborhoods of the famous city. Wells Fargo was one of two banks that contributed to the model rehabilitation effort.

Throughout the state, Wells Fargo employees were active in civic task forces and community organizations as part of the Division's ongoing Community Contacts Program. During the year, more than 1,550 contacts with community groups were made by branch office and business center employees, who participated in innovative local projects.

In Davis, for example, staff members established a women's credit information and counseling network as a service to the many single and widowed women who voiced a need for such help. And in Seaside, we assisted the Small Business Assistance Program in providing financial aid and counseling to owners of small businesses.

In five communities around the state, staff members worked with local radio and cable TV stations to develop public service programs on credit issues, particularly relating to students, senior citizens and minorities.

Wells Fargo's LIFT Program, which serves individual consumers who are unable to qualify for credit under usual guidelines, completed its 11th year. The Bank's special loan program to support minority businesses that do not meet standard credit requirements observed its 15th year of activity.

The Wells Fargo Foundation makes a positive impact on California's communities and other areas where the Company has operations through grants to a diversity of nonprofit organizations. During 1983, a total of $3.2 million was disbursed by the Foundation, including educational matching gifts and United Way donations. Some 53 percent went to social services, 18 percent to education, 12 percent to civic activities, 14 percent to the arts and 3 percent to health agencies.

The Corporate Responsibility Committee helps guide the Company's overall corporate responsibility and social policy effort. During the year, the Committee helped to develop a Company-wide volunteer clearinghouse, which matches interested Wells Fargo employees with nonprofit organizations around the state that need help, and it addressed the need for a unified blood credit system on a national level.

The 1983 President's Award for Social Service was received by Margaret Grady, a teller instructor, for her work with REACH, an organization that combats juvenile crime and alcohol and drug abuse.

Within the Company, Wells Fargo continues to be totally committed to equal opportunity hiring and advancement. At year end, more than 71 percent of the staff were women and 37 percent were minorities. Of Wells Fargo officers, managers and professionals, more than 61 percent were women and nearly 24 percent were minorities.

Table of contents

Management's Analysis of Financial Operations

Overview

In 1983, net income increased 12 percent to $154.9 million. Net income per share for 1983 reached $6.03, compared with $5.81 in 1982 and $5.33 in 1981. Net of the major nonrecurring items discussed below, 1983 net income per share increased 24 percent to $5.61. The comparable 1982 and 1981 per share amounts were $4.51 and $4.34, respectively.

Major nonrecurring items in 1983 consisted of a $10.0 million pretax gain on the sale of property in San Francisco and net favorable prior years' tax-related adjustments of approximately $4.4 million. Included in 1982 net income were nonrecurring items consisting of the sale of two properties ($48.3 million pretax), a favorable adjustment of prior years' deferred taxes ($8.6 million), gains on distributions to the Bank of appreciated equity securities distributed by an unconsolidated small business investment company subsidiary ($7.5 million pretax), partially offset by a special contribution to the Wells Fargo Foundation ($3.0 million pretax) and by two, $10.0 million additions to the allowance for loan losses.

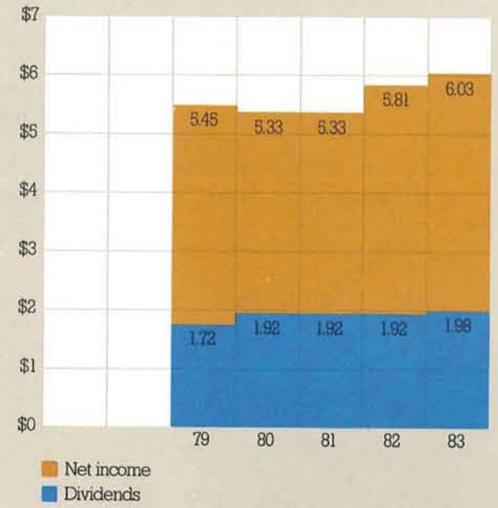
Interest differential—net interest income on a taxable-equivalent basis—increased 10 percent to $964.8 million in 1983, on an increased interest spread of 27 basis points and a 4 percent higher volume of average total earning assets. A reduction in the overall yield on total earning assets of 174 basis points was more than offset by the 202 basis point reduction in the rate of funding these assets, reflecting the lower, full-year interest rate environment in 1983 compared with 1982, and the successful management of interest rate risk.

Other income decreased 6 percent in 1983 to $275.8 million, compared with an increase of 26 percent in 1982. Net of major nonrecurring items, other income increased 12 percent in 1983 highlighted by a 24 percent increase in trust and corporate agency income and a 17 percent increase in service charges on deposit accounts.

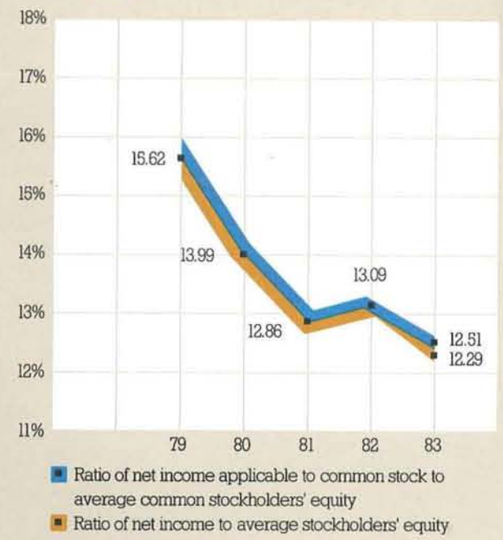
Reflecting the Company's emphasis on controlling non-interest expense, other expense increased by less than 1 percent in 1983, down from the 12 percent increase in 1982 over 1981. Salaries increased by less than 3 percent in 1983 compared to a 1982 increase over 1981 of 9 percent. Net occupancy and equipment expense were essentially unchanged in 1983 following a 31 percent and 20 percent increase, respectively, in 1982.

Non-accrual and restructured loans were $748.6 million, or 3.7 percent of total loans (net of unearned income) at December 31, 1983, compared with $561.1 million, or 2.8 percent of total loans (net of unearned income) at December 31, 1982. The provision for loan losses was $121.1 million in 1983, compared with $115.4 million for 1982. Net charge-offs as a percentage of average loans outstanding was .56 percent for 1983 compared with .42 percent for 1982.

A. Net income & dividends per common share ($)



B. Return on stockholders' equity (%)



Five-year summary of selected financial data

(Dollars in thousands, except per share data)	1983	1982	1981	1980	1979	Change 1983/1982	Five-year compound growth rate 1978–1983
INCOME STATEMENT							
Net interest income	$914,994	$821,897	$730,968	$677,638	$691,522	11 %	9 %
Provision for loan losses	$121,109	$115,417	$ 63,428	$ 77,008	$ 65,596	5	20
Other income	$275,816	$292,367	$232,042	$163,452	$ 96,850	(6)	25
Other expense	$840,008	$835,045	$744,220	$590,829	$528,669	1	14
Net income	$154,900	$138,638	$123,988	$121,864	$123,416	12	7
Per common share							
Net income	$6.03	$5.81	$5.33	$5.33	$5.45	4	4
Dividends declared	$1.98	$1.92	$1.92	$1.92	$1.72	3	7
BALANCE SHEET							
Total assets	$27,017,621	$24,814,047	$23,219,189	$23,638,063	$20,593,124	9	8
Long-term debt and obligations under capital leases	$ 270,494	$ 277,525	$ 241,782	$ 285,319	$ 340,504	(3)	(6)
Stockholders' equity	$ 1,347,771	$ 1,100,435	$ 1,020,932	$ 913,573	$ 834,095	22	13

The Company's effective tax rate increased to 33 percent in 1983 compared with 15 percent for 1982. The comparative increase in 1983 resulted primarily from the increase in income subject to tax, a decline in tax-exempt interest income and the adjustment in 1982 of prior years' deferred taxes.

In March 1983, the Company issued 3,000,000 shares of Adjustable Rate Cumulative Preferred Stock, Series A, with a stated value of $50.00 per share. Refer to note 7 to the financial statements on page 64 for discussion of the redemption and dividend provisions. In 1983, $400 million of intermediate-term notes were issued in the domestic capital market. Refer to page 43 for discussion of Intermediate-term debt.

Total common stock dividends declared in 1983 were $1.98 per share compared with a $1.92 per share in both 1982 and 1981. In the fourth quarter of 1983, the common stock dividend declared was increased to $.54 per share from $.48 per share.

Under a rule change by the Securities and Exchange Commission (S.E.C.), effective December 31, 1983, bank holding companies no longer report their earnings as "income before securities transactions." Instead, securities gains or losses are reported as a component of other income with the associated tax effect included in the income tax provision, and results are reported as "net income." As permitted by the S.E.C., the Company made this change effective in the first quarter of 1983. All prior periods have been reclassified to reflect this change. Such reclassifications had no effect on net income.

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

Table 1 Ratios and statistics

	Year ended December 31,		
	1983	1982	1981
PROFITABILITY RATIOS			
Net income to:			
Average total assets	.61%	.56%	.51%
Average stockholders' equity	12.29	13.09	12.86
Net income applicable to common stock to:			
Average common stockholders' equity	12.51	13.09	12.86
CAPITAL RATIOS			
Year-end balances:			
Equity/assets (equity divided by assets)	4.99	4.43	4.40
Primary capital/assets (1)	5.68	5.16	5.02
Total capital/assets (2)	7.20	6.43	6.08
Average balances:			
Equity/assets	4.95	4.27	3.98
Primary capital/assets (1)	5.68	4.89	4.57
Total capital/assets (2)	6.97	5.91	5.46
Dividend payout per common share (3)	32.84	33.05	36.02
Book value per common share	$50.15	$46.62	$42.38
STATISTICAL SUMMARY			
Market prices of common stock (4):			
High for year	$41¾	$34	$35⅝
Low for year	$26¼	$18¾	$24⅞
Year end	$39⅝	$26⅞	$25½
Other year-end data:			
Number of stockholders (5)	23,100	24,000	23,900
Number of shares outstanding	23,881,810	23,606,721	24,090,184
Company staff (full-time equivalent)	16,200	17,100	18,500
Number of domestic and foreign banking offices	380	394	403

(1) As based on regulatory concepts, primary capital is defined as stockholders' equity and allowance for loan losses exclusive of the "Allocated Transfer Risk Reserves" (ATRR) discussed on page 39.

(2) As based on regulatory concepts, total capital is defined as stockholders' equity, allowance for loan losses exclusive of the ATRR, subordinated notes/debentures of the Bank and unsecured long-term debt of the Parent and its nonbank subsidiaries.

(3) Dividends declared per common share as a percentage of net income per common share.

(4) Based on daily closing prices listed in Wall Street Journal—composite transactions.

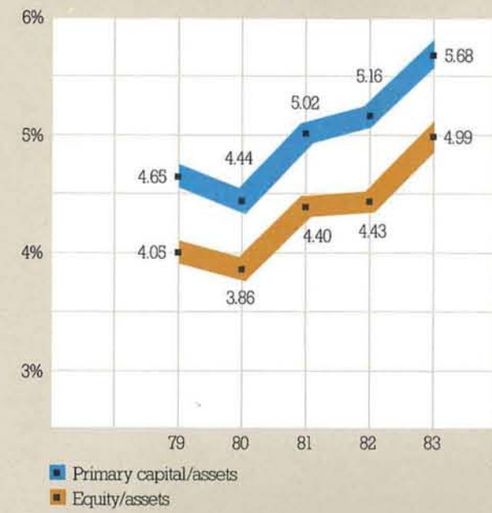
(5) Determined based on actual number of open accounts with outstanding shares at year end.

RETURN ON STOCKHOLDERS' EQUITY—net income as a percentage of average stockholders' equity—was 12.29 percent in 1983. This compares to 13.09 percent in 1982 and 12.86 percent in 1981. Net income applicable to common stock as a percentage of average common stockholders' equity was 12.51 percent in 1983. These ratios reflect the profitability of the shareholders' investment and are influenced by leverage and the overall return on assets.

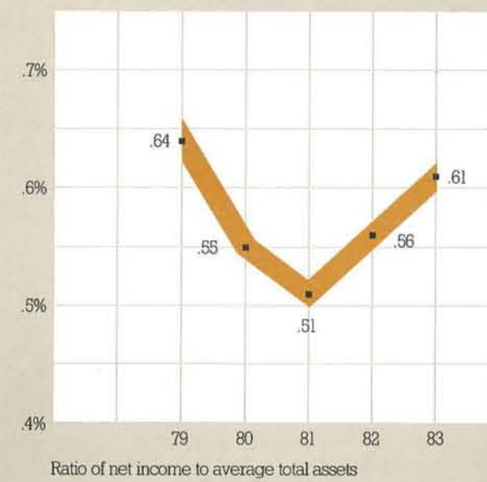
RETURN ON AVERAGE ASSETS—net income divided by average total assets—increased to .61 percent in 1983 from .56 percent in 1982 and .51 percent in 1981. This ratio is a measure of the profitability of the resources utilized by the Company.

CAPITAL RATIOS—stockholders' equity divided by assets—increased to 4.99 at December 31, 1983 compared to 4.43 at December 31, 1982 and 4.40 at December 31, 1981. The primary capital ratio (defined in Table 1) increased to 5.68 at December 31, 1983 compared to 5.16 at December 31, 1982 and 5.02 at December 31, 1981. These ratios measure the proportion of permanently committed funds to the total asset base and reflect the continued strengthening of the Company's capital position. Refer to page 43 for management's discussion of the Company's capital adequacy.

C. Capital ratios at year end (%)



D. Return on average total assets (%)



Earnings performance

The Condensed consolidating statement of income on page 22 shows the principal groups of entities and their contribution to 1983 consolidated net income. Net income of the Bank increased 16 percent in 1983 to $127.4 million. The Company's finance subsidiaries, which consist of Wells Fargo Ag Credit, Wells Fargo Business Credit, Wells Fargo Credit Corporation, Wells Fargo Leasing Corporation, Wells Fargo Mortgage Company and Wells Fargo Realty Advisors are all wholly owned by the Parent. Through these subsidiaries, financial services are offered outside as well as within the state of California. The finance subsidiaries combined net income decreased 32 percent in 1983 following a 57 percent increase in 1982. This decrease was the result of a $15.5 million net loss reported by Wells Fargo Ag Credit in 1983 compared with net income of $.5 million in 1982. Problem loans were the most significant factor affecting the results of operations of Wells Fargo Ag Credit.

Condensed consolidating statement of income

(In thousands)					Year ended December 31, 1983	
	Wells Fargo & Company (Parent)	Wells Fargo Bank, N.A.	Finance subsidiaries	Other subsidiaries	Eliminations and reclassifications	Consolidated Wells Fargo & Company
INTEREST INCOME						
Interest and fees on loans	$ 6,484	$2,128,648	$344,500	$ 1,454	$ —	$2,481,086
Interest on securities	4,525	50,535	796	795	(100)	56,551
Interest on intercompany loans	278,770	26	114	56,538	(335,448)	—
Other	—	176,326	25	339	—	176,690
Total interest income	289,779	2,355,535	345,435	59,126	(335,548)	2,714,327
INTEREST EXPENSE						
Interest on deposits	—	1,383,160	—	—	(321)	1,382,839
Interest on borrowings	251,647	124,140	517	43,526	(100)	419,730
Interest on intercompany borrowings	43,525	41,555	237,767	12,280	(335,127)	—
Total interest expense	295,172	1,548,855	238,284	55,806	(335,548)	1,802,569
Amortized gain on interest rate hedging	—	3,236	—	—	—	3,236
Net interest income	(5,393)	809,916	107,151	3,320	—	914,994
Provision for loan losses	—	84,000	37,004	105	—	121,109
Net interest income after provision for loan losses	(5,393)	725,916	70,147	3,215	—	793,885
Equity in earnings of subsidiaries	153,536	—	—	—	(153,536)	—
Other income	11,568	236,287	30,932	12,342	(15,313)	275,816
Other expense	8,550	773,976	61,647	11,148	(15,313)	840,008
Income before income taxes	151,161	188,227	39,432	4,409	(153,536)	229,693
Less applicable income taxes	(3,739)	60,811	16,203	1,518	—	74,793
Net income	$154,900	$ 127,416	$ 23,229	$ 2,891	$(153,536)	$ 154,900

Interest differential and spread

Net interest income is the difference between interest income (which includes certain loan-related fees) and interest expense. Net interest income on a "taxable-equivalent" basis is referred to as interest differential. The interest differential expressed as a percentage of average total earning assets, is referred to as the "spread." The spread illustrates the average net effective rate earned by the Company on its earning assets.

Since income tax savings are realized on certain forms of revenue which are tax-exempt or are subject to special treatment under income tax laws and regulations, the financial summary is prepared on a taxable-equivalent basis. This results in such revenue being shown on a basis comparable with revenue from fully taxable income-producing assets. Table 2 lists the items which are adjusted to a taxable-equivalent basis and reconciles interest differential with net interest income as shown in the consolidated statement of income.

The taxable-equivalent adjustment is based on the 46% federal tax rate and reflects the state tax applicable to income from securities and loans which are 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 not been included in the determination of the interest differential since the corresponding liability does not fund an earning asset. Capitalized interest on Company-constructed fixed assets is also omitted from the financial summary. Management believes that presentation of the actual interest incurred to obtain funds is more meaningful. Beginning in 1982, interest expense includes amortization of costs associated with debt issuance. Prior to 1982, such expense had been presented in other expense. Such costs are not material to the Company's financial statements.

Non-earning and partially earning loan balances, and related income are included in their respective categories in the financial summary. Further detail of such loans begins on page 36. In the financial summary, the average allowance for loan losses is included in other assets and was $197 million, $162 million and $152 million in 1983, 1982 and 1981, respectively.

Table 2 Taxable-equivalent adjustments to interest income

(In millions)	Year ended December 31,		
	1983	1982	1981
Net interest income per consolidated statement of income	$915.0	$821.9	$731.0
Taxable-equivalent adjustment to obligations of states and political subdivisions	12.2	21.2	31.0
Taxable-equivalent adjustment to reflect the deduction of dividends received on holdings of preferred stock	2.9	—	—
Taxable-equivalent adjustment for the municipal portion of trading account securities	.1	.2	.2
Taxable-equivalent adjustment to loans to states and political subdivisions	8.4	13.0	16.7
Taxable-equivalent adjustment to reflect the effect of investment tax credit on leasing	14.3	13.7	9.0
Total taxable-equivalent adjustment	37.9	48.1	56.9
Imputed interest expense on capital leases excluded from the interest differential	12.5	7.7	5.6
Capitalized interest on funds borrowed excluded from the interest differential	(.6)	(2.5)	(3.9)
Interest differential	$964.8	$875.2	$789.6

Interest differential is affected by six variables: 1) the volume and mix of earning assets, 2) yields earned on those assets, 3) related fees earned, 4) the volume and mix of interest-bearing liabilities, 5) rates paid on those liabilities and 6) the proportion of non-interest-bearing funding sources.

The interest differential was $964.8 million in 1983, up 10 percent from $875.2 million in 1982. This compares to an 11 percent increase from 1981 to 1982. The spread improved by 27 basis points in 1983 following a 21 basis point improvement in 1982, as the overall yield on earning assets continued to decline at a slower pace than the reduction in the rate paid for funding these assets. In both years, the spread was adversely affected by an increase in non-earning and partially earning loans.

Beginning in 1983, the effects of interest rate hedging transactions are shown as a separate line following "total funding sources" and the related average balances are included with other non-interest-earning assets. In prior years, these amounts were included as a component of "total earning assets." All prior years have been reclassified to reflect this new presentation. Refer to page 31 for further discussion of the new presentation.

Effective January 1, 1983, second mortgages and other junior lien loans to individuals which are secured by 1-4 family residential properties, have been classified as consumer loans in the financial summary. In prior periods, portions of these balances were included in the real estate mortgage loan and consumer loan categories. The 1983 average consumer loan balance included approximately $501 million that was previously classified as real estate mortgage loans. Periods prior to 1983 have not been reclassified for this change as complete information is not available. Because complete information is not available, the reclassification is not reflected in the following tables for all periods shown: Loan fees and sundry interest on pages 27 and 44, Loans 90 days or more past due on page 38 and Net charge-offs by category on page 40.

Yields Interest rates in 1983 declined at a much slower pace than in 1982. However, the yield on average total earning assets decreased 174 basis points to 12.34% compared with a 1982 decrease of 114 basis points. The prime rate ranged between 11.5% and 10.5% in 1983 compared with a range of between 17.0% and 11.5% in 1982.

Yields linked to the prime rate and to the London Interbank Offered Rate continued to decline more than other yields in 1983. The foreign loan yield declined 373 basis points; commercial loans, 332 basis points; interest-earning deposits, 306 basis points; and real estate construction related loans declined 262 basis points. Relatively high levels of non-accrual and partially earning loans reduced foreign and commercial loan yields. The lower level of interest rates did not have a significant effect on the yield for asset categories where funds are committed for longer periods at fixed rates.

Financial summary Average balances, rates paid and yields

(yields on a taxable-equivalent basis)

(Dollars in millions)	1983 Average balance	1983 Yields or rates	1983 Interest income/ expense	1982 Average balance	1982 Yields or rates	1982 Interest income/ expense	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-earning deposits	$ 1,342	10.74%	$ 144.1	$ 1,756	13.80%	$ 242.4	$ 1,403	16.55%	$ 232.2	$ 968	13.08%	$ 126.6	$ 434	10.75%	$ 46.6
Investment securities:															
U.S. Treasury securities	233	10.19	23.7	204	10.04	20.4	440	10.40	45.7	446	10.18	45.4	481	7.57	36.4
Securities of other U.S. government agencies and corporations	133	8.81	11.7	215	8.96	19.2	276	9.01	24.9	326	8.63	28.1	386	8.22	31.7
Obligations of states and political subdivisions	282	8.96	25.3	476	9.15	43.6	694	9.19	63.8	796	9.10	72.4	886	9.01	79.9
Other securities	67	16.35	11.0	35	7.56	2.7	59	10.98	6.5	52	7.75	4.0	67	8.22	5.5
Total investment securities	715	10.03	71.7	930	9.24	85.9	1,469	9.59	140.9	1,620	9.26	149.9	1,820	8.44	153.5
Trading account securities	111	9.39	10.4	85	14.41	12.3	62	16.02	9.9	49	12.01	5.9	30	10.85	3.3
Federal funds sold	233	9.53	22.2	187	11.89	22.2	226	16.61	37.6	112	13.57	15.2	136	11.10	15.1
Loans:															
Commercial	6,803	11.58	787.7	5,822	14.90	867.2	4,950	17.98	889.8	4,089	14.54	594.6	3,597	12.47	448.4
Real estate construction related (1)	2,194	12.68	278.2	2,166	15.30	331.4	1,890	18.98	358.7	1,420	16.46	233.8	1,054	14.05	148.1
Real estate mortgage (1)	4,962	11.14	552.9	5,634	11.16	628.5	5,669	10.92	618.9	5,368	10.34	555.0	4,256	9.44	401.5
Consumer	2,190	14.63	320.3	1,761	15.01	264.4	2,026	14.52	294.1	2,433	13.61	331.2	2,467	12.97	320.1
Lease financing	914	14.27	130.5	902	14.82	133.7	770	13.14	101.2	657	11.08	72.8	510	11.14	56.8
Foreign	2,839	11.90	337.8	2,302	15.63	359.7	2,074	18.08	375.0	1,995	14.32	285.7	2,182	12.45	271.7
Fees and sundry interest	—	—	96.4	—	—	85.1	—	—	68.5	—	—	59.1	—	—	83.3
Total loans	19,902	12.58	2,503.8	18,587	14.36	2,670.0	17,379	15.57	2,706.2	15,962	13.36	2,132.2	14,066	12.30	1,729.9
Total earning assets	$22,303	12.34	2,752.2	$21,545	14.08	3,032.8	$20,539	15.22	3,126.8	$18,711	12.99	2,429.8	$16,486	11.82	1,948.4
FUNDING SOURCES															
Interest-bearing liabilities:															
Deposits:															
Savings deposits (2)	$ 3,038	5.24	159.3	$ 3,700	5.28	195.3	$ 3,464	5.26	182.3	$ 3,179	5.27	167.5	$ 3,395	5.15	174.8
Market rate checking	225	6.98	15.7	—	—	—	—	—	—	—	—	—	—	—	—
Market rate savings	4,577	8.35	382.3	330	9.43	31.2	—	—	—	—	—	—	—	—	—
Savings certificates	4,295	10.46	449.3	5,787	12.86	744.1	5,105	13.95	712.0	3,811	11.31	431.0	2,673	8.84	236.2
Certificates of deposit	640	13.94	89.3	1,012	14.15	143.3	1,382	15.03	207.8	1,646	12.61	207.5	2,062	10.47	215.9
Other time deposits	679	9.96	67.6	1,125	12.82	144.1	1,093	15.23	166.4	1,003	12.79	128.3	763	10.14	77.4
Deposits in foreign offices	1,966	11.16	219.3	2,140	14.13	302.4	2,652	16.16	428.6	2,773	13.01	360.7	2,420	11.03	266.9
Total interest-bearing deposits	15,420	8.97	1,382.8	14,094	11.07	1,560.4	13,696	12.39	1,697.1	12,412	10.43	1,295.0	11,313	8.58	971.2
Funds borrowed (3)	1,171	8.78	102.9	1,315	12.84	168.8	1,313	17.40	228.4	1,210	13.35	161.5	1,339	10.75	143.9
Commercial paper	1,720	9.15	157.3	2,421	12.48	302.1	1,952	16.54	323.1	1,392	13.04	181.6	582	11.29	65.7
Intermediate-term and long-term debt:															
Intermediate-term debt	1,011	13.39	135.3	918	13.13	120.6	624	11.86	74.0	—	—	—	—	—	—
Long-term debt	169	7.29	12.3	172	7.19	12.4	202	7.44	15.0	—	—	—	—	—	—
Total intermediate-term and long-term debt (4)	1,180	12.52	147.6	1,090	12.20	133.0	826	10.78	89.0	681	9.39	63.9	374	7.99	29.9
Total interest-bearing liabilities	19,491	9.19	1,790.6	18,920	11.44	2,164.3	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	2,812	—	—	2,625	—	—	2,752	—	—	3,016	—	—	2,878	—	—
Total funding sources	$22,303	8.03	1,790.6	$21,545	10.05	2,164.3	$20,539	11.38	2,337.6	$18,711	9.10	1,702.0	$16,486	7.35	1,210.7
Amortized gain on interest rate hedging			3.2			6.7			.4			—			—
Spread and interest differential		4.33%	$ 964.8		4.06%	$ 875.2		3.85%	$ 789.6		3.89%	$ 727.8		4.47%	$ 737.7
NON-INTEREST-EARNING ASSETS															
Cash and due from banks	$ 1,713			$ 1,712			$ 1,853			$ 1,846			$ 1,781		
Other	1,422			1,561			1,814			1,498			1,002		
Total non-interest-earning assets	$ 3,135			$ 3,273			$ 3,667			$ 3,344			$ 2,783		
NON-INTEREST-BEARING FUNDING SOURCES															
Demand deposits	$ 3,420			$ 3,380			$ 3,644			$ 3,979			$ 3,779		
Other liabilities	1,267			1,459			1,811			1,510			1,092		
Stockholders' equity	1,260			1,059			964			871			790		
Non-interest-bearing funding sources used to fund earning assets	(2,812)			(2,625)			(2,752)			(3,016)			(2,878)		
Total net non-interest-bearing funding sources	$ 3,135			$ 3,273			$ 3,667			$ 3,344			$ 2,783		
TOTAL ASSETS	$25,438			$24,818			$24,206			$22,055			$19,269		

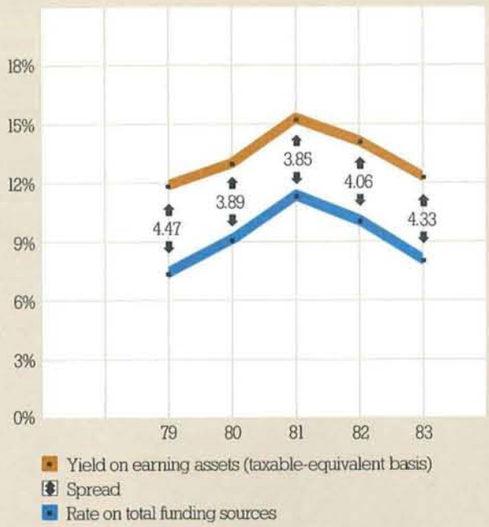
(1) See footnote 2 of Table 8 for information regarding the reclassification of real estate loans.

(2) Includes NOW and ATS accounts.

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

(4) Information relating to the breakout of intermediate-term debt and long-term debt is not available for 1980 and 1979.

E. Spread—annual (%)



In 1983, the yield on total investment securities increased 79 basis points, primarily due to investments in 1983 in certain marketable equity securities, the earnings on which are taxed at a preferential rate.

Rates paid The lower level of interest rates in 1983 also influenced the rates paid on most funding sources. The rate paid on average total funding sources decreased 202 basis points to 8.03%, compared with a 1982 decrease of 133 basis points.

The rate paid on total interest-bearing deposits declined 210 basis points, paced by declines in the rates paid on deposits in foreign offices, other time deposits and savings certificates. The average rate paid on market rate savings decreased 108 basis points to 8.35% after the initial high rates offered in late 1982 and early 1983.

The rates paid on short-term borrowings continued their steep decline in 1983. The rate paid on funds borrowed was down 406 basis points in 1983 and 456 basis points in 1982; and on commercial paper, 333 basis points and 406 basis points, for the same periods. The 13.39% average rate paid on intermediate-term debt in 1983 increased 26 basis points from 1982, primarily due to increased interest rates on debt denominated in a foreign currency.

Earning assets Total average earning assets rose 4 percent in 1983 to $22.3 billion compared with 1982's increase over 1981 of 5 percent. Average commercial loans grew 17 percent in 1983 to $6.8 billion following 1982's increase of 18 percent.

Average real estate construction related loans showed a small increase over 1982, primarily due to an increase in "standing loans." Refer to page 34 for discussion of "standing loans." Average real estate mortgage loan balances declined by 12 percent, primarily due to the junior lien loan reclassification, discussed on page 23. This reclassification was also partially responsible for the 24 percent increase in the average consumer loan balance.

The average foreign loan balance increased 23 percent in 1983, reflecting the draw-down of existing commitments and the extension of new amounts as part of certain foreign loan restructurings. However, the year-end 1983 balance increased only 4 percent over year-end 1982.

Refer to the Loan portfolio discussion beginning on page 33 for a discussion regarding fluctuations in the year-end loan balances.

Funding sources Total average interest-bearing liabilities grew 3 percent in 1983 to $19.5 billion compared to a 6 percent increase in 1982. Average total core deposits (defined on page 43) increased 18 percent in 1983 compared with 1982's increase over 1981 of 8 percent.

In 1983, the mix of funding sources continued to change in an environment of increasing deposit-rate deregulation. The market rate savings account—a $2,500 minimum balance limited transaction deposit account with no interest rate restrictions—offered for the first time in December 1982, had a 1983 average balance of $4.6 billion. Management estimates that approximately 40 percent of these amounts were deposited from accounts at other financial intermediaries, approximately 30 percent were shifted from lower-cost deposits within the Bank and the remainder came from maturing savings certificates and other time deposits of the Bank. Management believes that these accounts provide additional sources of deposits at rates more favorable than many other funding sources. The impact of the market rate savings account on asset/liability management is discussed on page 32.

Lower-cost savings deposits and interest-paying checking accounts combined represented 20 percent and 26 percent of average total interest-bearing deposits in 1983 and 1982, respectively.

Effective in 1983, the Depository Institutions Deregulation Committee reduced the minimum balance requirements on 13-week and 26-week Treasury certificate deposits and authorized an unlimited transaction market rate checking account (or "SUPER NOW") with no interest rate restrictions. The average market rate checking balance was $225 million in 1983.

The average balance of savings certificates decreased 26 percent to $4.3 billion in 1983 compared with an increase of 13 percent in 1982. This decline reflected transfers of funds to the market rate savings account. The average balances of certificates of deposit and other time deposits also decreased. Deposits in foreign offices decreased 8 percent in 1983 and 19 percent in 1982. Overall, average interest-bearing deposits increased to $15.4 billion in 1983, up 9 percent compared to a 3 percent increase in 1982. Average commercial paper outstanding decreased 29 percent in 1983 after an increase of 24 percent in 1982. Proceeds of this paper, sold by the Parent, are used primarily to fund the activities of the nonbank subsidiaries. When market conditions are advantageous, the Parent may also lend proceeds to the Bank.

Intermediate-term debt is primarily used to fund intermediate-term assets of the nonbank subsidiaries. The Company was an active participant in the intermediate-term debt markets in 1983 and 1982 with average balances increasing 10 percent and 47 percent, respectively. Refer to page 43 for further discussion.

Loan fees and sundry interest Total loan fees and sundry interest rose 13 percent in 1983 following a 24 percent increase in 1982. Table 3 presents these fees by major categories. Fees on mortgage loans more than doubled in 1983, reflecting increases in loan originations and an increased fee schedule. Mortgage loan balances do not reflect an increase corresponding to the increase in fees, as many mortgage loans are sold to third parties.

Credit card fees decreased 10 percent in 1983 compared with 1982. The 1982 period reflected the higher initial effects of an increased fee schedule, while 1983 fees reflected a reduction in the number of accounts. These fees increased by more than two and a half times in 1982 compared with 1981.

Table 3 Loan fees and sundry interest

(In thousands)	Year ended December 31,		
	1983	1982	1981
LOAN FEES			
Commercial, financial, and agricultural	$30,512	$30,023	$25,466
Real estate construction related	6,632	6,579	5,838
Real estate mortgage	18,481	9,091	10,435
Monthly payment	9,350	6,354	4,572
Credit card	15,702	17,510	6,629
Other revolving consumer credit	900	312	125
Lease financing	2,790	4,124	2,030
Foreign	3,559	5,426	1,940
Sundry interest	8,470	5,699	11,435
Total	$96,396	$85,118	$68,470

Fees on foreign loans decreased $1.9 million or 34 percent in 1983 compared with 1982. The decrease was primarily the result of a reduction in new foreign lending. The 1982 increase of $3.5 million over 1981 was due to increased foreign lending.

Fees on monthly payment loans increased 47 percent compared with 1982, primarily due to increased loan origination and documentation fees on consumer loans.

Sundry interest is primarily composed of overdraft income and interest recovered on charged-off loans. In 1983, sundry interest income increased 49 percent compared with 1982, primarily due to the inclusion of $4.4 million of interest accrued on federal tax refunds. In 1982, sundry interest income decreased 50 percent compared with 1981, primarily due to unusually high interest earned by the Bank's New York Edge Act subsidiary in 1981 on customers' overdrafts and on funds transfer transactions.

Other income

Other income in 1983 decreased 6 percent compared with 1982. The 1982 increase over 1981 was 26 percent. Table 4 shows the major components of other income.

Table 4 Components of other income

(Dollars in thousands)	Year ended December 31,			Percentage change	
	1983	1982	1981	1983/1982	1982/1981
Service charges on deposit accounts	$ 85,503	$ 72,788	$ 50,521	17 %	44 %
Trust and corporate agency income	56,379	45,646	38,713	24	18
Service fees	39,564	32,609	29,068	21	12
International commissions, fees and foreign exchange	30,076	40,277	37,882	(25)	6
Domestic commissions	11,737	8,226	6,251	43	32
Sales of major real estate holdings	10,049	48,320	—	(79)	—
Equity investment income	3,553	2,088	7,150	70	(71)
Escrow fees	3,422	2,565	2,547	33	1
Investment securities gains (losses)	537	(6,540)	(4,081)	—	(60)
Redemption of long-term debt	—	(49)	11,892	—	—
Trading account profits (losses) and commissions	(678)	8,876	6,466	—	37
All other	35,674	37,561	45,633	(5)	(18)
Total	$275,816	$292,367	$232,042	(6)	26

- Service charges on deposit accounts increased 17 percent over 1982 reflecting an increase in services for which fees are charged and higher service-fee schedules. In 1982, service charges on deposit accounts increased 44 percent, primarily due to increased service fees on checking accounts and low balance savings accounts with a high volume of transactions.
- Trust and corporate agency income was up 24 percent in 1983 compared with 1982, following an 18 percent increase in 1982 over 1981. These increases reflect the effects on fees of higher stock prices, increased activity from new and existing accounts and higher fee schedules. In April 1983, the Company agreed to sell its Corporate Trust and Corporate Agency departments. The sale was completed in January of 1984. The effect of the sale on net income is not expected to be material in 1984. In 1983, income generated from the departments sold represented approximately 5 percent of total trust and corporate agency income compared with 7 percent in 1982.
- The increase in service fee income of 21 percent in 1983 compared with 1982, was primarily due to higher credit card merchant account activity and loan servicing fees.
- International commissions, fees and foreign exchange income decreased 25 percent compared with 1982 primarily due to reduced foreign loan syndication fees. The 1982 increase over 1981 was 6 percent due to increased foreign loan syndications, a gain on the sale of certain foreign investments and more favorable foreign exchange trading results.
- Other income in 1983 included a nonrecurring $10.0 million pretax gain on the sale of a 13-story office building, a one-story commercial building and a garage located in the San Francisco financial district, sold under a sale/leaseback arrangement. Included in 1982, were pretax gains on the sales of two properties also located in the San Francisco financial district; a 20-story office building sold under a sale/leaseback arrangement ($28.5 million) and land under a high-rise office building where the Company continues to lease space ($19.8 million).
- Equity investment income increased $1.5 million in 1983, following a decrease of 71 percent or $5.1 million in 1982 compared with 1981. The 1982 reduction reflected a loss of $2.4 million in 1982 on an investment in a bank which was nationalized by the French government and the sale of most of these equity investments in 1982.
- A small loss in the bond trading account was incurred in 1983. This reflected the uncertain market conditions in 1983 compared with the favorable market conditions in the two previous years.
- In 1983, "all other" income included approximately $8.0 million from the sale of equity securities which were received in troubled debt restructurings. Included in 1982 was a gain of $3.4 million from the sale of securities received in troubled debt restructurings, compared to a similar gain of $4.1 million in 1981. Additionally, "all other" income in 1983 included a $1.2 million gain from the sale of Wells Fargo Realty Services, a small subsidiary of the Parent, which provided trustee, escrow, payment collection and other services for land and timeshare developers. In 1982, this category included $7.5 million in nonrecurring gains on distributions to the Bank of appreciated equity securities previously held by Wells Fargo Investment Company (WFIC), an unconsolidated subsidiary of the Bank that has been liquidated. There was a similar gain of $14.9 million on another WFIC distribution in 1981.

Other expense

Other expense increased by less than 1 percent in 1983, down from the 12 percent increase in 1982. Table 5 shows the major components of other expense.

Table 5 Components of other expense

(Dollars in thousands)	Year ended December 31,			Percentage change	
	1983	1982	1981	1983/1982	1982/1981
Salaries (1)	$394,968	$385,157	$353,067	3 %	9 %
Employee benefits (1)	88,756	82,172	76,264	8	8
Net occupancy expense	75,123	75,705	57,893	(1)	31
Equipment expense (2)	68,267	68,858	57,432	(1)	20
Postage, stationery and supplies	40,237	41,258	38,323	(2)	8
Telephone and telegraph	26,792	28,571	20,979	(6)	36
Travel and entertainment	18,040	18,132	22,146	(1)	(18)
Professional services	17,616	20,550	19,187	(14)	7
Advertising	16,800	16,537	15,294	2	8
Outside data processing (2)	13,229	13,619	14,511	(3)	(6)
Federal deposit insurance	11,714	10,254	4,525	14	127
Protection	9,457	9,304	7,571	2	23
All other	59,009	64,928	57,028	(9)	14
Total	$840,008	$835,045	$744,220	1	12

(1) Effective in 1983, bonus and incentive plan expenses were reclassified from employee benefits to salaries. All prior years have been reclassified.

(2) Effective in 1983, outside timesharing fees were reclassified from equipment expense to outside data processing. All prior years have been reclassified.

- Salary expense, which includes salaries of hourly and temporary employees, was up less than 3 percent compared with the prior year. The 1982 increase over 1981 was 9 percent. In 1981, programs were instituted to reduce the growth of salary expense as well as other non-interest expenses. As a result, the Company's full-time equivalent staff decreased by 5 percent in 1983, from 17,100 at year-end 1982 to 16,200 at year-end 1983. The 1982 decrease was 8 percent compared with 1981. Over the two-year period, full-time equivalent staff has been reduced by 2,300 or 12 percent.
- Employee benefits increased 8 percent in 1983 compared with 1982, primarily due to increased stock option and retirement plan expense. The increased stock option plan expense reflected the higher price of the Company's stock in 1983 compared with 1982. The 1982 increase of 8 percent was primarily due to increases in group insurance and retirement plan costs and in payroll taxes.
- There was a slight decrease in net occupancy expense in 1983 reflecting a small reduction in the number of domestic branches. Additionally, the decrease reflected a revision of salvage values in 1983 for all existing assets and the assignment of salvage values to a substantial portion of assets. The 31 percent increase in net occupancy expense in 1982 was due to new data-processing and loan-processing centers and increases in utilities and maintenance costs. There was also a slight decrease in equipment expense in 1983 compared with 1982, following an increase of 20 percent in 1982. The 1982 increase was influenced by depreciation of many new automatic teller machines and by general increases of rental and maintenance costs.
- Federal deposit insurance increased 14 percent in 1983 compared with 1982, due to the increase in deposits covered and to a decrease in the rebate paid by the FDIC to member banks. Federal deposit insurance more than doubled in 1982 to $10.3 million, primarily due to a decrease in the rebate paid by the FDIC to member banks.

- The "all other" category in 1983 reflected a $9.4 million reduction of an estimated liability for possible payment of interest resulting from the settlement of outstanding tax issues. The all other category included a contribution by the Bank to the Wells Fargo Foundation of $3.0 million in 1982 and $3.5 million in 1981. The 1982 contribution was associated with the sale of the San Francisco office building; the 1981 contribution with the $14.9 million WFIC stock distribution.

Taxes

The Company's effective income tax rate in 1983 was 33 percent. The comparable rates in 1982 and 1981 were 15 percent and 20 percent, respectively. The increase in the effective tax rate in 1983 from 1982 resulted primarily from an increase in taxable income in 1983 coupled with a decline in tax-exempt interest income. Also contributing was an $8.6 million favorable nonrecurring adjustment of prior years' deferred tax accruals in 1982. In addition, income subject to tax at the lower capital gains rate declined from approximately $51.1 million in 1982 to approximately $23.9 million in 1983.

The Company is subject to significant tax expense (in addition to income taxes described above) at the federal, state and local levels. In 1983, 1982 and 1981, the Company expensed $35.8 million, $33.8 million and $31.7 million, respectively, for taxes based on payroll, property values and other measures.

Additional detail of income taxation is presented in note 10 to the financial statements on page 67.

Balance sheet analysis

The Condensed consolidating balance sheet shows year-end balances for Company assets, liabilities and stockholders' equity, and indicates which groups of entities control them. Total assets of the Bank increased to $23.8 billion at December 31, 1983 an increase of 8 percent from the year-end 1982 balance. For the same periods, combined total assets of the finance subsidiaries increased 13 percent, to $3.0 billion.

Condensed consolidating balance sheet

(In thousands) — December 31, 1983

	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	$ 1,121	$ 2,183,959	$ 8,608	$ 26,998	$ (28,147)	$ 2,192,539
Interest-earning deposits	295,000	1,565,401	—	1,973	(296,973)	1,565,401
Investment securities	83,533	868,638	5,410	10,723	—	968,304
Trading account securities	—	62,321	—	—	—	62,321
Federal funds sold	—	610,500	—	—	—	610,500
Net loans	86,926	17,096,122	2,871,771	13,200	—	20,068,019
Investment in subsidiaries	1,315,370	—	—	—	(1,315,370)	—
Intercompany loans and advances	2,608,278	—	6,400	402,178	(3,016,856)	—
Other assets	73,875	1,415,188	111,777	24,079	(74,382)	1,550,537
Total assets	$4,464,103	$23,802,129	$3,003,966	$479,151	$(4,731,728)	$27,017,621
LIABILITIES AND STOCKHOLDERS' EQUITY						
Deposits	$ —	$20,684,720	$ —	$ 1,396	$ (325,120)	$20,360,996
Borrowings	2,773,265	998,081	16,275	292,013	—	4,079,634
Intercompany borrowings	285,373	47,063	2,580,920	103,500	(3,016,856)	—
Other liabilities	57,694	1,002,929	188,312	54,667	(74,382)	1,229,220
Total liabilities	3,116,332	22,732,793	2,785,507	451,576	(3,416,358)	25,669,850
Paid-in capital and retained earnings	1,354,929	1,076,494	218,459	27,575	(1,322,528)	1,354,929
Equity adjustment from foreign currency translation	(7,158)	(7,158)	—	—	7,158	(7,158)
Total stockholders' equity	1,347,771	1,069,336	218,459	27,575	(1,315,370)	1,347,771
Total liabilities and stockholders' equity	$4,464,103	$23,802,129	$3,003,966	$479,151	$(4,731,728)	$27,017,621

Investment securities

Table 6 shows the detail of the investment portfolio by type of issuer and remaining maturity. Investment securities were $968 million at December 31, 1983 compared with $604 million at December 31, 1982. The 1983 increase of $364 million was primarily the result of increased purchases of U.S. Treasury notes.

Table 6 Maturities and yields (taxable-equivalent basis)

(Dollars in thousands) — December 31, 1983

	Total amount	Average yield	Average maturity (in yrs. -mos.)	Remaining maturity: One year or less		After one year through five years		After five years through ten years		After ten years	
				Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
BOOK VALUE											
U.S. Treasury	$478,540	10.68%	2-9	$ 23,284	9.16%	$454,822	10.74%	$ 434	12.40%	$ —	—%
Other U.S. government agencies	100,291	8.90	4-6	41,303	9.54	43,738	8.94	—	—	15,250	7.06
States and political subdivisions	247,185	9.44	4-6	50,050	9.42	114,000	9.68	60,036	9.30	23,099	8.63
Other bonds, notes and debentures	52,873	16.81	5-6	2,060	4.58	39,330	19.07	9,928	11.18	1,555	11.97
Total	878,889			$116,697		$651,890		$70,398		$39,904	
Stocks	89,415										
Total	$968,304										
MARKET VALUE											
Investments with maturities	$827,067			$115,915		$635,940		$50,966		$24,246	
Stocks	91,335										
Total	$918,402										

Asset/liability management

Principal objectives of asset/liability management are to manage the sensitivity of net interest spreads to potential changes in interest rates and to enhance profitability in ways that promise sufficient reward for understood and controlled risk. Specific asset/liability strategies are chosen to achieve an appropriate tradeoff between average spreads and the variability of spreads.

When management decides to maintain maturity imbalances, it usually does so on the basis of statistical studies of interest rates of different maturities. For example, management may decide to fund three-month loans with overnight borrowings rather than with three-month borrowings. Such maturity imbalances would increase the variability of the Company's spreads but would produce expected benefits equal to the average spread between overnight and three-month interest rates. Funding positions are kept within predetermined limits designed to ensure that risk-taking is not excessive and that liquidity is properly maintained. Any shifts in the Company's asset/liability position that are predicated upon management's interest rate forecasts are limited in order to avoid excessive interest rate risk.

Beginning in 1983, the Company has revised the presentation of interest rate futures used as hedges. The Company hedges to reduce mismatches in the rate maturity of assets and liabilities. Such hedges are intended to stabilize the spread and net interest income. As a result, the Company feels that it is more appropriate to show the effects of hedging separately, rather than to attach the effects either to the asset or the liability category involved in the maturity mismatch. All prior period statements and schedules have been reclassified to this method of presentation. There has been no change in the method of accounting for interest-rate futures: gains and losses on futures contracts, obtained for hedging purposes, are deferred and amortized over the asset or liability holding period.

Table 7 shows the Company's interest rate sensitivity based on average balances in December 1983. Interest rate sensitivity measures the interval of time before earning assets and interest-bearing liabilities are responsive to changes in market rates of interest. Assets and liabilities are categorized by remaining interest rate maturities rather than by 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 7 Interest rate sensitivity

(Dollars in billions) Remaining maturity	Assets	Liabilities and equity	Averages for December 1983: Net assets (liabilities) (column 1 minus column 2)		Net assets (liabilities) as a percent of total assets	
One to 29 days	$ 2.5	$ 4.6	$(2.1)		(7.9)%	
Prime-based	8.0	—	8.0	(.1)	30.2	(.3)
30 to 179 days*	3.5	9.5	(6.0)		(22.6)	
180 to 364 days	.7	.9	(.2)		(.8)	
One to five years	3.3	2.0	1.3		4.9	
Over five years	4.1	.5	3.6	.3	13.6	1.1
Non-market	4.4	9.0	(4.6)		(17.4)	
Total	$26.5	$26.5				

*Includes market rate account deposits.

Management has made certain judgments and approximations in assigning assets and liabilities to rate maturity categories. Of these, the following are the most significant:

- The remaining maturities of fixed-rate loans have been estimated based on recent repayment patterns rather than on contractual maturity.
- Loans based on the prime rate are placed in a special category between the "One to 29 days" category and the "30 to 179 days" category. Bank studies have shown that a portfolio of prime-based loans has a rate maturity like a portfolio of money-market instruments that would be assigned to those categories.
- "Non-market" assets include non-interest-earning assets and credit card outstandings; "non-market" liabilities include savings deposits, NOW and ATS accounts, demand deposits, other non-interest-bearing liabilities and equity.
- Asset and liability maturities reflect the effects of hedging.

A significant event affecting asset/liability balances and strategies in the first half of 1983 was the growth in the market rate account and corresponding, although smaller, declines in other consumer deposits. These shifts in mix of funds have had the following major effects:

- In 1983, treasury bill futures were not needed to shorten the maturity of 26-week Treasury certificate deposits; market rate account volume was sufficient to fund short-term assets previously funded by hedged and unhedged Treasury certificate deposits. In addition, management reduced overnight borrowings as a result of growth in the market rate account.
- The one-year-and-over position has increased to a net asset position of $300 million as of December 1983 from a net liability position of $400 million a year ago, due primarily to declines in non-market liabilities such as savings accounts, and to increases in intermediate-term bonds held in the investment portfolio. In addition, the remaining maturities of some intermediate-term borrowings and other interest-bearing liabilities have shifted into the less-than-one-year category.

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 and its eurodollar funding subsidiary, Wells Fargo International Financing Corporation N.V., borrow intermediate-term fixed-rate funds for subsidiaries that make fixed-rate, intermediate-term loans. The Parent borrows short-term funds to finance subsidiaries that make rate-sensitive loans.

Liquidity management

The concept of liquidity represents the ability of the Bank, the Parent and the nonbank subsidiaries to maintain sufficient cash flows to fund their operations and meet their obligations and existing commitments on a timely basis. Liquidity requires the maintenance of an ability to withstand fluctuations in deposit levels 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 markets. The Parent's commercial paper outstanding at December 31, 1983, was $1.7 billion compared with $1.5 billion at December 31, 1982 and $1.6 billion at December 31, 1981. Additional information on short-term borrowings is provided in note 5 to the financial statements on page 61. In addition to these short-term borrowings, the Parent raised $400 million by issuing intermediate-term notes in the domestic capital market during 1983. Refer to discussion of Intermediate-term debt on page 43. Information regarding restrictions on the ability of subsidiaries to transfer funds to the Parent in the form of cash dividends, loans or advances is provided in note 11 to the financial statements on page 68.

Other sources of liquidity include maturity extensions of short-term borrowings, confirmed lines of credit from banks, the sale or runoff of assets and short-term interest-earning deposits. 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, 1983, the Company had $530 million of such lines of credit from unaffiliated banks. Included in this amount is a $160 million eurodollar facility established in 1982 in a seven-year agreement with thirteen banks. Borrowings thereunder will have rates based on the London Interbank Offered Rate and will have maturities of three or six months as determined by the Company.

The Company shifts borrowing activities from market to market to obtain the lowest-cost funds in each maturity category while maintaining access to different borrowing markets. Global funds management is centralized to facilitate such shifts and to control overall borrowing positions.

Demand deposits, savings accounts and savings certificates have provided the Bank with a sizable source of relatively stable and low-cost funds. Market rate deposits have increased the cost of consumer deposits and improved the Bank's ability to compete for these funds. In addition, the Bank issues certificates of deposit, purchases federal funds and sells securities under repurchase agreements.

Repayments from the Company's real estate and consumer loan portfolios represent another significant source of liquidity. Approximately $880 million in principal payments and prepayments were made from these two portfolios in 1983 compared with approximately $850 million in 1982.

To accommodate future growth and current business needs, the Company has committed itself to controlled expansion, which will require the expenditure of substantial funds. Included in 1984 capital commitments are relocations and remodelings of Company facilities, routine replacement of furniture and equipment and additional automated teller machines. Projected expenditures during 1984 associated with these projects are approximately $63 million. The Company funds these commitments from various sources, including net income of the Company and additional borrowings of various 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 communities.

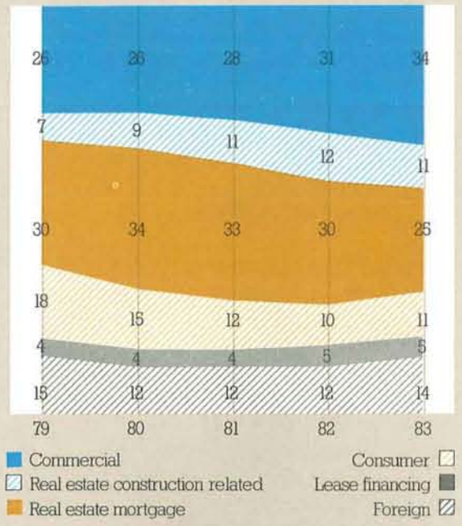
Significant management activities include planning for portfolio volume and mix, measuring portfolio performance, setting credit policies and providing adequate training to ensure that loan portfolio policies are properly executed by lending personnel. Credit training directed toward new, junior and experienced lending officers is provided through proprietary courses in credit analysis and topics important to lending in a variety of markets. Topics covered range from cash flow analysis, loan structuring and pricing, to key elements of country risk and portfolio management.

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. Other than the loan categories shown in Table 8, at December 31, 1983, the Company did not have loans in any one industry group exceeding 10 percent of total loans.

Loan portfolio

Effective January 1, 1983, second mortgages and other junior lien loans to individuals which are secured by 1-4 family residential properties, have been classified as "real estate junior lien mortgage loans secured by 1-4 family residential properties." These loans are shown in Table 8 as a category of consumer loans for 1983. In prior years, portions of these balances were included in the real estate first mortgage loan and monthly payment loan categories. At December 31, 1983, these loans consisted of $537 million previously classified as real estate first mortgage loans and $467 million previously classified as monthly payment loans. Years prior to 1983 have not been reclassified, as complete information is not available. However, it is estimated that junior liens at December 31, 1982 included approximately $580 million of loans classified as real estate first mortgage loans secured by 1-4 family residential properties and approximately $320 million of loans classified as monthly payment loans.

F. Loan mix (%) Based on average loan balances



Total loans at December 31, 1983 increased 2 percent over year-end 1982, compared with a 10 percent increase in 1982. Year-end 1983 balances increased for commercial, foreign, real estate construction related, consumer, and other real estate mortgage loans. The ending balances for real estate first mortgage loans and lease financing decreased.

Commercial loans totaled $6.9 billion at December 31, 1983, an increase of 3 percent from December 31, 1982. The 1982 year-end balance increased 25 percent from year-end 1981. However, the average commercial loan balance increased 17 percent in 1983 compared with an 18 percent increase in 1982. Contributing to 1982's increase was an approximate $200 million reclassification from consumer to commercial in order to more properly reflect the nature of the loans.

Table 8 shows the composition of the real estate loan portfolio in three categories: construction related, first mortgage loans secured by 1-4 family residential properties, and other real estate mortgage loans.

The construction related category is composed primarily of construction loans with original maturities of five years or less, including loans for tract home and commercial property developments. Beginning with the 1983 year-end reporting, all "standing loans" are included in the real estate construction related category. Standing loans are loans secured primarily by completed and operational real estate with terms generally not in excess of 5 years. These loans provide customers a means of bridging the time gap between the construction financing period and the permanent or long-term financing. In prior periods, portions of these balances were included in the real estate mortgage loan and real estate construction loan categories. All prior periods in the loan-related tables contained in Management's Analysis of Financial Operations, have been reclassified. Construction related loans at year-end 1983 totaled $2.3 billion, a 6 percent increase from year-end 1982. This compares to a 1 percent increase between December 31, 1982 and December 31, 1981. Construction related loans generally have relatively short maturities and their yields move with money market rates. Total construction loan commitments increased significantly in 1983; loans outstanding could increase in 1984 as funds are advanced to develop these properties. Non-accrual construction related loans continued to decline rapidly during 1983 as a result of an improving economy, lower interest rates and a concentrated effort by the real estate staff to manage this portfolio.

Largely due to the reclassification of junior liens previously discussed, the amounts in Table 8 show real estate first mortgage loans secured by 1-4 family residential properties decreasing 20 percent in 1983 to $3.6 billion. The 1982 year-end balance decreased 2 percent from year-end 1981. Approximately 45 percent of such loans in the Company at December 31, 1983 and December 31, 1982 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 currently provide the Company some protection against rising costs of funds. Further contributing to the lack of growth in 1983 and in 1982 were relatively high mortgage interest rates, the run-off of the fixed rate portfolio, and management's desire to only make new long-term loans with rates that can be adjusted more rapidly to changes in market rates or that can be sold in the secondary market.

Table 8 Analysis of loan portfolio

(In thousands)	December 31, 1983									December 31,
	One year or less	Over one year through five years		Over five years		Total	1982	1981	1980	1979
		Predetermined rate	Floating rate	Predetermined rate	Floating rate					
Selected loan maturities (1):										
Commercial, financial, and agricultural	$4,677,491	$ 605,108	$ 947,183	$171,132	$ 482,552	$ 6,883,466	$ 6,660,813	$ 5,326,931	$ 4,698,878	$ 4,048,478
Real estate construction related (2)	1,270,473	122,370	748,610	53,710	105,539	2,300,702	2,160,980	2,139,451	1,617,848	1,422,814
Real estate mortgage loans (excluding first mortgage loans secured by 1-4 family residential properties) (2)	232,464	269,530	157,375	489,556	224,942	1,373,866	1,177,111	1,157,545	1,144,642	929,082
Foreign:										
Governments and official institutions						728,901	620,220	474,104	487,618	617,975
Banks and other financial institutions						906,026	929,336	654,421	663,283	548,736
Commercial and industrial						1,243,354	1,227,397	961,143	768,218	724,063
Total foreign	1,532,885	44	1,055,857	770	288,725	2,878,281	2,776,953	2,089,668	1,919,119	1,890,774
Total selected loan maturities	$7,713,313	$ 997,052	$2,909,025	$715,167	$1,101,758	13,436,315	12,775,857	10,713,595	9,380,487	8,291,148
Other loan categories:										
Real estate first mortgage loans secured by 1-4 family residential properties (3)						3,612,396	4,523,213	4,605,960	4,548,821	4,034,440
Consumer:										
Monthly payment (3)(4)						763,436	1,170,654	1,461,335	1,925,916	2,218,339
Credit card						580,309	481,578	460,029	475,290	596,001
Other revolving credit (4)						131,725	71,327	56,080	61,010	53,482
Real estate junior lien mortgage loans secured by 1-4 family residential properties (3)						1,004,038	—	—	—	—
Total consumer						2,479,508	1,723,559	1,977,444	2,462,216	2,867,822
Lease financing						1,148,500	1,215,116	1,163,543	912,624	747,887
Total loans						$20,676,719	$20,237,745	$18,460,542	$17,304,148	$15,941,297

(1) Based on remaining maturities.

(2) Effective December 31, 1983, "standing loans" are included in the real estate construction related category. Standing loans are defined as loans secured primarily by completed and operational real estate with terms generally not in excess of 5 years. In prior years, portions of these balances were included in the real estate mortgage loan and real estate construction related categories. All prior years have been reclassified.

(3) Effective January 1, 1983, second mortgages and other junior lien loans to individuals which are secured by 1-4 family residential properties have been classified as "real estate junior lien mortgage loans secured by 1-4 family residential properties." In prior years, portions of these balances were included in the real estate first mortgage loan and monthly payment loan categories. At December 31, 1983, these loans consisted of $537 million previously classified as real estate first mortgage loans and $467 million previously classified as monthly payment loans. Years prior to 1983 have not been reclassified, as complete information is not available. However, it is estimated that junior liens at December 31, 1982 would have included approximately $580 million of loans which have been classified as real estate first mortgage loans secured by 1-4 family residential properties and approximately $320 million of loans classified as monthly payment loans.

(4) Effective in 1983, other revolving credit (loans provided under unsecured lines of credit) is classified as a separate component of consumer loans. In prior years, other revolving credit was included in the monthly payment category. All prior years have been reclassified.

Other real estate mortgage loans increased by 17 percent from year-end 1982. This category includes loans secured by deeds of trust on multi-family, commercial and industrial real estate properties.

Consumer loans consist of monthly payment loans, credit card loans, revolving lines of credit and real estate junior lien mortgage loans secured by 1-4 family residential properties. Consumer loans may

be unsecured, secured by a purchased item, or secured by a subordinate deed of trust on real property. The amounts show year-end monthly payment loans decreasing 35 percent from 1982, while credit card loans increased 21 percent compared to 1982. The reported decline in monthly payment loans in 1983 was primarily due to the $467 million of loans which were reclassified from monthly payment loans to junior liens. Continued substantial reductions in indirect automobile loans were largely offset by significant increases in direct consumer loans and credit card growth.

Year-end foreign loans increased 4 percent in 1983 to $2.9 billion, compared to a 33 percent increase in 1982. The slower rate of increase in 1983 reflects the Bank's de-emphasis of some foreign lending activities. The 1982 increase was primarily the result of expanded syndicated loan activities and increased draw-downs under existing commitments.

Table 8 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 a 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 workout agreement (see Foreign outstandings on page 41). All loans are shown in Table 8 based on their remaining maturity according to current contractual terms rather than on the basis of their original maturities.

Non-earning & partially earning assets

Commercial, foreign, real estate (other than 1–4 single family dwellings) and consumer loans (other than homeowner loans secured by second deeds of trust, mobile home loans and revolving type consumer credit) with balances of $25,000 and over are placed on non-accrual status when 1) the loan becomes 90 days past due as to interest or principal, 2) the full timely collection of interest or principal becomes uncertain, 3) the loan is classified doubtful by either internal loan examiners or National Bank Examiners or 4) any portion of the principal balance has been charged off. Any exceptions to this policy require explicit approval of senior management. Refer to pages 41 and 42 for discussion regarding the most significant exceptions to this policy.

Table 9 Non-accrual and restructured loans

(In millions)									December 31,	
	1983		1982		1981		1980		1979	
	Non-accrual	Restructured	Non-accrual	Restructured	Non-accrual	Restructured	Non-accrual	Restructured	Non-accrual	Restructured
Real estate (1):										
Construction related	$ 57.9	$ 9.8	$146.6	$ 1.3	$155.7	$ 2.9	$ 31.5	$ —	$ —	$ —
Mortgage (2)	15.6	5.6	17.5	5.4	6.1	5.5	6.3	4.5	—	—
Total real estate	73.5	15.4	164.1	6.7	161.8	8.4	37.8	4.5	34.8	3.6
Commercial, financial, and agricultural	379.1	24.8	249.8	14.0	130.3	60.9	105.1	14.0	94.0	9.9
Consumer (2)	8.3	—	1.6	—	5.6	—	4.9	—	7.5	—
Lease financing (1)	11.1	—	17.0	—	1.7	—	2.3	—	—	—
Foreign (3)	236.4 (4)	—	107.9 (5)	—	44.7	24.6	49.3	18.4	—	—
International (3)	—	—	—	—	—	—	—	—	72.6	—
Total	$708.4	$40.2	$540.4	$20.7	$344.1	$93.9	$199.4	$36.9	$208.9	$13.5

(1) Information relating to the breakout of real estate between construction related and mortgage, and information relating to lease financing is not available for 1979.

(2) For December 31, 1983, second mortgages and other junior lien loans to individuals which are secured by 1–4 family residential properties have been included in the consumer category. In prior years, portions of these balances were included in the real estate mortgage and consumer categories. Years prior to 1983 have not been reclassified, as complete information is not available.

(3) Foreign loans 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 for 1979, referred to as international, represents assets and activity of that Group.

(4) Includes private sector loans of approximately $68 million in Venezuela and approximately $61 million in Mexico.

(5) Does not include approximately $90 million of private sector loans in Mexico which were partially earning. In 1983, substantially all these loans were restored to full accrual status since, in the opinion of management, the financial condition of the borrowers had improved to the extent that collection of both interest and principal appeared probable.

If interest due on all non-accrual, restructured and partially earning loans had been accrued at the original contract rates, it is estimated that income before income taxes would have increased as shown in the following table:

(In thousands)	Year ended December 31, 1983		
	Domestic	Foreign	Total
Interest which would have been recorded under original terms	$60,228	$23,250	$83,478
Gross interest recorded	35,795	14,269	50,064
Foregone interest	$24,433	$ 8,981	$33,414

Total foregone interest was $55.2 million in 1982 and $39.9 million in 1981.

When an account is placed on non-accrual status, accrued interest outstanding is reversed against income, although exceptions may be made when ultimate collection of principal and interest is virtually assured. 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. The determination of the appropriate accounting treatment for payments received on non-accrual loans depends on the degree of uncertainty regarding the ultimate collection of principal. If uncertainty is limited to the collection of interest and/or the timeliness of collection of principal, but the ultimate collectability of principal is not in doubt, contractual interest is applied to income when received (cash method). In all other cases, payments received are credited to principal, thus reducing the non-accrual balance (cost recovery method). 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 appear probable.

In cases where the borrowers are experiencing financial difficulties, some of the contractual terms of the loan may be modified to ease the burden on the borrower even though the loan may not necessarily fall within the requirements for non-accrual status. These loans may be restructured to 1) forgive payment of principal in part or forgive interest in part or completely, 2) reduce interest rates with deferral of accrued interest, or 3) reset rates below current market levels for comparable risk. Loans of this type to customers owing $500,000 or more are classified as restructured and interest is accrued to give a constant effective yield on the remaining asset balance based on the cash flows called for in the restructuring. If, after restructuring, 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. However, if such doubt exists at the time of restructuring, as is often the case, the loan remains on non-accrual and remains subject to the previously discussed policies for such loans.

Management's classification of a loan as non-accrual or restructured does not necessarily indicate that the principal of the loan is uncollectible in whole or in part. Loans in these categories represent a wide range of credit problems. For example, a significant portion of non-accruals may be paying interest and principal as originally agreed. As of December 31, 1983, $104.0 million of the Company's total non-accrual and restructured loans of $748.6 million were current. Those loans which represent more serious problems are supervised by special departments of the Company whose staffs are skilled in working out problem loans. Non-accrual and restructured loans expressed as a percentage of total loans, net of unearned income, were 3.7 percent at December 31, 1983 and 2.8 percent at December 31, 1982.

Other real estate owned, which is primarily received in foreclosure or in settlement of non-earning loans, but also includes real estate owned in connection with the transfer of Company employees, was $77.7 million at December 31, 1983. This compares to $58.4 million at December 31, 1982 and to $27.1 million at December 31, 1981. This balance is included in other assets on the balance sheet.

Table 9 presents comparative data for non-accrual and restructured loans by category. Non-accrual and restructured loans increased by 33 percent at December 31, 1983 compared with the December 31, 1982 balance. The comparative increase in 1982 was 28 percent. In 1983, the most significant increases in non-accruals occurred in the areas of foreign loans, energy related loans and agricultural loans.

Loans contractually past due 90 days or more as to interest or principal, but which are not included as non-accrual or restructured as defined above, are presented in Table 10. In 1979, similar loans 60 days or more past due were required to be disclosed.

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 have been experienced or are anticipated. For example, a loan may be 90 days past due as to principal because it is pending renewal and

internal documentation of the renewal 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 efficiently maintain its lien position by not formally renewing the facility.

Table 10 Loans 90 days or more past due

(Dollars in millions)	1983 Amount	1983 Percent	1982 Amount	1982 Percent	1981 Amount	1981 Percent	1980 Amount	1980 Percent	December 31, 1979 (4) Amount	1979 (4) Percent
Real estate:										
Construction related	$ 88.4	3.8%	$ 95.3	4.4%	$ 73.3	3.4%	$ 30.2	1.9%	$ —	—%
Mortgage	30.5	.6	47.2	.8	32.1	.6	17.6	.3	—	—
Total real estate	118.9	1.6	142.5	1.8	105.4	1.3	47.8	.7	39.0	.6
Commercial, financial, and agricultural	97.4	1.4	69.8	1.0	95.5	1.8	38.5	.8	25.3	.7
Consumer	9.7	.4	16.9	1.0	10.2	.5	18.3	.7	29.2	1.0
Lease financing	3.6	.3	.1	—	.6	.1	.9	.1	—	—
Foreign (1)	88.9 (2)	3.1	14.8 (3)	.5	.4	—	.8	—	—	—
International (1)	—	—	—	—	—	—	—	—	11.8	.6
Total	$318.5	1.5	$244.1	1.2	$212.1	1.1	$106.3	.6	$105.3	.7

(1) See footnote 3 of Table 9 for the explanation of the difference in presentation between foreign and international loans.

(2) Includes approximately $30 million of loans to private sector Venezuelan borrowers for which all past-due cash was fully collateralized with dollars in the United States. Also includes approximately $45 million of loans to public sector Venezuelan borrowers which were 90 days or more past due as to principal, for which interest is substantially current and active negotiations to correct the past due status continue.

(3) Does not include approximately $90 million of private sector loans in Mexico which were partially earning. See footnote 5 of Table 9 for further explanation.

(4) Represents loans contractually past due 60 days or more as to interest or principal, but which are not included as non-accrual or restructured as defined on page 36. Such loans were required to be disclosed in 1979. Information relating to the breakout of real estate between construction related and mortgage, and information relating to lease financing 60 days or more past due is not available for 1979.

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 net income, and 2) by adding amounts recovered on previously charged-off loans. The allowance is reduced when loans deemed to be uncollectible in the ordinary course of business are charged against it.

Table 11 Changes in the allowance for loan losses

(Dollars in thousands)	Year ended December 31, 1983	1982	1981	1980	1979
Allowance at beginning of year	$ 190,538	$ 153,113	$ 141,839	$ 130,329	$ 106,879
Provision charged to expense	121,109	115,417	63,428	77,008	65,596
Less net charge-offs	111,941	77,517	52,154	65,498	42,146
Translation adjustment	(150)	(475)	—	—	—
Allowance at end of year	$ 199,556	$ 190,538	$ 153,113	$ 141,839	$ 130,329
Total loans at end of year, net of unearned income	$20,267,575	$19,768,543	$17,977,732	$16,834,217	$15,471,599
Average loans for the year	$19,902,000	$18,587,000	$17,379,000	$15,962,000	$14,066,000
Allowance as a percentage of total loans, net of unearned income, at end of year	.98%	.96%	.85%	.84%	.84%
Allowance as a percentage of total loans, net of unearned income, at end of year, exclusive of 1-4 family first and junior lien residential properties (1)	1.27%	1.25%	1.15%	1.15%	1.14%
Allowance as a percentage of average loans for the year	1.00%	1.03%	.88%	.89%	.93%
Net loan charge-offs as a percentage of average loans outstanding	.56%	.42%	.30%	.41%	.30%

(1) Does not include the reclassification described at footnote 3 of Table 8 for years prior to 1983.

The provision for loan losses in 1983 was $121.1 million compared to $115.4 million in 1982 and $63.4 million in 1981. The amount of the provision is dependent upon the amount which management believes is required to maintain the allowance at an adequate level after net charge-offs. In December 1983, Federal banking agencies jointly proposed to require banking institutions to establish "Allocated Transfer Risk Reserves" against international assets which, in their judgment, have ". . . been impaired by a protracted inability of public or private borrowers in a foreign country to make payments on their external indebtedness." Included at December 31, 1983 is a provision for "Allocated Transfer Risk Reserves," computed in accordance with regulatory guidelines, of $822 thousand. At December 31, 1983, the allowance for loan losses as a percentage of total loans, net of unearned income, was .98%. In 1982, the Company increased this allowance from .85% to .96% in view of the economic climate at that time.

Table 11 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 as a percentage of total loans, excluding real estate loans secured by 1-4 family first and junior lien residential properties, is the most relevant ratio. Losses in the 1-4 family category have been minimal during the past several years (charge-offs in 1983 were approximately .01 percent of average loans outstanding).

On an annual basis, management compares loans previously criticized or 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 including loans not criticized or classified. 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 12 provides a breakdown of the loan portfolio and the amount of the allowance that has been allocated to each category. The remaining unallocated portion of the allowance is evaluated in light of portfolio growth and concentrations, lending policies, delinquency trends and general economic conditions as part of the overall evaluation of the adequacy of the allowance. Although management allocates the allowance 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, along with future provisions, adequately provide for probable future losses. At any given date, the amount of the allowance 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, the Company determines a lesser amount which it believes will be sufficient to absorb probable losses.

Table 12 Allocation of the allowance for loan losses

(In thousands)	1983 Loans outstanding	1983 Allocation of the allowance	1982 Loans outstanding	1982 Allocation of the allowance	1981 Loans outstanding	1981 Allocation of the allowance	1980 Loans outstanding	1980 Allocation of the allowance	December 31, 1979 Loans outstanding	1979 Allocation of the allowance
Commercial, financial, and agricultural	$ 6,883,466	$ 88,905	$ 6,660,813	$ 79,527	$ 5,326,931	$ 49,962	$ 4,698,878	$ 29,238	$ 4,048,478	$ 33,778
Real estate construction related	2,300,702	9,057	2,160,980	15,478	2,139,451	17,229	1,617,848	15,383	1,422,814	—(2)
Real estate first mortgage loans secured by 1-4 family residential properties (1)	3,612,396	884	4,523,213	2,805	4,605,960	4,852	4,548,821	581	4,034,440	100
Other real estate mortgage loans	1,373,866	11,311	1,177,111	6,836	1,157,545	5,682	1,144,642	3,220	929,082	11,558
Monthly payment and other revolving credit (1)	1,899,199	16,062	1,241,981	16,455	1,517,415	15,320	1,986,926	30,875	2,271,821	22,384
Credit card	580,309	12,000	481,578	15,000	460,029	17,644	475,290	21,539	596,001	20,055
Lease financing	1,148,500	6,165	1,215,116	8,004	1,163,543	6,285	912,624	5,639	747,887	5,129
Foreign	2,878,281	24,879	2,776,953	24,100	2,089,668	13,054	1,919,119	14,883	1,890,774	18,440
Unallocated portion of the allowance	—	30,293	—	22,333	—	23,085	—	20,481	—	18,885
Total	$20,676,719	$199,556	$20,237,745	$190,538	$18,460,542	$153,113	$17,304,148	$141,839	$15,941,297	$130,329

(1) At December 31, 1983, second mortgages and other junior lien loans to individuals which are secured by 1-4 family residential properties have been included in the monthly payment and other revolving credit category. In prior years, portions of these balances were included in the real estate first mortgage loan and monthly payment loan categories. See footnote 3 of Table 8 for further explanation of presentation in prior years.

(2) Information not available for 1979.

The Company considers the allowance for loan losses of $199.6 million at December 31, 1983 adequate to cover probable losses on the loans outstanding as of that date. It must be emphasized, however, that the determination of the adequacy of the allowance 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.

Charge-off policies

Management has established charge-off policies which are followed throughout the Company. Loans, other than consumer, unless they are well secured and in the process of collection, are normally 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 either internal loan examiners or National Bank Examiners. 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 not later than 90 days after repossession. 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.

During 1983, net charge-offs were $111.9 million compared to $77.5 million during 1982 and $52.1 million in 1981. As a percentage of average loans outstanding, net charge-offs were .56 percent in 1983, .42 percent in 1982 and .30 percent in 1981.

A significant portion of the 1983 increase in the commercial, financial and agricultural category of net charge-offs was attributable to the problem loans at Wells Fargo Ag Credit. Monthly payment loan and credit card net charge-offs continued to decrease from the high levels of loss experienced during 1981 and 1980, reflecting the effect of the economic recovery in 1983. This trend may also be attributed, in part, to continued automation and centralization of collection and recovery procedures. Table 13 provides a breakdown of loan losses and recoveries over the last five years.

Table 13 Net charge-offs by category

(Dollars in millions)	Real estate			Commercial, financial, and agricultural	Consumer		Lease financing(1)	Foreign(2)	Total
	Construction related	1-4 family	Other		Monthly payment	Credit card			
1979									
Gross charge-offs	—	—	$1.6	$ 9.0	$24.3	$18.4	—	$ 2.8	$ 56.1
Less recoveries	—	—	.1	5.7	3.8	2.3	—	4.1	16.0
Net charge-offs	—	—	$1.5	$ 3.3	$20.5	$16.1	—	$(1.3)	$ 40.1
Net charge-offs as a percent of total	—	—	3.8%	8.2%	51.2%	40.0%	—	(3.2)%	100%
1980									
Gross charge-offs	$ .1	—	$ .2	$21.9	$39.6	$21.5	$6.5	$ .2	$ 90.0
Less recoveries	—	—	.1	4.0	12.7	3.5	1.1	3.1	24.5
Net charge-offs	$ .1	—	$ .1	$17.9	$26.9	$18.0	$5.4	$(2.9)	$ 65.5
Net charge-offs as a percent of total	.2%	—	.2%	27.2%	41.0%	27.4%	8.4%	(4.4)%	100%
1981									
Gross charge-offs	$ .3	$ .5(3)	$ .2	$25.4	$22.4	$18.9	$7.4	$ 3.3	$ 78.4
Less recoveries	—	—	.3	6.3	12.0	4.2	2.6	.9	26.3
Net charge-offs	$ .3	$ .5	$ (.1)	$19.1	$10.4	$14.7	$4.8	$ 2.4	$ 52.1
Net charge-offs as a percent of total	.6%	.9%	(.2)%	36.7%	20.0%	28.2%	9.2%	4.6%	100%
1982									
Gross charge-offs	$1.1	$1.0(3)	$ .6	$55.1	$20.3	$14.7	$8.5	$ 3.2	$104.5
Less recoveries	—	—	.2	9.5	10.2	4.9	2.1	.1	27.0
Net charge-offs	$1.1	$1.0	$ .4	$45.6	$10.1	$ 9.8	$6.4	$ 3.1	$ 77.5
Net charge-offs as a percent of total	1.4%	1.3%	.5%	58.8%	13.0%	12.7%	8.3%	4.0%	100%
1983									
Gross charge-offs	$ .4	$1.4(3)	$ —	$92.5	$12.4	$10.6	$8.9	$ 9.4	$135.6
Less recoveries	—	—	.2	7.6	8.2	4.5	2.6	.6	23.7
Net charge-offs	$ .4	$1.4	$ (.2)	$84.9	$ 4.2	$ 6.1	$6.3	$ 8.8	$111.9
Net charge-offs as a percent of total	.4%	1.2%	(.2)%	75.9%	3.8%	5.4%	5.6%	7.9%	100%

(1) Gross charge-offs and recoveries information is not available for 1979; however the net charge-offs for lease financing were $2.0 million.

(2) Except for 1979, the foreign category represents loan charge-offs and recoveries of borrowers domiciled outside of the United States as defined by the Securities and Exchange Commission. The information for 1979 represents activity of the International Banking Group, which provides international banking services from the Bank's foreign and domestic based International Group offices.

(3) Includes loan charge-offs for both first mortgage loans and junior lien mortgage loans secured by 1-4 family residential properties. These charge-offs for 1983, 1982 and 1981 in the Bank were $.7 million, $.3 million and $.1 million, respectively. The remaining $.7 million in 1983, $.7 million in 1982 and $.4 million in 1981 of such charge-offs were attributable to junior lien mortgage loans in one of the Finance Subsidiaries.

Foreign outstandings

The following table shows the Company's cross-border outstandings to borrowers in individual countries that accounted for 1 percent or more of total assets at December 31, 1983. Outstandings are defined as loans including accrued interest, acceptances, interest-earning deposits with other banks, other interest-earning investments and other monetary assets which are denominated in dollars or other non-local currency. Country distributions are based on the location of the obligor or investment, except for cross-border outstandings guaranteed by a third party, in which case the country is that of the guarantor.

(In millions)	December 31, 1983				
	Mexico (1)	Brazil	Venezuela	United Kingdom	Japan
Governments and official institutions	$312	$209	$125	$ 12	$ —
Banks and other financial institutions	56	347	44	394	242
Commercial and industrial	287	12	110	47	65
Total	$655	$568	$279	$453	$307

(1) The Company also had outstanding approximately $32 million in standby letters of credit in support of Mexican entities, the majority of which are in the private sector.

At December 31, 1983, the Company had outstandings in Italy of $242 million, representing .90 percent of total assets. The remainder of the Company's foreign outstandings at December 31, 1983 were spread among 69 countries, and in none of these countries did the Company have outstandings exceeding .75 percent of total assets.

The Country Risk Review Committee analyzes each country where the Company has or may have exposure in order to assess the cross-border risk inherent in international lending. The Committee includes senior officers of the International 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 restructured status.

As has been widely reported, various foreign countries have experienced difficulties in meeting scheduled payments of interest and principal on their debt due to economic and/or political difficulties. This has resulted in the rescheduling of certain foreign loans and in the need to classify additional amounts of such loans as non-accrual or restructured. Further deterioration may occur in these countries and additional loans to borrowers to these countries may have to be classified as non-accrual or restructured or charged off by the Company.

As part of the overall financial plan for Mexico, the Company, like other banks, has agreed to reschedule all public sector debts falling due between August 23, 1982 and December 31, 1984. This

amount is approximately $165 million and is to be repaid in installments over four years beginning in 1987. In addition, in 1984 the Company agreed to participate in a new term loan to the Mexican Government, of which the Company's share is $38 million. It is anticipated that this amount will be disbursed in 1984. At December 31, 1983, there were no Company loans to public sector borrowers in Mexico which were on non-accrual or restructured status.

In April 1983, the Mexican Government established a program administered by the Trust for the Coverage of Exchange Risk ("FICORCA"), which allows private sector companies to purchase (with Pesos) future deliveries of dollars from the Government in order to repay the principal and interest of their foreign debt. The program requires that the debt be rescheduled and generally provides for the delivery of the dollars over an eight-year period with the payments beginning in the fifth year. Substantially all of the Company's outstanding loans to the private sector in Mexico are in the process of renegotiation under this program. It is anticipated that these negotiations will be completed and new agreements signed in 1984. At December 31, 1983, there were approximately $61 million of private sector loans in Mexico on non-accrual status.

During 1983, the Company had a net increase in its loans and acceptances in Brazil of approximately $65 million, of which approximately 37 percent was to public sector borrowers and the remainder to private sector borrowers, primarily banks. Interest accrued on all Brazilian outstandings for the year ended December 31, 1983 was approximately $56 million, of which approximately $34 million had been received in cash by December 31, 1983.

At December 31, 1983, there were no Company loans to borrowers in Brazil which were on non-accrual or restructured status. Payments of less than $1 million of principal and interest were past due over 90 days at December 31, 1983, the majority of which have since been brought current.

On November 30, 1983, the International Monetary Fund ("IMF") funded the remaining balances of its 1983 financial assistance program for Brazil. A prerequisite to the IMF agreeing to disburse additional loans was the commitment of international banks to a new financing plan which includes $6.5 billion in new loans plus refinancing of 1984 maturities, all of which would be repaid over nine years. The Company's committed pro-rata share of these new loans is approximately $54 million and it is anticipated that this amount will be disbursed in 1984.

At December 31, 1983, the Company had all past due loans to private sector Venezuelan borrowers on non-accrual status unless all past-due cash was fully collateralized with dollars in the United States. The total of Venezuelan loans on non-accrual status at year end was approximately $68 million, of which $57 million was placed on non-accrual status during the fourth quarter of 1983. In addition, approximately $45 million of loans to public sector Venezuelan borrowers were 90 days or more past due as to principal. These outstandings have not been placed on non-accrual status since interest is substantially current and active negotiations to correct the past due status continue. The majority of the Company's outstandings in Venezuela matured in 1983 or will mature in 1984 and are anticipated to be rescheduled; exact terms and conditions are under discussion with a bank advisory committee.

Deposits

Comparative year-end detail of domestic interest-bearing deposits are presented in the following table:

(In millions)	December 31, 1983	1982
Savings deposits	$ 1,611	$ 2,193
NOW and ATS accounts	1,372	1,348
Market rate checking	294	—
Market rate savings	4,809	2,256
Savings certificates	4,843	4,980
Sub-total	12,929	10,777
Certificates of deposit	579	792
Other time deposits	560	952
Total interest-bearing deposits—domestic	$14,068	$12,521

In 1983, the deposit environment was characterized by the full year effect of new types of deposit instruments bearing market-sensitive interest rates which were introduced in 1982 and early 1983. The continued relaxation of regulations by the Depository Institutions Deregulation Committee (DIDC) have been an important reason for the significant changes in the mix of total deposits in 1983 and 1982. Beginning in January 1984, as permitted by the DIDC, the Bank has increased the rate on 5¼% consumer deposits to 5½%.

Total core deposits, which consist of demand deposits, interest-bearing checking accounts, savings accounts and savings certificates totaled $16.8 billion at December 31, 1983, compared to $14.4 billion a year ago, an increase of 17 percent. See discussion of Funding sources on page 26 for further discussion.

Intermediate-term debt

During 1983, the Company participated actively in the public intermediate-term debt markets. The following notes were issued during the year:

- $100 million Floating Rate Extendable Notes, First Series due May 15, 1992, repayable on May 15, 1986 and May 15, 1989, at the option of the holder (issued in May by the Parent)
- $50 million Floating Rate Extendable Notes, Second Series, due May 15, 1992, repayable on May 15, 1986 and May 15, 1989, at the option of the holder (issued in May by the Parent)
- $150 million Floating Rate Extendable Notes due December 1, 1992, repayable on December 1, 1986 and December 1, 1989, at the option of the holder (issued in December by the Parent)
- $100 million 12.30% Notes due December 1, 1990, redeemable at par beginning December 1, 1988 (issued in December by the Parent)

All of these notes were issued in the domestic capital markets under the Securities & Exchange Commission's (SEC) shelf registration procedures (Rule 415). At the end of 1982, Wells Fargo & Company (the Parent) had a total amount of registered but unissued debt securities of $300 million, the result of two shelf registrations made during that year with the SEC. The first two issues listed above, totaling $150 million, decreased the amount of notes which could be issued under the shelf registration to $150 million. However, on June 24, 1983, the Parent filed another $150 million shelf registration, bringing the total amount of registered but unissued debt securities back up to $300 million. The last two issues listed above, totaling $250 million, decreased the amount of notes which could be issued under the shelf registration to $50 million at December 31, 1983.

In January 1984, the Parent issued $50 million 11.40% Notes, due January 15, 1987. On January 19, 1984 the Parent filed a $250 million shelf registration, bringing the total amount of registered but unissued debt securities to $250 million at January 31, 1984.

In conjunction with the 12.30% Notes and the 11.40% Notes discussed above, the Company entered into interest rate swap agreements, whereby the Company will receive fixed rate interest payments covering interest on the Notes and will make interest payments based on a floating rate. Such agreements have no effect on the holders of the Notes.

In February 1984, the Parent issued $100 million of unsecured Floating Rate Subordinated Notes due 1996. The interest rate on the Notes will be determined quarterly by a formula based on quotations for U.S. dollar deposits to leading banks in the London interbank market. In no event shall the interest rate be less than 5¼% per annum. A Note Fund from which it is anticipated that the Notes will be paid will be established with the Indenture Trustee to hold amounts representing proceeds from certain sales of equity by the Parent to be made prior to the maturity date of the Notes. These Notes are treated as primary capital by the Federal Reserve Board in assessing capital adequacy.

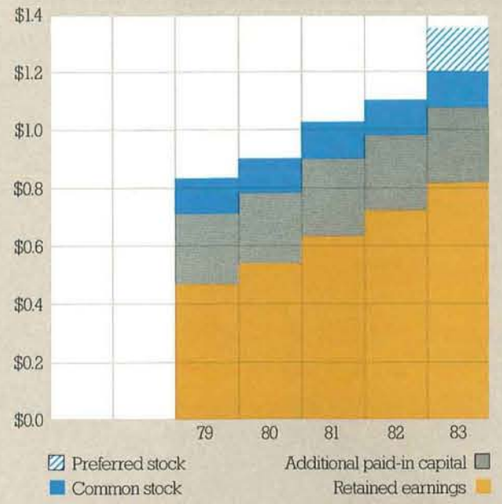
Capital adequacy

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 discussion of Liquidity management on page 32.

The Bank and the Parent utilize a variety of leverage measures to evaluate capital adequacy. Such measures are shown on page 20.

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.

G. Stockholders' equity at year end ($ billions)



Fourth quarter

Net income in the fourth quarter of 1983 was $40.5 million, up 3 percent compared with the previous quarter and up 28 percent from the comparable period in 1982. Net income in the 1982 fourth quarter included a major nonrecurring $19.8 million pretax gain on the sale of land in San Francisco, partially offset by a $10.0 million addition to the allowance for loan losses. There were no major nonrecurring items in the last two quarters of 1983.

Net interest income was $235.5 million in the fourth quarter of 1983 compared to $231.3 million in the third quarter of 1983 and $218.3 million in the fourth quarter of 1982.

The interest differential was up 2 percent in the fourth quarter of 1983 compared with the previous quarter and 6 percent compared with the fourth quarter of 1982. For the same periods, the spread decreased 3 basis points and increased 5 basis points, respectively. Total earning assets and total interest-bearing liabilities, in the fourth quarter of 1983 increased 2 percent compared with the previous quarter and 5 percent compared with the fourth quarter of 1982.

Loan fees and sundry interest decreased 12 percent compared with the previous quarter and increased 16 percent compared with the fourth quarter of 1982. In the fourth and third quarters of 1983, sundry interest included $.7 million and $3.7 million, respectively, of interest accrued on federal tax refunds.

Table 14 Loan fees and sundry interest

(In thousands)			Quarter ended
	December 31, 1983	September 30, 1983	December 31, 1982
LOAN FEES			
Commercial, financial, and agricultural	$ 6,833	$ 7,717	$ 7,401
Real estate construction related	1,560	2,160	1,515
Real estate mortgage	5,225	5,096	2,668
Monthly payment	2,581	2,007	2,020
Credit card	4,705	3,947	3,541
Other revolving consumer credit	271	207	139
Lease financing	668	664	968
Foreign	514	822	1,661
Sundry interest	1,615	4,673	727
Total	$23,972	$27,293	$20,640

H. Quarterly net income & dividends per common share ($)

I. Spread—quarterly (%)

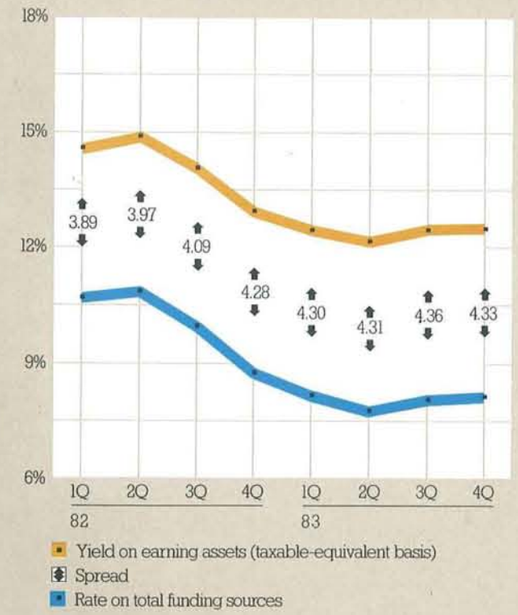


Table 15 Condensed consolidated statement of quarterly income

(In thousands, except per share data)	1983 Quarter ended				1982 Quarter ended			
	March 31	June 30	Sept. 30	Dec. 31	March 31	June 30	Sept. 30	Dec. 31
Interest income	$664,337	$656,670	$687,560	$705,760	$742,598	$787,947	$758,774	$695,376
Interest expense	445,501	430,533	456,275	470,260	551,778	586,158	550,176	481,396
Amortized gain (loss) on interest rate hedging	3,223	20	(7)	—	865	215	1,273	4,357
Net interest income	222,059	226,157	231,278	235,500	191,685	202,004	209,871	218,337
Provision for loan losses	27,932	29,275	22,028	41,874	13,577	24,359	32,922	44,559
Net interest income after provision for loan losses	194,127	196,882	209,250	193,626	178,108	177,645	176,949	173,778
Other income:								
Service charges on deposit accounts	19,752	20,110	22,641	23,000	15,232	18,621	19,053	19,882
Trust and corporate agency income	11,387	13,811	13,021	18,160	9,318	11,368	10,449	14,511
Service fees	9,446	10,771	9,494	9,853	7,794	8,162	8,207	8,446
International commissions, fees and foreign exchange	7,896	6,242	7,992	7,946	7,356	9,358	16,059	7,504
Sales of major real estate holdings	—	10,049	—	—	—	—	28,481	19,839
Investment securities gains (losses)	384	8	107	38	2	2	(4,030)	(2,514)
Other	11,270	13,108	9,092	20,238	16,793	13,727	12,164	16,583
Total other income	60,135	74,099	62,347	79,235	56,495	61,238	90,383	84,251
Other expense:								
Salaries	97,528	97,817	98,932	100,691	96,127	94,878	96,173	97,979
Employee benefits	22,921	23,901	21,102	20,832	22,386	19,060	18,799	21,927
Net occupancy expense	19,120	20,165	18,135	17,703	18,328	18,382	19,797	19,198
Equipment expense	17,628	16,782	17,676	16,181	16,678	15,982	15,961	20,237
Other	46,426	51,959	55,746	58,763	49,784	54,526	56,719	62,124
Total other expense	203,623	210,624	211,591	214,170	203,303	202,828	207,449	221,465
Income before income taxes	50,639	60,357	60,006	58,691	31,300	36,055	59,883	36,564
Less applicable income taxes	16,119	19,719	20,791	18,164	(6,137)	8,166	18,158	4,977
Net income	$ 34,520	$ 40,638	$ 39,215	$ 40,527	$ 37,437	$ 27,889	$ 41,725	$ 31,587
Net income applicable to common stock	$ 33,937	$ 36,888	$ 35,465	$ 36,777	$ 37,437	$ 27,889	$ 41,725	$ 31,587
PER COMMON SHARE								
Net income	$1.44	$1.56	$1.49	$1.54	$1.55	$1.16	$1.76	$1.34
Dividends declared	$ .48	$ .48	$ .48	$ .54	$ .48	$ .48	$ .48	$ .48

Table 16 Average balances, rates paid and yields (yields on a taxable-equivalent basis)

(Dollars in millions)	Fourth quarter—1983			Third quarter—1983			Fourth quarter—1982		
	Average balance	Yields or rates	Interest income/ expense	Average balance	Yields or rates	Interest income/ expense	Average balance	Yields or rates	Interest income/ expense
EARNING ASSETS									
Interest-earning deposits	$ 1,344	10.96%	$ 37.169	$ 1,284	10.90%	$ 35.277	$ 1,481	11.73%	$ 43.807
Investment securities:									
U.S. Treasury securities	443	10.55	11.807	284	10.38	7.443	87	9.02	1.981
Securities of other U.S. government agencies and corporations	101	8.87	2.247	127	8.80	2.799	165	8.82	3.650
Obligations of states and political subdivisions	251	8.82	5.533	286	9.10	6.498	373	9.06	8.442
Other securities	124	18.45	5.696	84	17.53	3.672	25	8.89	.547
Total investment securities	919	10.96	25.283	781	10.42	20.412	650	8.99	14.620
Trading account securities	144	9.31	3.342	87	10.18	2.226	110	9.68	2.678
Federal funds sold	321	9.68	7.825	245	9.76	6.021	304	9.83	7.526
Loans:									
Commercial	7,058	11.70	208.224	6,916	11.70	204.007	6,287	12.77	202.374
Real estate construction related (1)	2,196	12.66	69.509	2,163	12.63	68.312	2,180	12.98	70.716
Real estate mortgage (1)	4,877	11.24	137.050	4,931	10.91	134.458	5,614	11.18	156.907
Consumer	2,272	14.61	83.230	2,185	15.12	82.778	1,634	15.02	61.534
Lease financing	898	13.37	30.021	913	13.80	31.486	906	17.02	38.545
Foreign	2,852	12.39	89.069	2,839	11.83	84.613	2,621	13.32	87.976
Fees and sundry interest	—	—	23.972	—	—	27.293	—	—	20.640
Total loans	20,153	12.66	641.075	19,947	12.63	632.947	19,242	13.22	638.692
Total earning assets	$22,881	12.44	714.694	$22,344	12.42	696.883	$21,787	12.92	707.323
FUNDING SOURCES									
Interest-bearing liabilities:									
Deposits:									
Savings deposits (2)	$ 2,975	5.23	39.217	$ 3,003	5.25	39.757	$ 3,767	5.30	50.345
Market rate checking	287	6.95	5.037	260	6.95	4.557	—	—	—
Market rate savings	4,791	8.36	100.961	4,797	8.38	101.384	1,256	9.41	29.803
Savings certificates	4,705	10.60	125.666	4,329	10.37	113.150	5,444	11.64	159.667
Certificates of deposit	590	13.77	20.479	603	13.72	20.848	878	13.72	30.371
Other time deposits	587	10.24	15.145	599	10.06	15.181	1,162	10.62	31.116
Deposits in foreign offices	2,035	10.85	55.623	1,972	11.15	55.421	2,065	12.06	62.781
Total interest-bearing deposits	15,970	9.00	362.128	15,563	8.93	350.298	14,572	9.91	364.083
Funds borrowed	960	9.31	22.530	1,035	9.39	24.502	1,159	8.78	25.664
Commercial paper	1,799	9.50	43.085	1,727	9.50	41.333	2,088	9.64	50.704
Intermediate-term and long-term debt:									
Intermediate-term debt	1,056	13.79	36.389	1,008	13.48	33.971	1,064	13.33	35.456
Long-term debt	167	7.37	3.078	168	7.35	3.085	170	7.20	3.068
Total intermediate-term and long-term debt	1,223	12.91	39.467	1,176	12.61	37.056	1,234	12.48	38.524
Total interest-bearing liabilities	19,952	9.30	467.210	19,501	9.23	453.189	19,053	9.98	478.975
Portion of non-interest-bearing funding sources	2,929	—	—	2,843	—	—	2,734	—	—
Total funding sources	$22,881	8.11	467.210	$22,344	8.05	453.189	$21,787	8.73	478.975
Amortized gain (loss) on interest rate hedging			—			(.007)			4.357
Spread and interest differential		4.33%	$247.484		4.36%	$243.687		4.28%	$232.705
NON-INTEREST-EARNING ASSETS									
Cash and due from banks	$ 1,754			$ 1,718			$ 1,758		
Other	1,401			1,362			1,749		
Total non-interest-earning assets	$ 3,155			$ 3,080			$ 3,507		
NON-INTEREST-BEARING FUNDING SOURCES									
Demand deposits	$ 3,508			$ 3,429			$ 3,505		
Other liabilities	1,259			1,191			1,650		
Stockholders' equity	1,317			1,303			1,086		
Non-interest-bearing funding sources used to fund earning assets	(2,929)			(2,843)			(2,734)		
Total net non-interest-bearing funding sources	$ 3,155			$ 3,080			$ 3,507		
TOTAL ASSETS	$26,036			$25,424			$25,294		

(1) See footnote 2 of Table 8 for information regarding the reclassification of real estate loans.

(2) Includes NOW and ATS accounts.

Other income increased to $79.2 million in the fourth quarter of 1983, up 27 percent from the previous quarter and down 6 percent from the comparable quarter a year ago. Included in fourth quarter 1983 "all other" income, is an approximate $6.4 million gain from the sale of equity securities which were received in troubled debt restructurings and $3.6 million from the sale of tax benefits associated with auto leases held by the Company. Included in fourth quarter 1982 total other income is the gain on the sale of the land in San Francisco, mentioned on page 44.

The provision for loan losses was $41.9 million in the fourth quarter of 1983 compared to $22.0 million for the previous quarter and $44.6 million for the fourth quarter of 1982. Net charge-offs were $39.0 million, $22.7 million and $27.3 million for the same periods. The increase from the previous quarter was due to the charge off of a loan to a major petroleum refiner and higher agricultural loan losses.

If interest due on all non-accrual, restructured and partially earning loans had been accrued at the original contract rates during the quarter, it is estimated that income before income taxes would have increased by $8.4 million in the fourth quarter of 1983, $8.0 million in the previous quarter and $14.3 million in the fourth quarter of 1982.

Quarterly fees are summarized in Table 14. A detailed comparison of rates and yields is provided in Table 16 and further detail of quarterly earnings is presented in Table 15.

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 Börse. The high and low quarterly sales prices for the Parent's common stock during 1983 and 1982 as reported in the New York Stock Exchange Composite Transaction Reporting system are presented in graph J. The approximate number of holders of record of the Parent's common stock was 23,100 as of January 31, 1984.

Dividends declared per share totaled $1.98 in 1983, and $1.92 in 1982 and 1981. In the fourth quarter of 1983, the common stock dividend declared was increased to $.54 per share from $.48 per share. The five-year compound growth rate for dividends was 7 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 note 11 to the financial statements on page 68.

Information on financial reporting and changing prices is presented in note 18 to the financial statements on page 73.

J. Price range of common stock ($)

Consolidated Statement of Income

Wells Fargo & Company and Subsidiaries

(In thousands, except per share data)	Year ended December 31, 1983	1982	1981
INTEREST INCOME			
Interest and fees on loans	$2,481,086	$2,643,263	$2,680,528
Interest on investment securities:			
Taxable	43,476	42,366	77,119
Exempt from federal income taxes	13,075	22,401	32,749
Total interest on investment securities	56,551	64,767	109,868
Interest on trading account securities	10,365	12,099	9,742
Interest on interest-earning deposits	144,094	242,380	232,233
Interest on federal funds sold	22,231	22,186	37,549
Total interest income	2,714,327	2,984,695	3,069,920
INTEREST EXPENSE			
Interest on deposits	1,382,839	1,560,348	1,697,109
Interest on short-term borrowings	259,631	468,474	547,561
Interest on intermediate-term and long-term debt	160,099	140,686	94,636
Total interest expense	1,802,569	2,169,508	2,339,306
Amortized gain on interest rate hedging	3,236	6,710	354
Net interest income	914,994	821,897	730,968
Provision for loan losses	121,109	115,417	63,428
Net interest income after provision for loan losses	793,885	706,480	667,540
OTHER INCOME			
Service charges on deposit accounts	85,503	72,788	50,521
Trust and corporate agency income	56,379	45,646	38,713
Service fees	39,564	32,609	29,068
International commissions, fees and foreign exchange	30,076	40,277	37,882
Sales of major real estate holdings	10,049	48,320	—
Investment securities gains (losses)	537	(6,540)	(4,081)
Other	53,708	59,267	79,939
Total other income	275,816	292,367	232,042
OTHER EXPENSE			
Salaries	394,968	385,157	353,067
Employee benefits	88,756	82,172	76,264
Net occupancy expense	75,123	75,705	57,893
Equipment expense	68,267	68,858	57,432
Other	212,894	223,153	199,564
Total other expense	840,008	835,045	744,220
Income before income taxes	229,693	163,802	155,362
Less applicable income taxes	74,793	25,164	31,374
NET INCOME	$ 154,900	$ 138,638	$ 123,988
Net income applicable to common stock	$ 143,067	$ 138,638	$ 123,988
NET INCOME PER COMMON SHARE (based on average number of common shares outstanding of 23,737,342, 23,869,245, 23,277,922)	$ 6.03	$ 5.81	$ 5.33

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheet

Wells Fargo & Company and Subsidiaries

(In thousands)	December 31, 1983	1982
Assets		
Cash and due from banks	$ 2,192,539	$1,685,372
Interest-earning deposits	1,565,401	990,536
Investment securities (market value $918,402 and $554,119 at December 31, 1983 and 1982, respectively)	968,304	603,857
Trading account securities	62,321	113,901
Federal funds sold	610,500	41,700
Loans	20,676,719	20,237,745
Less:		
Allowance for loan losses	199,556	190,538
Unearned income	409,144	469,202
Net loans	20,068,019	19,578,005
Premises and equipment, net	459,874	445,617
Due from customers on acceptances	495,199	786,038
Accrued interest receivable	285,175	296,647
Other assets	310,289	272,374
Total assets	$27,017,621	$24,814,047
Liabilities and stockholders' equity		
Deposits:		
Non-interest-bearing deposits—domestic	$ 3,708,005	$ 3,519,633
Non-interest-bearing deposits—foreign	136,697	126,694
Interest-bearing deposits—domestic	14,068,132	12,520,751
Interest-bearing deposits—foreign	2,448,162	2,012,712
Total deposits	20,360,996	18,179,790
Short-term borrowings:		
Federal funds borrowed and repurchase agreements	856,781	1,135,814
Commercial paper outstanding	1,706,164	1,477,385
Other	88,580	84,567
Total short-term borrowings	2,651,525	2,697,766
Acceptances outstanding	495,665	786,082
Accrued taxes and other expenses	418,874	444,387
Intermediate-term debt	1,262,032	1,096,481
Long-term debt	166,077	170,757
Obligations under capital leases	104,417	106,768
Other liabilities	210,264	231,581
Total liabilities	25,669,850	23,713,612
Stockholders' equity:		
Preferred stock—no par value, authorized 10,000,000 shares; issued and outstanding 3,000,000 shares at December 31, 1983. (Non-convertible, cumulative, stated value—$50)	150,000	—
Common stock—$5 par value, authorized 50,000,000 shares; outstanding 23,881,810 shares and 23,606,721 shares at December 31, 1983 and 1982, respectively	119,409	118,034
Additional paid-in capital	264,909	262,556
Retained earnings	820,611	724,589
Equity adjustment from foreign currency translation	(7,158)	(4,744)
Total stockholders' equity	1,347,771	1,100,435
Total liabilities and stockholders' equity	$27,017,621	$24,814,047

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Financial Position

Wells Fargo & Company and Subsidiaries

(In thousands)	Year ended December 31, 1983 Financial resources Provided from	Year ended December 31, 1983 Financial resources Used for	Year ended December 31, 1982 Financial resources Provided from	Year ended December 31, 1982 Financial resources Used for	Year ended December 31, 1981 Financial resources Provided from	Year ended December 31, 1981 Financial resources Used for
Net income	$ 154,900	$	$ 138,638	$	$ 123,988	$
Non-cash items included in net income:						
Provision for loan losses	121,109		115,417		63,428	
Benefit/provision for deferred income taxes	54,296			22,543		2,537
Provision for depreciation and amortization	50,422		43,388		32,507	
Gain on exchange of equity for debt		—		—		11,731
Preferred stock issued, net of issuance costs	146,200		—		—	
Conversion of 3¼% convertible capital notes	148		50		1,465	
Common stock issued—other, net of repurchases	7,380			11,238	6,452	
Equity adjustment from foreign currency translation		2,414		2,340		2,404
Dividends		58,878		45,607		45,026
Exchange of common stock for debt	—		—		22,884	
Operations and equity	534,455	61,292	297,493	81,728	250,724	61,698
Interest-earning deposits		574,865		131,930	579,457	
Investment securities		364,447	606,649		461,598	
Trading account securities	51,580			74,818	12,884	
Federal funds sold		568,800		34,800	214,150	
Net loans		611,123		1,867,614		1,194,439
Earning assets	51,580	2,119,235	606,649	2,109,162	1,268,089	1,194,439
Total deposits	2,181,206		808,643		662,599	
Total short-term borrowings		46,241	19,496			838,503
Intermediate-term and long-term debt	160,871		327,693		216,187	
Obligations under capital leases		2,351	39,100			1,858
Deposits and borrowings	2,342,077	48,592	1,194,932		878,786	840,361
Cash and due from banks		507,167	34,467			15,442
Net additions to premises and equipment		62,983		119,285		96,721
Other assets		39,611	134,045			110,362
Other liabilities		21,317	26,706			84,532
Other, net		67,915	15,883		5,956	
Other		698,993	211,101	119,285	5,956	307,057
Total	$2,928,112	$2,928,112	$2,310,175	$2,310,175	$2,403,555	$2,403,555

The accompanying notes are an integral part of these statements.

Consolidated Statement of Stockholders' Equity

Wells Fargo & Company and Subsidiaries
Wells Fargo & Company (Parent)

(In thousands)	Preferred stock	Common stock	Additional paid-in capital	Retained earnings	Foreign currency translation	Total stockholders' equity
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)
Common stock dividends				(45,026)		(45,026)
Equity adjustment from foreign currency translation (net of income tax benefit of $801)					(2,344)	(2,344)
Net change		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
Net income—1982				138,638		138,638
Conversion of convertible notes		9	41			50
Stock issued to employee benefit plans and other		2,565	8,789			11,354
Stock repurchased		(4,991)	(17,601)			(22,592)
Common stock dividends				(45,607)		(45,607)
Equity adjustment from foreign currency translation (net of income tax provision of $1,229)					(2,340)	(2,340)
Net change		(2,417)	(8,771)	93,031	(2,340)	79,503
Balance December 31, 1982	—	118,034	262,556	724,589	(4,744)	1,100,435
Net income—1983				154,900		154,900
Preferred stock issued, net of issuance costs	150,000		(3,800)			146,200
Conversion of convertible notes		25	123			148
Stock issued to employee benefit plans and other		1,525	6,803			8,328
Stock repurchased		(175)	(773)			(948)
Preferred stock dividends				(11,833)		(11,833)
Common stock dividends				(47,045)		(47,045)
Equity adjustment from foreign currency translation (net of income tax provision of $2,145)					(2,414)	(2,414)
Net change	150,000	1,375	2,353	96,022	(2,414)	247,336
Balance December 31, 1983	$150,000	$119,409	$264,909	$820,611	$(7,158)	$1,347,771

The accompanying notes are an integral part of these statements.

Statement of Income

Wells Fargo & Company (Parent)

(In thousands, except per share data)	Year ended December 31, 1983	1982	1981
INCOME			
Dividends from subsidiaries:			
Wells Fargo Bank, N.A.	$ 46,097	$ 46,097	$ 46,097
Finance subsidiaries	26,000	6,000	4,375
Other subsidiaries	—	—	1,698
Interest income:			
From subsidiaries	278,770	405,591	389,956
From others	11,009	6,955	21,990
Investment securities gains	218	—	—
Other income	11,350	105	11,870
Total income	373,444	464,748	475,986
EXPENSE			
Salaries and employee benefits	1,833	1,820	1,843
Interest expense	295,172	425,178	431,590
Other expense	6,717	2,230	7,904
Total expense	303,722	429,228	441,337
Income before income tax benefit and undistributed income of subsidiaries	69,722	35,520	34,649
Income tax benefit	3,739	11,279	16,512
Income before undistributed income of subsidiaries	73,461	46,799	51,161
Equity in undistributed income of subsidiaries:			
Wells Fargo Bank, N.A.	81,319	63,896	56,103
Other subsidiaries	120	27,943	16,724
Total equity in undistributed income of subsidiaries	81,439	91,839	72,827
NET INCOME	$154,900	$138,638	$123,988
NET INCOME PER COMMON SHARE (based on average number of common shares outstanding of 23,737,342, 23,869,245, 23,277,922)	$ 6.03	$ 5.81	$ 5.33

The accompanying notes are an integral part of these statements.

Balance Sheet

Wells Fargo & Company (Parent)

(In thousands)	December 31, 1983	1982
Assets		
Cash and due from banks	$ 1,121	$ 802
Security repurchase agreements	15,663	6,461
Marketable securities	83,533	11,494
Dividend receivable from Wells Fargo Bank, N.A.	11,524	11,524
Net loans	86,926	1,537
Advances to subsidiaries	2,166,691	1,650,985
Intermediate-term loans to subsidiaries	621,924	718,220
Long-term loans to subsidiaries	99,000	99,000
Investments in common stock of principal subsidiaries:		
Bank subsidiary	1,069,336	990,444
Other subsidiaries	246,034	219,699
Accrued interest receivable from subsidiaries	49,947	37,457
Other assets	12,404	86,829
Total assets	$4,464,103	$3,834,452
Liabilities and stockholders' equity		
Commercial paper outstanding	$1,706,164	$1,477,385
Other short-term notes outstanding	6,486	10,505
Accrued expenses and other liabilities	8,841	829
Interest payable	32,207	50,285
Dividends payable	16,646	11,331
Indebtedness to affiliate	285,373	273,282
Intermediate-term debt	956,862	804,904
Long-term debt	103,753	105,496
Total liabilities	3,116,332	2,734,017
Stockholders' equity:		
Preferred stock—no par value, authorized 10,000,000 shares; issued and outstanding 3,000,000 shares at December 31, 1983. (Non-convertible, cumulative, stated value—$50)	150,000	—
Common stock—$5 par value, authorized 50,000,000 shares; outstanding 23,881,810 shares and 23,606,721 shares at December 31, 1983 and 1982, respectively	119,409	118,034
Additional paid-in capital	264,909	262,556
Retained earnings	820,611	724,589
Equity adjustment from foreign currency translation	(7,158)	(4,744)
Total stockholders' equity	1,347,771	1,100,435
Total liabilities and stockholders' equity	$4,464,103	$3,834,452

The accompanying notes are an integral part of these statements.

Statement of Changes in Financial Position

Wells Fargo & Company (Parent)

(In thousands)	Year ended December 31, 1983 Financial resources Provided from	Year ended December 31, 1983 Financial resources Used for	Year ended December 31, 1982 Financial resources Provided from	Year ended December 31, 1982 Financial resources Used for	Year ended December 31, 1981 Financial resources Provided from	Year ended December 31, 1981 Financial resources Used for
Net income	$154,900	$	$138,638	$	$123,988	$
Equity in undistributed net income of subsidiaries	(81,439)		(91,839)		(72,827)	
Preferred stock issued, net of issuance costs	146,200		—		—	
Conversion of 3¼% convertible capital notes	148		50		1,465	
Common stock issued—other, net of repurchases	7,380			11,238	6,452	
Equity adjustment from foreign currency translation		2,414		2,340		2,404
Dividends		58,878		45,607		45,026
Capital contributions to subsidiaries, net		23,788		19,179		29,109
Exchange of common stock for debt	—		—		22,884	
Operations, equity and contributions	227,189	85,080	46,849	78,364	81,962	76,539
Commercial paper outstanding	228,779			90,817		499,575
Other short-term notes outstanding		4,019		16,076		68,429
Interest payable		18,078	12,793		10,992	
Indebtedness to affiliate	12,091		242,581		30,701	
Intermediate-term and long-term debt	150,215		176,640		93,324	
Borrowings	391,085	22,097	432,014	106,893	135,017	568,004
Loans and short-term advances to subsidiaries		419,410		335,641	344,810	
Net loans		85,389	2			1,460
Marketable securities		72,039	97,162		137,857	
Security repurchase agreements		9,202	260			3,381
Other, net	74,943			55,389		50,262
Other	74,943	586,040	97,424	391,030	482,667	55,103
Total	$693,217	$693,217	$576,287	$576,287	$699,646	$699,646

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

1. Summary of significant accounting policies

The accounting and reporting policies of Wells Fargo & Company (Parent), Wells Fargo & Company and Subsidiaries (Company), Wells Fargo Bank, N.A. (Bank) and the Finance Subsidiaries of the Parent conform with generally accepted accounting principles and prevailing practices within the banking industry. Certain amounts in prior years' financial statements have been reclassified to conform with the current financial statement presentation.

The following is a description of the more significant policies.

CONSOLIDATION The consolidated financial statements of the Company include the accounts of the Parent, the Bank and the nonbank subsidiaries of the Parent. Additionally, 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 in the Parent's financial statements. 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 Trading account securities are carried at market value. Realized and unrealized gains or losses are considered part of normal operations and are reported in other income.

Debt securities held for investment purposes are carried at cost, adjusted for amortization of premium and accretion of discount. Gains or losses on the sale of investment securities are recognized only upon realization and are reported using the "identified certificate" method. Interest earned on both trading account and investment securities is shown separately in the Consolidated Statement of Income.

Nonmarketable securities acquired for miscellaneous reasons, such as troubled debt restructurings or distributions, are included with other assets.

PREMISES & EQUIPMENT Premises and equipment are stated at cost less accumulated depreciation and amortization. Capital leases are included in premises and equipment at the capitalized amount less accumulated amortization.

Depreciation and amortization are computed primarily using the straight-line method with appropriate salvage values. Estimated useful lives range up to 40 years for buildings, 3–15 years for equipment, and the lease term for leasehold improvements. Capitalized leased assets are amortized on a straight-line basis over the life of the respective leases, which generally range from 20–35 years.

Certain interest costs associated with Bank-constructed premises projects have been capitalized in accordance with Financial Accounting Standards Board (FASB) Statement No. 34. Capitalized interest is included in the cost of the related assets and is amortized over the estimated lives of the related projects.

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

As a lessor, the Company engages in lease financing in its banking operations and through Wells Fargo Leasing Corporation 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.

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 which affect the loan's collectibility. 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.

NON-ACCRUAL LOANS Commercial, foreign, real estate (other than 1–4 single family dwellings) and consumer loans (other than homeowner loans secured by second deeds of trust, mobile home loans and revolving type consumer credit) with balances of $25,000 and over are placed on non-accrual status when 1) the loan becomes 90 days past due as to interest or principal, 2) the full timely collection of interest or principal becomes uncertain, 3) the loan is classified as doubtful by either internal loan examiners or National Bank Examiners or 4) any portion of the principal balance has been charged off. Any exceptions to this policy require the explicit approval of senior management. The accrued and unpaid interest is reversed and the loan is accounted for on the cash or cost recovery method thereafter, until qualifying for return to accrual status. The transfer of a loan to non-accrual status does not necessarily indicate that any portion of the principal outstanding is uncollectible.

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.

UNEARNED INCOME ON LOANS Unearned income on loans is shown as a reduction of total loans. Unearned income on loans 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. Unearned income on direct financing leases is amortized over the lease terms by methods producing approximately level rates of return on net leased assets.

DEFERRED LOAN FEES Loan origination fees on residential mortgages in excess of estimated costs of origination are deferred and amortized to income over the estimated life of the loans on an interest method. If the loan is paid off or sold, the unamortized portion of the fee is taken into income.

INCOME TAXES The Company files a consolidated federal income tax return and a combined California franchise tax return. Generally, the tax liabilities are settled between subsidiaries as if each had filed a separate return. Payments are made to the Parent by those subsidiaries with net tax liabilities on a separate basis. Subsidiaries with net tax losses and excess tax credits that are usable in the consolidated or combined returns receive payment for these benefits from the Parent. 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, result from timing differences between income as reported in the financial statements and as reported for income tax purposes.

No federal income taxes are provided on earnings of foreign subsidiaries or affiliates which are intended to be indefinitely reinvested abroad. Federal income taxes are provided on the earnings of foreign consolidated subsidiaries and foreign equity investments which may be repatriated to the U.S. under the assumption that all such earnings will be distributed in the future as dividends.

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.

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.

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 stockholders' equity. Such adjustments are reversed upon sale or upon complete, or substantially complete, liquidation of the investment.

Forward exchange contracts which hedge equity investments are revalued monthly at current market rates. The gain or loss from such revaluation is included in the translation adjustment in the separate component of stockholders' 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.

INTEREST RATE FUTURES Gains and losses on futures contracts, obtained for purposes of hedging net interest income, are deferred and amortized over the period for which the hedge was designed to provide protection from interest rate risk. The amortized amounts are shown as a separate component of net interest income. Futures contracts obtained for hedging assets in the trading portfolio are marked to market and net gains and losses are included in other income.

NET INCOME PER COMMON SHARE Net income per common share is computed by dividing net income (after deducting dividends on preferred stock) by the average number of common shares outstanding during the year. The impact of common stock equivalents and other potentially dilutive securities is not material.

FINANCE SUBSIDIARIES The Finance Subsidiaries consist of Wells Fargo 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, as are brokerage fees for commercial loans. Construction and intermediate-term loan fees are deferred and amortized using an interest method over the anticipated construction period.

LOANS HELD AS PORTFOLIO INVESTMENTS Loans held for investment are stated at the lower of cost or market as of the date of the decision to include in the investment portfolio. 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 in excess of direct costs are deferred and recognized as income using the interest method.

LOAN SERVICING The cost of acquiring service contracts is deferred and amortized over the period of estimated net servicing income, using accelerated methods. 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 which approximates the direct cost of acquisition plus an estimated provision for loss is recognized as income at inception. The remainder of unearned income is amortized 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. Securities

Effective December 31, 1983, a Securities and Exchange Commission (S.E.C.) rule change applicable to bank holding companies requires a "one-step" income statement. Gains and losses from securities transactions are reported on a pretax basis as a separate component of other income. The associated tax effect is included in the income tax provision, and the results are reported as "net income." In prior years, the Company reported earnings as "income before securities transactions," with realized gains or losses shown separately, less related taxes. All prior years have been reclassified to reflect this change. Such reclassifications have no effect on net income. The income tax provision for 1983, 1982 and 1981 included $.3 million, $(3.4) million and $(2.1) million, respectively, relating to securities transactions.

The table on page 58 provides the major components of the consolidated investment securities balance and a comparison of book and market values at December 31.

(Dollars in thousands)	1983			1982			1981		
	Book value	Market value	Percent of book value	Book value	Market value	Percent of book value	Book value	Market value	Percent of book value
U.S. Treasury securities	$478,540	$475,073	99.3%	$ 97,542	$ 96,843	99.3%	$ 308,869	$ 296,713	96.1%
Securities of other U.S. government agencies and corporations	100,291	94,140	93.9	152,457	147,974	97.1	252,592	226,035	89.5
Obligations of states and political subdivisions	247,185	205,785	83.3	326,047	279,797	85.8	596,872	487,558	81.7
Other securities	142,288	143,404	100.8	27,811	29,505	106.1	52,173	51,914	99.5
Total investment securities	$968,304	$918,402	94.8	$603,857	$554,119	91.8	$1,210,506	$1,062,220	87.8

The accretion of discount reflected in interest on investment securities amounted to $1.0 million, $2.7 million, and $8.6 million in 1983, 1982 and 1981, respectively.

Market value of U.S. Treasury, other U.S. government securities and certain other 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 $317 million at December 31, 1983 and $406 million at December 31, 1982.

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

(In thousands)	1983		1982		1981	
	Book value	Market value	Book value	Market value	Book value	Market value
Municipalities within California	$ 88,838	$ 74,436	$114,185	$97,523	$155,265	$121,944
State of California	$ 44,734	$ 31,419	$ 43,971	$30,522	$ 66,693	$ 43,069

3. Premises and equipment

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

(In thousands)	Cost	Accumulated depreciation and amortization	Net
AT DECEMBER 31, 1983			
Land	$ 32,183	$ —	$ 32,183
Premises	275,402	78,254	197,148
Furniture and equipment	291,797	122,473	169,324
Leasehold improvements	93,809	32,590	61,219
Total	$693,191	$233,317	$459,874
AT DECEMBER 31, 1982			
Land	$ 37,701	$ —	$ 37,701
Premises	283,579	75,252	208,327
Furniture and equipment	239,593	100,955	138,638
Leasehold improvements	87,907	26,956	60,951
Total	$648,780	$203,163	$445,617

See note 16 for the amount of these assets held under capital leases.

Depreciation and amortization expense was $49.9 million, $42.6 million and $31.7 million for years ended December 31, 1983, 1982 and 1981, respectively. During 1983, the Company revised its estimate of salvage values for all existing assets and assigned salvage values to a substantial portion of them. The effect of this change was accounted for prospectively, and is not considered to be material.

In addition to the interest expense recognized in the Consolidated Statement of Income, $.6 million, $2.5 million and $3.9 million of interest incurred, related to construction projects, was capitalized in 1983, 1982 and 1981, respectively, in accordance with FASB Statement No. 34.

4. Loans & allowance for loan losses

The following table shows comparative year-end detail of the loan portfolio:

(In thousands)	December 31, 1983	December 31, 1982
Domestic		
Commercial, financial, and agricultural	$ 6,883,466	$ 6,660,813
Real estate construction related	2,300,702	2,160,980
Real estate first mortgage loans secured by 1-4 family residential properties	3,612,396	4,523,213
Other real estate mortgage	1,373,866	1,177,111
Consumer:		
Monthly payment	763,436	1,170,654
Credit card	580,309	481,578
Other revolving credit	131,725	71,327
Real estate junior lien mortgage loans secured by 1-4 family residential properties	1,004,038	—
Total consumer	2,479,508	1,723,559
Lease financing	1,148,500	1,215,116
Foreign		
Governments and official institutions	728,901	620,220
Banks and other financial institutions	906,026	929,336
Commercial and industrial	1,243,354	1,227,397
Total foreign	2,878,281	2,776,953
Total loans	$20,676,719	$20,237,745

Effective January 1, 1983, second mortgages and other junior lien loans to individuals which are secured by 1-4 family residential properties have been classified as "real estate junior lien mortgage loans secured by 1-4 family residential properties." In prior years, portions of these balances were included in the real estate mortgage loan and monthly payment loan categories. The December 31, 1982 balances have not been reclassified, as complete information is not available.

The components of lease financing at December 31, 1983 and 1982 are as follows:

(In thousands)	December 31, 1983	December 31, 1982
Direct lease financing minimum lease payments receivable	$ 789,767	$ 844,476
Direct lease financing unguaranteed residual value	283,036	296,632
Leveraged leases	72,193	74,416
Equipment pending lease placement	3,504	592
Gross investment in lease financing	1,148,500	1,215,116
Allowance for losses	(6,165)	(8,004)
Unearned income	(254,039)	(287,216)
Net investment in lease financing	$ 888,296	$ 919,896

The Company recognized $1.0 million, $4.0 million and $4.8 million of unearned income in 1983, 1982 and 1981, 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, 1983, direct lease receivables were due in installments to 2000. Installments mature as follows:

(In thousands)	
Year ended December 31,	
1984	$208,990
1985	172,048
1986	143,857
1987	104,242
1988	48,915
Thereafter	111,715
Total	$789,767

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

(In thousands)	Year ended December 31,		
	1983	1982	1981
Allowance at beginning of year	$190,538	$153,113	$141,839
Provision charged to expense	121,109	115,417	63,428
DEDUCTIONS			
Net charge-offs:			
Gross charge-offs	135,665	104,509	78,398
Recoveries	(23,724)	(26,992)	(26,244)
Net charge-offs	111,941	77,517	52,154
Translation adjustment	(150)	(475)	—
Allowance at end of year	$199,556	$190,538	$153,113

If interest due on all non-accrual, restructured and partially earning loans had been accrued at the original contract rates, it is estimated that income before income taxes would have increased as shown in the following table:

(In thousands)	December 31,	
	1983	1982
Non-accrual and restructured loans	$748,588	$561,066
Partially earning loans	—	90,000
Total non-accrual, restructured and partially earning loans	$748,588	$651,066
Commitments to lend additional funds	$ 32,603	$ 30,361
Interest which would have been recorded under original terms	$ 83,478	$ 93,111
Gross interest recorded	50,064	37,941
Foregone interest	$ 33,414	$ 55,170

5. Borrowings

Commercial paper represents an obligation of the Parent with original maturities not to exceed 270 days. (Included in other borrowings on the Consolidated Balance Sheet are notes of the Parent with original maturities of one year or less.) Outstanding amounts and maturities of selected borrowings were as follows:

(Dollars in thousands)	Year ended December 31,	
	1983	1982
FEDERAL FUNDS BORROWED		
Average amount outstanding	$ 860,000	$1,008,000
Daily average rate	8.81%	12.32%
Highest month-end balance	$1,542,000	$1,530,000
Year-end balance	$ 467,242	$ 991,231
Rate on outstandings at year end	9.54%	9.09%
SECURITY REPURCHASE AGREEMENTS		
Average amount outstanding	$ 215,000	$ 257,000
Daily average rate	8.91%	11.92%
Highest month-end balance	$ 412,000	$ 310,000
Year-end balance	$ 389,539	$ 144,583
Rate on outstandings at year end	9.82%	8.41%
COMMERCIAL PAPER		
Average amount outstanding	$1,720,000	$2,421,000
Daily average rate	9.15%	12.48%
Highest month-end balance	$2,356,000	$2,548,000
Year-end balance	$1,706,164	$1,477,385
Rate on outstandings at year end	9.84%	9.13%

The Parent had available lines of credit supporting commercial paper borrowings and similar arrangements totaling $690 million at December 31, 1983: $530 million with non-affiliated banks and $160 million with the Bank. Comparable unused lines of credit at December 31, 1982 totaled $790 million: $780 million with non-affiliated banks and $10 million with the Bank. The lines of credit with non-affiliated banks require commitment fees or compensating balances. Compensating balance requirements were $.5 million at December 31, 1983 and $.6 million at December 31, 1982. Commitment fees were not significant to operations for both 1983 and 1982.

6. Intermediate-term and long-term debt

Intermediate-term debt has an original maturity of more than one year and not more than ten years. Long-term has an original maturity of more than ten years. The Company's intermediate and long-term debt is detailed on page 62.

(In thousands)	December 31, 1983	1982
INTERMEDIATE-TERM DEBT		
Of Wells Fargo & Company (Parent):		
11.55% Notes due 1983	$ —	$ 150,000
12¼% Notes due 1983	—	100,000
9.55% Notes due 1985 (1)	150,000	150,000
10⅝% Notes due 1985 ($100,000 face amount) (1)	99,871	99,814
13¼% Notes due 1987 (1)	100,000	100,000
12¼% Notes due 1989 ($75,000 face amount) (1)	74,752	74,724
12.30% Notes due 1990 (1)	100,000	—
14½% Notes due 1991 ($100,000 face amount) (1)	98,882	98,803
Floating Rate Extendable Notes due May 1992, First Series ($100,000 face amount) (2)	99,651	—
Floating Rate Extendable Notes due May 1992, Second Series (2)	50,000	—
Floating Rate Extendable Notes due December 1992 (2)	150,000	—
Other notes due in varying amounts to 1985 ($36,000 face amount)	33,706	31,563
Of Wells Fargo International Financing Corporation N.V.:		
15½% Guaranteed Notes due 1984 ($50,000 face amount) (3)	49,957	49,867
15% Guaranteed Notes due 1985 ($75,000 face amount) (3)	74,635	74,449
15% Guaranteed Notes due 1987 (4)	75,000	75,000
Zero Coupon Guaranteed Notes due February 1988 ($125,000 face amount) (3)	71,853	62,763
Zero Coupon Guaranteed Notes due September 1988 ($39,249 face amount) (3)	20,568	17,921
Of Wells Fargo Bank, N.A.:		
Other intermediate-term debt	13,127	5,304
Of Wells Fargo Leasing Corporation:		
9½%–10½% Senior Notes due in varying amounts to 1983	—	6,250
Of Wells Fargo Realty Advisors:		
12% Mortgage Notes due 1984	30	23
Total intermediate-term debt	$1,262,032	$1,096,481
LONG-TERM DEBT		
Of Wells Fargo & Company (Parent):		
3¼% Convertible Capital Notes due 1989 (5)	$ 616	$ 765
7⅞% Sinking Fund Debentures due 1997 (5)	39,922	39,922
8⅝% Notes due 1998 (5)	35,906	37,500
8.60% Debentures due 2002 (5)	27,309	27,309
Of Wells Fargo Bank, N.A.:		
6½% Guaranteed Euro Deutsche Mark Debentures due 1988 of Wells Fargo International Investment Corporation (5)	6,234	7,134
4½% Capital Notes due 1989 (5)	38,777	38,777
4¼%–4½% Collateral Trust and Mortgage Bonds due to 1993 of ATC Building Company and other mortgages on premises (5)	9,755	10,282
Of Wells Fargo Leasing Corporation:		
8% Senior Notes due 1988 (1)	7,500	9,000
Of Wells Fargo Realty Advisors:		
9¾% Mortgage Note due 2003	58	68
Total long-term debt	$ 166,077	$ 170,757

(1) May be redeemed in whole or in part, at par, at various dates beginning June 1, 1983 through December 1, 1988.

(2) Repayable in whole or in part, at par, in 1986 and 1989 at the option of the holder.

(3) May be redeemed in whole, at par, at anytime in the event withholding taxes are imposed in the United States or the Netherlands Antilles.

(4) May be redeemed in whole or in part, at par, beginning March 15,1986 or in the case the event described in footnote (3) occurs.

(5) May be redeemed in whole or in part, at premiums ranging from .1625 to 4.30 percent, at various dates beginning November 1983 through April 1, 1987.

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

(In thousands)	1984	1985	1986	1987	1988	After 1988	Total
Parent	$21,594	$267,594	$1,594	$101,594	$ 1,594	$670,783	$1,064,753
Consolidated	$85,662	$346,467	$6,482	$181,485	$170,206	$714,181	$1,504,483

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 $36.0 million: $10.0 million 7% Note due June 30, 1984; $10.0 million 7% Note due August 1, 1984; and $16.0 million 9.325% Note due July 29, 1985.

Of the five notes issued by Wells Fargo International Financing Corporation N.V. (WFIFC) and guaranteed by the Parent, the 15% Guaranteed Notes due 1985 were issued with 150,000 warrants to purchase $150 million Zero Coupon Guaranteed Notes due September 1988 at a discounted price to produce an annual yield-to-maturity of 14.75%. The warrants expired on September 10, 1982. Prior to expiration, 39,249 of the total 150,000 warrants were exercised on various dates from March 10, 1982 through September 10, 1982, resulting in the issuance of $39.2 million Zero Coupon Guaranteed Notes due September 10, 1988 at a discounted price of $17.9 million.

Other intermediate-term debt of the Bank consists of $11.0 million representing a loan sold under a repurchase agreement maturing in 1984 and $2.1 million, denominated in foreign currency, payable in 48 monthly installments through 1987 at varying interest rates. These amounts are not guaranteed by the Parent.

The 3¼% Convertible Capital Notes, originally issued by the Bank, 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.

The 7⅞% Sinking Fund Debentures require an annual sinking fund payment of $3.1 million. 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 $3.1 million. The Company satisfied its sinking fund payment on November 15, 1983 by delivering debentures to the trustee with a principal amount totaling $3.1 million. In addition, the Company has delivered debentures with a principal amount totaling $28.8 million to the trustee for use in satisfying future principal payments.

The 8⅝% notes require a mandatory annual principal payment of $1.7 million beginning November 1, 1983. At its option, beginning November 1, 1983, the Company has the non-cumulative right to increase principal payments by $1.7 million a year, of which it intends to prepay at least $.4 million a year (included in the payment schedule on page 62). On November 1, 1983, the Company made a mandatory prepayment of $1.7 million and an optional prepayment of $.4 million on the notes. 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 $12.0 million of the notes.

The 8.60% Sinking Fund Debentures require an annual sinking fund payment of $3.0 million beginning April 1, 1987. The Company had delivered $22.7 million of the debentures to the trustee which it may use to satisfy future sinking fund payments.

The Euro Deutsche Mark Debentures require annual sinking fund payments of DM 5.0 million. The Company satisfied its sinking fund payment on November 1, 1983 by delivering debentures to the trustee with a principal amount totaling DM 5.0 million. The Company currently holds DM 7.9 million of the Debentures available for future sinking fund payments. There were no repurchases of these Debentures during 1983. Gains on repurchases of DM .9 million acquired in 1982 are included in other income for 1982. Payment of principal and interest on the Euro Deutsche Mark Debentures is guaranteed by the Parent.

The 4½% Capital Notes of the Bank may be currently redeemed at the option of the Bank at .225 percent premium and at par on or after September 15, 1984.

The 4¼%–4½% Collateral Trust and Mortgage Bonds are payable in annual installments of $1.0 million until 1988 and then $.5 million until 1993. The Bonds are secured by deeds of trust on $38.3 million of Bank premises, at cost. The other mortgages on premises comprising this category were secured by deeds of trust on $3.9 million of Bank premises at December 31, 1983.

The following notes are not guaranteed by the Parent: 12% Mortgage Notes due 1984 of Wells Fargo Realty Advisors; 4½% Capital Notes due 1989 of Wells Fargo Bank, N.A.; 4¼%-4½% Collateral Trust and Mortgage Bonds due to 1993 of ATC Building Company and other mortgages on premises; 8% Senior Notes due 1988 of Wells Fargo Leasing Corporation and 9¾% Mortgage Note due 2003 of Wells Fargo Realty Advisors.

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 11 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, 1983.

7. Preferred stock

In March 1983, the Company issued 3,000,000 shares of Adjustable Rate Cumulative Preferred Stock, Series A, with a stated value of $50.00 per share. These shares are redeemable between April 1, 1988 and March 31, 1993, at the option of the Company at a redemption price of $51.50 per share, and thereafter, at $50.00 per share, plus accrued and unpaid dividends.

Dividends are cumulative from the date of issue and payable quarterly on March 31, June 30, September 30, and December 31 of each year, beginning on June 30, 1983.

The dividend rate for dividend periods ending March 31, 1984 is 10 percent per annum. For each quarterly period thereafter, the dividend rate will be 2.75 percent less than the highest of the three-month Treasury bill discount rate, ten-year constant maturity bond yield, or twenty-year constant maturity bond yield, but limited to a minimum of 6 percent and a maximum of 12 percent per annum.

All preferred shares rank senior to common shares both as to dividends and liquidation but have no general voting rights.

8. Common stock and employee stock plans

EMPLOYEE STOCK PLANS At the 1982 annual meeting, the shareholders adopted the Wells Fargo & Company Equity Incentive Plan (EIP) which replaced the Stock Option Plan, Stock Option and Appreciation Plan and the Restricted Share Rights Plan (Other Plans) as a vehicle for the future granting of stock options to key employees.

Equity Incentive Plan The EIP provides for the granting to key employees incentive stock options, non-qualified stock options, as defined under current tax laws, and restricted share rights. The options may be exercised for periods of up to ten years, at the fair market value at time of grant. The total number of shares of common stock issuable under the EIP cannot exceed 750,000 in the aggregate and 250,000 in any one calendar year.

Other Plans In conjunction with the adoption of the EIP, the Other Plans have been amended such that no additional awards or grants will be issued. In addition, existing shares in the Other Plans may be converted to incentive stock option status in accordance with current tax laws.

Transactions involving options of the EIP and Other Plans are summarized as follows:

	Number of shares			
	Equity Incentive Plan		Other Plans	
	1983	1982	1983	1982
Options outstanding at beginning of year	184,000	—	489,500	587,000
Granted	—	211,000	—	—
Cancelled	(17,900)	(27,000)	—	(16,000)
Forfeited (as defined below)	(5,840)	—	(297,600)	(81,500)
Exercised	(18,900)	—	(3,800)	—
Outstanding at end of year	141,360	184,000	188,100	489,500
Exercisable at end of year	35,260	—	188,100	489,500
Shares available for grant at end of year (1)	478,250	529,000	—	—
Price range of options:				
Outstanding	$18.88–$18.88	$18.88–$18.88	$20.25–$28.13	$20.25–$28.13
Forfeited (as defined below) or exercised	$18.88–$18.88	$18.88–$18.88	$20.25–$28.13	$20.25–$28.13

(1) May be granted as incentive stock options, non-qualified stock options or restricted share rights.

The terms of the EIP and the Other Plans 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.

As of December 31, 1983, the EIP had 105,650 tentative share rights outstanding to 126 employees and the Other Plans had 65,325 tentative share rights outstanding to 68 employees under the restricted share rights provisions of these plans. The tentative share rights convert into final share rights during the second quarter of the third year after the rights are granted. The number of final shares is based on the Company's performance in the three years following the date of grant. 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 five years after the tentative share rights were granted.

Loans, at the discretion of the Company, may be made to assist the participants of the EIP and Other Plans in the purchase of shares under option. The amount of expense accrued for the EIP and Other Plans was $8.2 million and $2.4 million in 1983 and 1982, respectively.

Employee Stock Purchase Plan Employees of the Company with over one year of service 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 date or 90 percent of fair market value at the end of the option period, twelve months after the date of the grant. In 1983, 129,209 shares were issued under the plan and, at December 31, 1983, options for 92,136 shares, based on their value at the date of grant, were outstanding. As of December 31, 1983, options for 338,330 shares were available for grant during the Plan's last option period which will end on July 31, 1984. The Board of Directors has approved, subject to stockholder approval, a five year extension of the Employee Stock Purchase Plan which would permit the grant of options for an additional 950,000 shares. Under the proposed extension, the option price will be the lesser of the fair market value at the grant date or a percentage of the fair market value at the end of the option period. The percentage may vary from 85–100 percent. The plan is non-compensatory and results in no expense to the Company.

Transactions involving the Employee Stock Purchase Plan are summarized as follows:

	Number of shares	
	1983	1982
Options outstanding at beginning of year	141,974	106,365
Granted	98,551	151,383
Cancelled	(19,180)	(33,526)
Exercised ($21.20 in 1983 and $18.97 in 1982)	(129,209)	(82,248)
Outstanding at end of year	92,136	141,974
Options available for grant at end of year	338,330	417,700

COMMON STOCK The following table summarizes common stock reserved, available for issue, and issued and outstanding as of December 31, 1983:

	Number of shares
3¼% Convertible capital notes	19,932
Warrants	399,960
Employee stock purchase plan	428,614
Employee stock ownership plan	65,564
Dividend reinvestment plan	1,158,584
Tax advantage plan	206,273
Stock option plan	262,206
Restricted share rights plan	400,000
Stock option and appreciation plan	400,000
Equity incentive plan	727,290
Total shares reserved	4,068,423
Shares available for issue	22,049,767
Shares issued and outstanding	23,881,810
Total shares authorized	50,000,000

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.

9. Employee benefits

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

(In thousands)	Year ended December 31,		
	1983	1982	1981
Retirement plans	$16,542	$14,233	$11,688
Profit sharing plans	$ 6,886	$ 7,711	$ 6,360

RETIREMENT PLAN 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 periods ranging from 15 to 40 years from the date such costs were established. Effective January of each year, the plan was amended to redetermine pension credits based on the five-year average salary through December 31 of the previous year for service to that date. This results in an addition to the provision of approximately $.4 million starting in 1983 and $.4 million starting in 1982. Also, the plan was amended in 1982 to permit certain early retirements during a window period that ended December 31, 1982, resulting in an addition to the provision of approximately $1.6 million starting in 1983.

The following plan benefit and asset information is presented for plan years which ended on December 31, on an estimated basis for 1983 and with final amounts for 1982:

Actuarial present value of accumulated benefits

(In thousands)	December 31,	
	1983	1982
Vested	$150,200	$138,000
Nonvested	7,500	9,500
Total	$157,700	$147,500
Net assets available for benefits	$177,800	$153,900

In 1981, the Company identified the portion of the plan liability attributable to participants who retired before December 31, 1981, and established a dedicated bond portfolio with plan assets. For subsequent valuation dates, the value of the plan benefits is generally set equal to the market value of the dedicated assets. The assumed rate of return used in determining the actuarial present value of accumulated plan benefits for other participants was 9 percent in 1983 and 10 percent in 1982; these are market rates of interest which approximate Pension Benefit Guaranty Corporation rates for such years.

PROFIT SHARING PLANS 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 the 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 are eligible to participate.

For 1983, approximately $1.4 million of employee benefit expense was accrued for the employee stock ownership plan. If the Company cannot use tax credits attributable to such expense to reduce its 1983 federal income tax liability, then this accrual will be reclassified to income tax expense. This decision will be made when the Company files its 1983 tax return. The Company has postponed the decision as to whether the 1981 and 1982 plan years' tax credits will be utilized as reductions of the Company's federal income tax liability. Thus no employee benefit expense for the employee stock ownership plan was accrued during 1982.

10. Income taxes

Current and deferred income tax provisions (benefits) were as follows:

(In thousands)	Year ended December 31,		
	1983	1982	1981
Current:			
Federal	$ 541	$ 4,522	$ 3,577
State and local	9,078	18,519	16,688
Foreign	10,878	24,666	13,646
	20,497	47,707	33,911
Deferred:			
Federal	43,070	(25,027)	(1,550)
State and local	12,039	(2,963)	(4,876)
Foreign	(813)	5,447	3,889
	54,296	(22,543)	(2,537)
Total	$74,793	$25,164	$ 31,374

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

(In thousands)	Year ended December 31,		
	1983	1982	1981
Deferred income on lease financing	$37,931	$41,820	$10,088
Cash basis accounting for tax purposes	26,148	(11,640)	(16,641)
Deferred gains for book purposes on sales of real property	3,671	(15,527)	—
Realization of losses on sales of equity investments	—	7,304	—
(Lesser) greater loan loss deduction for income tax purposes	(1,983)	(17,468)	1,722
Foreign exchange	(2,218)	(8,713)	—
Other	(9,253)	(18,319)	2,294
Total	$54,296	$(22,543)	$ (2,537)

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.

Amounts for the current year are based upon estimates and assumptions as of the date of this report and could vary significantly from amounts shown on the tax returns as filed.

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

The Company had deferred income taxes payable of $163.0 million, $113.0 million and $145.4 million at December 31, 1983, 1982 and 1981, respectively. It had a current income tax refund receivable of $.6 million at December 31, 1983, and current income taxes payable of $11.1 million and $6.9 million at December 31, 1982 and 1981, respectively.

For financial statement purposes, the Company had deferred investment tax credits for property purchased for lease to customers of $25.7 million, $38.1 million and $44.3 million at December 31, 1983, 1982 and 1981, respectively.

Investment tax credits of $7.8 million and $14.0 million generated by the Company in 1983 and 1982, respectively, will be carried to future years' tax returns. Investment tax credits of $21.8 million generated in 1981 were carried to 1982. These credit carryforwards expire 15 years after the year in which the credit originated.

The Company has not provided federal taxes on $78.7 million of undistributed earnings of foreign subsidiaries and an affiliate since these earnings are indefinitely reinvested in those corporations. If these earnings were distributed to the Parent, federal taxes on the undistributed earnings, less credit for foreign taxes, would be provided at that time.

The Company's income before income taxes includes approximately $93 million, $116 million and $93 million from its foreign subsidiaries and branches for 1983, 1982 and 1981, respectively.

The income taxes shown on the Parent's Statement of Income are based on the effect of including its separate operations in the consolidated tax returns after making appropriate adjustments (principally the exclusion of dividends from domestic subsidiaries) arising out of the federal income tax regulations.

Following is a reconciliation, on a consolidated basis, of the statutory federal income tax expense and rate to the effective income tax expense and rate:

(Dollars in thousands)	Year ended December 31,					
	1983		1982		1981	
	Amount	Percent	Amount	Percent	Amount	Percent
Statutory federal income tax expense and rate	$105,659	46.0 %	$75,349	46.0 %	$71,467	46.0 %
Increase (decrease) in tax rate resulting from:						
Tax-exempt interest income	(10,435)	(4.5)	(16,692)	(10.2)	(22,959)	(14.8)
State and local taxes on income, net of federal income tax benefit	11,268	4.9	8,356	5.1	6,330	4.1
Gain on redemption of debt	—	—	—	—	(6,585)	(4.2)
Amortization of investment tax credit	(7,009)	(3.1)	(6,615)	(4.0)	(4,130)	(2.7)
Investment tax credit on furniture and equipment	(4,655)	(2.0)	(5,641)	(3.4)	(6,822)	(4.4)
Capital gain rate difference	(4,252)	(1.9)	(9,214)	(5.6)	(5,076)	(3.3)
Indefinitely reinvested earnings of foreign subsidiaries and an affiliate	(13,299)	(5.8)	(14,758)	(9.0)	(1,594)	(1.0)
Adjustment of prior years' deferred tax accruals	—	—	(8,600)	(5.3)	—	—
Other	(2,484)	(1.0)	2,979	1.8	743	.5
Effective income tax expense and rate	$ 74,793	32.6 %	$25,164	15.4 %	$31,374	20.2 %

11. Dividends & undivided profits

Dividends payable by the Parent to its shareholders are restricted by certain debt covenants. Under the most restrictive of these, as of December 31, 1983, the Parent could have declared additional dividends of approximately $815 million.

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, 1983, the Bank could have declared additional dividends of approximately $233 million.

As a member of the Federal Reserve System, the Bank and its subsidiaries are subject to certain restrictions under the Federal Reserve Act, including restrictions on any extension of credit to their affiliates. In particular, the Parent and its nonbanking subsidiaries are prohibited from borrowing from the Bank and its subsidiaries unless the loans are secured by specified collateral. Such secured loans and other regulated investments by the Bank and its subsidiaries to the Parent or to any such nonbanking 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, 1983, 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, 1983, such restrictions on net assets totaled $869 million, and total net assets of these subsidiaries were $1.3 billion.

The retained earnings of the Parent included $651 million, $570 million and $478 million of undistributed earnings of subsidiaries at December 31, 1983, 1982 and 1981, respectively.

12. Foreign activities

The Company's foreign activities include international banking operations conducted through its foreign and domestic branches, representative offices, subsidiaries, affiliates, Edge Act subsidiaries and International Banking Facilities. As required by the Securities & Exchange Commission, the Company reports its foreign activities on the basis of the domicile of the customer.

Since the Company's foreign and domestic activities are integrated, an identification of foreign activities necessarily involves certain assumptions. For 1983, such assumptions include:

(1) cost for capital funds is charged based on the amount and nature of the assets funded;

(2) adjustments are made for the difference between local and U.S. tax rates;

(3) income and expenses are primarily allocated based on the distribution of assets;

(4) the provision for loan losses is based on actual net charge-offs during the year and an allocation of the Company's allowance to a level management deems appropriate for foreign loans;

(5) foreign exchange trading activities in domestic and foreign offices are included in other income.

Prior year amounts have been restated to be consistent with the current year assumptions.

Total revenue, income before income taxes, net income and total identifiable assets by geographic area at December 31, 1983, 1982 and 1981 or for the years then ended were as follows:

1983

(In millions)	Foreign activities						Domestic	Total foreign and domestic
	Canada	Europe	Latin America and Mexico	Asia and Pacific Basin	Middle East and Africa	Total foreign		
Total revenue	$ 21.9	$ 142.4	$ 214.1	$ 90.1	$ 20.4	$ 488.9	$ 2,501.2	$ 2,990.1
Income before income taxes	$ 1.8	$ 11.5	$ 17.6	$ 7.1	$ 1.7	$ 39.7	$ 190.0	$ 229.7
Net income	$ 1.6	$ 10.0	$ 15.3	$ 6.2	$ 1.5	$ 34.6	$ 120.3	$ 154.9
Total identifiable assets	$209.0	$1,306.2	$1,998.4	$809.8	$195.9	$4,519.3	$22,498.3	$27,017.6

1982

(In millions)	Foreign activities						Domestic	Total foreign and domestic
	Canada	Europe	Latin America and Mexico	Asia and Pacific Basin	Middle East and Africa	Total foreign		
Total revenue	$ 31.8	$ 180.2	$ 235.6	$139.3	$ 26.2	$ 613.1	$ 2,664.0	$ 3,277.1
Income before income taxes	$ 3.3	$ 18.4	$ 24.0	$ 14.3	$ 2.7	$ 62.7	$ 101.1	$ 163.8
Net income	$ 2.5	$ 14.2	$ 18.6	$ 11.0	$ 2.1	$ 48.4	$ 90.2	$ 138.6
Total identifiable assets	$216.8	$1,231.6	$1,613.2	$954.0	$182.1	$4,197.7	$20,616.3	$24,814.0

1981

(In millions)	Foreign activities						Domestic	Total foreign and domestic
	Canada	Europe	Latin America and Mexico	Asia and Pacific Basin	Middle East and Africa	Total foreign		
Total revenue	$ 14.2	$ 212.4	$ 237.0	$116.7	$ 33.4	$ 613.7	$ 2,688.3	$ 3,302.0
Income before income taxes	$ 1.0	$ 15.0	$ 16.9	$ 8.3	$ 2.3	$ 43.5	$ 111.9	$ 155.4
Net income	$ .6	$ 9.4	$ 10.5	$ 5.2	$ 1.5	$ 27.2	$ 96.8	$ 124.0
Total identifiable assets	$ 72.4	$1,134.0	$1,266.7	$627.3	$180.9	$3,281.3	$19,937.9	$23,219.2

A condensed income statement for foreign activities follows:

(In thousands)	Year ended December 31, 1983	1982	1981
Interest income	$456,702	$554,365	$564,637
Interest expense	377,673	472,142	502,277
Net interest income	79,029	82,223	62,360
Provision for loan losses	9,762	14,577	2,325
Net interest income after provision for loan losses	69,267	67,646	60,035
Other income	32,177	58,771	49,106
Other expense	61,788	63,698	65,646
Income before income taxes	$ 39,656	$ 62,719	$ 43,495
Net income	$ 34,552	$ 48,354	$ 27,219

The allowance for loan losses related to foreign activities for 1983, 1982 and 1981 has changed as follows:

(In thousands)	1983	1982	1981
Balance at January 1	$24,100	$13,054	$14,883
Provision charged to expense	9,762	14,577	2,325
Other	(150)	(475)	(1,733)
Recoveries of amounts charged off	610	138	884
Loans charged to the allowance	(9,443)	(3,194)	(3,305)
Balance at December 31	$24,879	$24,100	$13,054

The net consolidated gains arising out of foreign currency transactions during the year and included in the determination of net income were $9.8 million in 1983, $14.2 million in 1982 and $17.3 million in 1981.

The equity adjustment from foreign currency translation, net of tax, reduced stockholders' equity by $2.4 million in 1983 and $2.3 million in 1982. The 1982 translation adjustment is net of $1.0 million (net of tax) of deferred translation losses transferred to other income as a result of the sale of certain investments. There were no such transactions in 1983.

13. Parent company financing

Notes with original maturities greater than one year receivable by the Parent from its subsidiaries are shown in the table on page 71.

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.

(In thousands)	1983 Intermediate-term	1983 Long-term	December 31, 1982 Intermediate-term	1982 Long-term
WELLS FARGO BANK, N.A.				
8¼% Subordinated capital note due 1998	$ —	$25,000	$ —	$25,000
FINANCE SUBSIDIARIES				
Wells Fargo Credit Corporation:				
11.85%–12.55% Notes due 1983	—		45,000	
6.83%–19.32% Notes due 1984–1991	245,464		246,760	
8¾% Note due 2002		7,200		7,200
Wells Fargo Leasing Corporation:				
11.85%–12.55% Notes due 1983	—		35,000	
9¾%–16.05% Notes due 1984–1991	182,960		182,960	
7½% Subordinated debenture due 1997 & 8¾% Note due 2002		40,000		40,000
Wells Fargo Mortgage Company:				
12.55% Note due 1983	—		5,000	
9¾%–15.10% Notes due 1985–1988	25,000		25,000	
8¼% Subordinated debenture due 1998		6,800		6,800
Wells Fargo Ag Credit:				
16.05% Note due 1984	8,500		8,500	
Wells Fargo Realty Advisors:				
11.85%–12.55% Notes due 1983	—		10,000	
8.40%–16.05% Notes due 1984–1991	66,000		66,000	
7½%–8¾% Subordinated debentures and Note due 1997–2002		20,000		20,000
Total Finance Subsidiaries	527,924	74,000	624,220	74,000
OTHER SUBSIDIARIES				
Wells Fargo Financing Corporation:				
11.00% Note due 1986	94,000		94,000	
Total	$621,924	$99,000	$718,220	$99,000

14. 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 $.2 million in 1983, $.1 million in 1982 and $.9 million in 1981. WFMC also services real estate loans for the Bank and for Wells Fargo Credit Corporation (WFCC), another affiliate. Fees received under this program were $2.3 million in 1983, $2.7 million in 1982 and $2.1 million in 1981. WFMC may purchase up to 90 percent participation in certain construction loans and intermediate-term real estate loans with the Bank and with Wells Fargo Realty Advisors (WFRA), another affiliate. WFMC's participation in such loans was $74.8 million at December 31, 1983, $57.4 million at December 31, 1982 and $36.4 million at December 31, 1981. WFMC also markets loans on behalf of the Bank for a fee. Fee income relating to this service was $.1 million in 1983, $.3 million in 1982 and $.2 million in 1981. In 1983 and 1982, WFMC received $.3 million and $.7 million, respectively, in fees from the Bank for arranging the sale of major real estate holdings.

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 $.3 million in 1983, $.4 million in 1982 and $1.2 million in 1981.

The following paragraphs describe significant inter-company balances at December 31, 1983 and 1982. These balances have been eliminated in consolidation.

WFRA is involved in participation agreements with the Bank and with WFMC. The Bank participated $74.7 million loans at December 31, 1983 and $60.8 million loans at December 31, 1982 with WFRA.

WFMC participated $33.3 million loans at December 31, 1983 and $29.8 million loans at December 31, 1982 with WFRA.

Wells Fargo International Financing Corporation N.V. (WFIFC) raises intermediate-term funds in eurodollar markets and makes loans to the Parent. At December 31, 1983 and 1982, WFIFC had $285.4 million and $273.3 million, respectively, receivable from the Parent. WFIFC also makes demand loans to the nonbank subsidiaries. At December 31, 1983 and 1982, WFIFC had $103.8 million and $102.5 million, respectively, receivable from WFCC. At both December 31, 1983 and 1982, WFIFC had $13.0 million receivable from WFRA.

See note 13 for Parent company financing of the subsidiaries.

15. Loans to related parties

Certain directors and executive officers of the Company, certain entities to which they are related, and their relatives, were loan customers of the Company during 1983 and 1982. Substantially all such loans were made by the Bank in the ordinary course of business at the Bank's normal credit terms, including interest rate and collateralization, and none represent more than a normal risk of collection. Such loans at December 31, 1983 and 1982 amounted to approximately 2 percent and 5 percent of total stockholders' equity and approximately one tenth of 1 percent and one quarter of 1 percent of total assets, respectively.

16. Lease commitments

The Bank is the primary lessee. The Company's leased assets under capital leases are as follows:

(In thousands)	Cost	Accumulated amortization	Net
AT DECEMBER 31, 1983			
Premises and equipment	$127,901	$39,883	$88,018
AT DECEMBER 31, 1982			
Premises and equipment	$128,501	$37,382	$91,119

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, 1983 are as follows:

(In thousands)	Capital leases	Operating leases
Year ended December 31,		
1984	$ 17,982	$ 38,584
1985	17,770	28,726
1986	17,696	21,453
1987	17,590	19,802
1988	17,488	18,327
Thereafter	260,050	82,671
Total minimum lease payments	348,576	$209,563
Executory costs	(57,886)	
Amounts representing interest	(186,273)	
Present value of net minimum lease payments	$ 104,417	

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

(In thousands)	Year ended December 31,		
	1983	1982	1981
Consolidated	$47,662	$55,630	$40,416

17. Commitments & contingent liabilities

In the normal course of business there are various commitments outstanding and contingent liabilities, such as foreign exchange contracts, letters of credit and commitments to extend credit, which are not reflected in the accompanying financial statements. The Bank had outstanding commitments under standby letters of credit at December 31, 1983 totaling $1.1 billion. No material losses are anticipated by management as a result of these transactions.

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.

18. 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 information 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 on page 74 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 1983 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. 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 Management's Analysis of Financial Operations on pages 31 through 33. 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. 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.

Statement of income from continuing operations adjusted for changing prices

(In thousands) (Average 1983 dollars)	Year ended December 31, 1983
Reported income before income taxes	$229,693
Less applicable income taxes	74,793
Historical net income	154,900
Adjustment to restate costs for the effect of general inflation:	
Depreciation and amortization expenses	(44,732)
Income from continuing operations	$110,168
Loss from decline in purchasing power of net amounts of monetary assets held (not tax effected)	$ 22,469

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 Analysis of Financial Operations, beginning at page 31. 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.

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

(In thousands, except per share amounts) (Dollars expressed in average 1983 dollars)				Year ended December 31,	
Historical cost information adjusted for general inflation	1983	1982	1981	1980	1979
Net interest income (after provision for possible loan losses) (1)	$ 793,885	$ 729,207	$ 731,255	$ 726,207	$ 858,742
Income from continuing operations	$ 110,168	$ 102,520	$ 116,204	$ 127,822	$ 167,314
Net income per common share (2)	$4.14	$4.29	$5.00	$5.58	$7.38
Purchasing power loss on net monetary assets held during the year	$ 22,469	$ 21,980	$ 53,022	$ 79,203	$ 90,573
Net assets at year end	$1,872,245	$1,664,532	$1,616,037	$1,455,734	$1,431,786
Other information:					
Cash dividends declared per common share	$1.97	$1.98	$2.11	$2.32	$2.36
Market price per common share at year end	$39	$27⅜	$27	$32⅞	$34⅞
Average consumer price index	298.4	289.1	272.4	246.8	217.5

(1) Net interest income is not presented on a taxable-equivalent basis.
(2) Computed based on net income applicable to common stock.

Accountants' Report

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

We have examined the balance sheet of Wells Fargo & Company (Parent) as of December 31, 1983 and 1982 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, 1983; and the consolidated balance sheet of Wells Fargo & Company and Subsidiaries as of December 31, 1983 and 1982 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, 1983. 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, 1983 and 1982, 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, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

San Francisco, California
January 16, 1984

Peat, Marwick, Mitchell & Co.,
Certified Public Accountants

Directors

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

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

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

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

Robert K. Jaedicke
Dean, Graduate School of Business,
Stanford University

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
Chairman, President and
Chief Executive Officer

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

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

Wilson Riles
President,
Wilson Riles & Associates, Inc.
(education consultants)

Richard M. Rosenberg
Vice Chairman of the Board

Henry F. Trione
Chairman of the Board,
Geyser Peak Winery
(wine growers and vintners)

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

Directors Emeritus

Wells Fargo Bank, N.A.

Ernest C. Arbuckle
Emeritus Dean, Graduate School of
Business, Stanford University

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)

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

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

Management

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

***Chairman, President and Chief Executive Officer**
Carl E. Reichardt

***Vice Chairman of the Board**
Richard M. Rosenberg

***Vice Chairman**
Paul Hazen

Executive Vice Presidents
Richard J. Borda
Thomas H. Boughey
Lewis W. Coleman
R. Thomas Decker
Ronald E. Eadie
Gordon S. Grout
John F. Grundhofer
E. Alan Holroyde
Robert L. Joss
Richard Oppenheimer
Jesun Paik
David M. Petrone
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 Credit Examiner
Douglas P. Holloway

Senior Vice President and Director of Taxes
Alan C. Gordon

Senior Vice President and General Auditor
Clyde W. Ostler

Senior Vice President and Treasurer
Alan J. Pabst

Vice President and Director of Investor Relations
Eric R. Durant

*Member of the Executive Office

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

***Chairman, President and Chief Executive Officer**
Carl E. Reichardt

***Vice Chairman of the Board**
Richard M. Rosenberg

***Vice Chairman**
Paul Hazen

Commercial Banking Group

John F. Grundhofer
Executive Vice President

Charles M. Johnson
Executive Vice President and
Deputy Manager

Corporate Banking Group

R. Thomas Decker
Executive Vice President

William R. Sweet
Executive Vice President and
Deputy Manager

Credit Policy Group

Gordon S. Grout
Executive Vice President

Finance Group

Frank N. Newman
Executive Vice President

Funding Group

Thomas H. Boughey
Executive Vice President

International Banking Group

Lewis W. Coleman
Executive Vice President

Jesun Paik
Executive Vice President and
Deputy Manager

Operations Group

E. Alan Holroyde
Executive Vice President

Real Estate Industries Group

Dale R. Walker
Executive Vice President

Retail Banking Group

William F. Zuendt
Executive Vice President

Consumer Services Division
Jack Kopec
Executive Vice President

Strategy and Systems Group

Jack L. Hancock
Senior Vice President

Trust and Investment Group

Robert L. Joss
Executive Vice President

Wells Fargo Global Banking Facilities

Subsidiaries

Wells Fargo Asia Limited:
Singapore and Hong Kong

Wells Fargo Bank Canada:
Calgary

Wells Fargo Bank International:
New York and Miami

Wells Fargo Corporate Services, Inc.:
San Francisco, Los Angeles, New York, Chicago, Atlanta, Dallas, Denver

Wells Fargo Latin American Bank Cayman Islands Limited:
Grand Cayman

Wells Fargo Limited:
London

Branches
Argentina: Buenos Aires
Hong Kong
Italy: Milan
Japan: Tokyo
Nassau
Singapore
United Kingdom: London

Representative Offices
Australia: Sydney
Brazil: São Paulo
Iberian Peninsula: Madrid, Spain
Indonesia: Jakarta
Korea: Seoul
Malaysia: Kuala Lumpur
Mexico: Mexico City
Philippines: Manila
Taiwan: Taipei
Thailand: Bangkok
Venezuela: Caracas

Wells Fargo Commercial Nonbank Subsidiaries

Richard Oppenheimer
Executive Vice President

Wells Fargo Ag Credit
Englewood, Colorado
Theodore J. Rogenski, President

Wells Fargo Business Credit
Dallas, Texas
Thomas D. Drennan, President

Wells Fargo Capital Markets Inc.
Wells Fargo Equity Corporation
San Francisco, California
Charles A. Greenberg, President

Wells Fargo Credit Corporation
Scottsdale, Arizona
Larry S. Crawford, President

Wells Fargo Insurance Services/Central Western Insurance Company
San Francisco, California
Larry S. Crawford, President

Wells Fargo Leasing Corporation
San Francisco, California
Theodore J. Rogenski, President

Wells Fargo Securities Clearance Corporation
New York, New York
Barry X. Lynn, President

Wells Fargo Real Estate Nonbank Subsidiaries

David M. Petrone
Executive Vice President

Wells Fargo Mortgage Company
Santa Rosa, California
Terrance G. Hodel, President

Wells Fargo Realty Advisors
Marina del Rey, California
Fredrick W. Petri, President

The International Advisory Council

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

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

Ernest C. Arbuckle
Emeritus Dean,
Graduate School of Business
Stanford University
Stanford, California

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

Edward Carlson
Chairman Emeritus,
UAL, Incorporated
Chicago, Illinois

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,
Belton K. Johnson Interests
San Antonio, Texas

Ahmed Juffali
Managing Director,
E. A. 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,
Bankhaus Merck, Finck and Company
Munich, West Germany

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

Dr. Saburo Okita
Chairman, Institute for Domestic and International Policy Studies
Tokyo, Japan

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

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

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 Börse

Transfer Agent

Manufacturers Hanover Trust
Company of California
50 California Street
San Francisco, California 94111

Co-Transfer Agent
Manufacturers Hanover Trust
Company of New York
P.O. Box 24935, Church Street Station
New York, New York 10249

Registrar of Stock

Manufacturers Hanover Trust
Company of California
50 California Street
San Francisco, California 94111

Co-Registrar
Manufacturers Hanover Trust
Company of New York
P.O. Box 24935, Church Street Station
New York, New York 10249

Notice to Shareholders

The annual meeting of Wells Fargo & Company will be held at 2 p.m. on Tuesday, April 17, 1984, at 420 Montgomery Street, San Francisco, California.

Readers wishing more detailed information about Wells Fargo & Company may obtain copies of the Company's Form 10-K at no charge upon request from:

Controller's Division #1055
Wells Fargo & Company
475 Sansome Street
San Francisco, California
94163

Wells Fargo & Company
420 Montgomery Street
San Francisco, CA 94163