WELLS FARGO & COMPANY

1984 ANNUAL REPORT

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Highlights

(in millions)	1984	1983	Percentage increase (decrease)
FOR THE YEAR			
Net income	**$169.3**	$154.9	9%
Per common share			
Net income	**$6.85**	$6.03	14
Dividends declared	**$2.16**	$1.98	9
AT YEAR END			
Loans	**$22,894**	$20,268	13
Assets	**$28,184**	$27,018	4
Stockholders' equity	**$ 1,344**	$ 1,348	—
Primary capital	**$ 1,892**	$ 1,547	22
Total capital	**$ 2,955**	$ 1,961	51
Common shares outstanding (in thousands)	**21,235**	23,882	(11)
Book value per common share	**$56.21**	$50.15	12

Letter to Shareholders

photo courtesy Ed Kashi—Forbes magazine

Chairman Carl E. Reichardt (left) and President Paul Hazen stand beside the Wells Fargo stagecoach in the Company's History Room in San Francisco.

Wells Fargo & Company made progress toward a number of its objectives in 1984. The Company achieved record earnings of $6.85 per share, improved its return on both equity and assets and further strengthened its balance sheet. Equally important, the Company continued to implement strategies that we believe contribute to our competitiveness and respond to the challenges of the deregulated banking environment.

Throughout the year, Wells Fargo concentrated on expanding its core businesses and on improving efficiency and profitability. In keeping with our business objectives, we continued to reshape some of our activities and focus our resources on the fast-growing markets of the West and Southwest.

The Company also continued to manage expenses by streamlining operations and eliminating business lines that no longer fit its strategies. At the same time, Wells Fargo invested heavily in research and development and put into operation new electronic systems that improve productivity and customer service.

The economic recovery in 1984 was the strongest in three decades, and it provided substantial opportunities for Wells Fargo in its basic businesses. Nevertheless, the difficulties of some domestic and international borrowers had a negative impact on the Company and the financial industry as a whole.

Wells Fargo concentrated on expanding core businesses and improving efficiency.

In 1984, Wells Fargo's net income was $169 million, compared with $155 million in 1983. Earnings per share increased 14 percent, climbing from $6.03 in 1983 to $6.85.

There were no significant nonrecurring items included in 1984 earnings. In 1983, nonrecurring gains from a sale of real estate and from tax-related adjustments added 42 cents a share to net income. If these gains are excluded from the calculation, Wells Fargo's 1984 earnings per share were up 22 percent over 1983.

Return on average common stockholders' equity in 1984 rose to 12.88 percent from 12.51 percent in 1983. Return on assets rose to .62 percent from .61 percent in 1983. One of management's most important goals is to improve these key measures.

As discussed in more detail in the financial review of this report, growth in net interest income and management of noninterest expense were the chief contributors to our earnings improvement. Net interest income on a taxable equivalent basis increased 17 percent, primarily as a result of growth in targeted loan categories and improved interest rate margins. Wells Fargo's interest rate spread increased to 4.66 percent in 1984 from 4.33 percent in the previous year.

Wells Fargo achieved an 8 percent increase in average earning assets in 1984, primarily as a result of growth in consumer, contruction-related and middle-market commercial loans. We plan to continue to concentrate on these activities, and on gathering deposits through our statewide retail branch system. These are businesses that we know well and that have strong potential for growth.

Noninterest expense increased by 5 percent over 1983, following an increase of 1 percent in 1983 over the previous year. We will continue to emphasize expense control throughout the Company, while also investing in new systems that result in increased productivity.

In 1984, the Company repurchased approximately 3 million shares of its common stock, a move that we believe represents a sound investment for our shareholders. These repurchases increase return on common equity and earnings per share. The Company's stock price increased 19 percent from year-end 1983 to year-end 1984.

In February of 1985, Wells Fargo's board of directors voted to increase the regular quarterly dividend by 11 percent, from 54 cents per share to 60 cents.

The year 1984 was not without problems and challenges. The nation's banks worked on solutions to the difficult international debt situation and to domestic credit problems associated with continued hardship in several industries. Throughout the year, the banking industry and its regulators acted responsibly and effectively in their efforts to resolve these issues.

The debt problems of a number of Latin American countries remain a serious concern of Wells Fargo and other major banking companies. However, the banks, the International Monetary Fund and many of the major nations involved reached important agreements in 1984 that have helped restructure debt. Wells Fargo is hopeful that the agreements will enable these nations to meet their debt obligations while improving economic opportunity for their citizens.

We are investing in new systems that increase productivity.

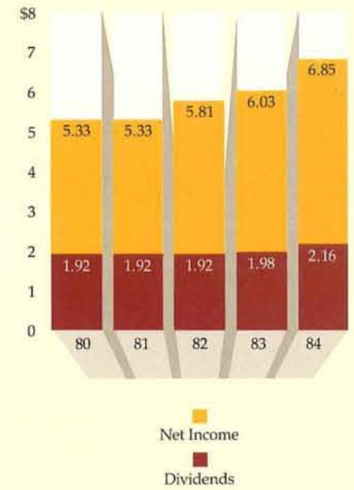
The Company has experienced significant losses in agricultural loans in the portfolio of its Denver-based subsidiary, Wells Fargo Ag Credit. U.S. agriculture has suffered from several problems, particularly the negative impact of a strong dollar on exports and a continuing decline in land values. However, Wells Fargo has confidence in the long-term competitive strength of U.S. agriculture and will continue to support the industry through this period of financial difficulty.

The Company's net loan charge-offs amounted to $133 million in 1984, or .62 percent of average loans outstanding, compared with $112 million in 1983, or .56 percent of average loans. The higher level of write-offs was primarily related to domestic and international economic problems. Nonetheless, Wells Fargo will continue to emphasize improvement in credit quality throughout the Company.

Nonaccrual and restructured loans were down slightly from 1983 levels. Loans in these two categories amounted to $735 million, or 3.2 percent of total loans, on December 31, 1984, compared with $749 million, or 3.7 percent of total loans, at the end of 1983.

The Company's provision for loan losses was $195 million in 1984 compared with $121 million in 1983. The increase in the provision was prin-

Net Income & Dividends per Common Share ($)



cipally used to strengthen the allowance for loan losses to 1.14 percent of total loans on December 31, 1984 compared with .98 percent a year earlier.

Wells Fargo expanded its solid base of capital strength and stable deposits in 1984. The Company issued approximately $1 billion in intermediate-term subordinated notes in the U.S. and world capital markets. These offerings provide stable funding for our subsidiaries and add to our capital. Today, Wells Fargo is among the most highly capitalized major banking companies in the United States.

Core deposits—which we define as noninterest-bearing deposits, interest-bearing checking accounts, savings accounts and savings certificates—are an important source of earnings and financial stability. These deposits funded 61 percent of Wells Fargo's average assets in 1984 and reached $18 billion by year end, up 7 percent from a year earlier.

The Company maintained its position in 1984 as one of the leading managers of individual retirement accounts (IRAs). The Bank had approximately $810 million in IRAs at year end. These IRAs provide customers with investment options that include five types of insured deposits, two investment funds and the ability to trade individual securities through Wells Fargo's discount brokerage service.

Wells Fargo continued to streamline and consolidate its California branch banking system in 1984. Last year, the Bank closed or consolidated 44 of its branches. We have reduced our statewide system from 397 branches at the beginning of 1982 to 330 at the end of 1984. Meanwhile, our Express Stop™ automatic transaction machines have helped improve service and efficiency in our retail system. Customer acceptance of these machines has been exceptional. Approximately 60 percent of our checking account customers use Express Stops at least once a month for their routine banking transactions. At year end, Wells Fargo was operating 726 Express Stop machines throughout the state.

Wells Fargo expanded its point-of-sale services for merchants in 1984. We continued to successfully market WellService™ terminals, which are used by merchants to authorize check and credit card purchases by their customers. In February of 1985, there were approximately 7,000 terminals operating in stores throughout California and several other states, compared with 3,800 at the end of 1983. Years ago, Wells Fargo was the first bank in California to offer this service, and today it has the largest statewide network of terminals of any bank in the nation.

We continued to establish our Express Purchase™ business among California merchants. This service allows consumers to make purchases with their Express Banking Cards at participating stores. Wells Fargo also worked with the four other major California banking companies to develop Interlink™—an electronic funds transfer network for point-of-sale banking card transactions. Interlink, which will begin operating this year, will allow our merchants to accept cards from other banks and will enable our customers to use their Express Banking Cards at merchants with point-of-sale terminals serviced by other banks.

Average consumer loans increased 22 percent in 1984. A major portion of this increase came from growth in our credit card business. On December 31, Wells Fargo had more than one million credit card customers and more than $900 million in credit card outstandings. During the year, the Bank developed a new automated credit approval processing system that provides faster service to credit card customers and ensures consistent credit control.

Our commercial real estate activities were strong in 1984. Average construction-related loans were up 24 percent from 1983. The Company's commitment and specialized skills have established it as a major lender in this industry throughout the nation. Our ability to put together large and complex transactions led to $4 billion in new commitments in 1984. We are becoming increasingly active in income-participation loans, in which Wells Fargo shares in the income of projects it finances. In 1984, we received our first payments from these participations.

Wells Fargo continues to evaluate its activities and to shift some resources to more productive uses. As part of that process, we agreed on January 31 of this year to sell our residential mortgage banking subsidiary, Wells Fargo Mortgage Company (WFMC). Wells Fargo expects to realize a pretax gain of approximately $50 million on the sale in early 1985. In addition, we expect to amortize a deferred gain of approximately $40 million over a period of about 12 years. Wells Fargo will retain the commercial real estate operations of WFMC.

Middle-market commercial lending is also one of Wells Fargo's basic businesses. Growth in middle-market loans was the chief contributor to a 10 percent increase in the average size of our domestic commercial loan portfolio last year. We operate regional commercial banking offices throughout California that provide both personal and business services to commercial customers. In 1984, we began offering small business customers a new product called Business Capital Advantage. This unsecured revolving line of credit is designed to meet the short-term borrowing needs of well-established, financially sound customers.

We continued to focus our corporate banking activities on customers in California and the West in 1984. In addition to offering lending services, the Corporate Banking Group expanded its cash management services for corporate customers. Wells Fargo's MicroExpress™ personal computer system, which provides corporate treasurers with timely account information, captured 25 percent of the U.S. market by year end, according to an independent survey. In 1984, Wells Fargo became the first bank in the Western states to both send and receive an electronic bill payment on behalf of corporate customers. The Bank also introduced the first personal computer software in the United States that makes use of this new electronic funds transfer technology.

In 1984, Wells Fargo consolidated its merchant banking businesses in Singapore and London into Wells Fargo International Limited, a Cayman Islands subsidiary opened in 1982. The Company also sold the Miami office of Wells Fargo Bank International, an Edge Act subsidiary.

The International Banking Group also reorganized its Southeast Asian

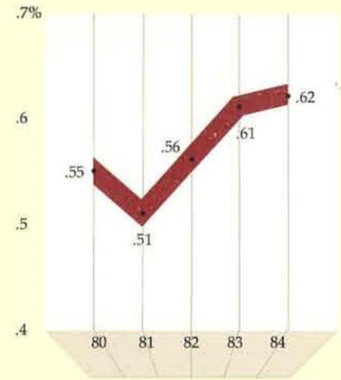
Wells Fargo strengthened its capital base in 1984.

Wells Fargo continues to shift resources to more productive uses.

Return on Common Stockholders' Equity
(%)

Ratio of net income applicable to common stock to average common stockholders' equity

Return on Average Total Assets
(%)



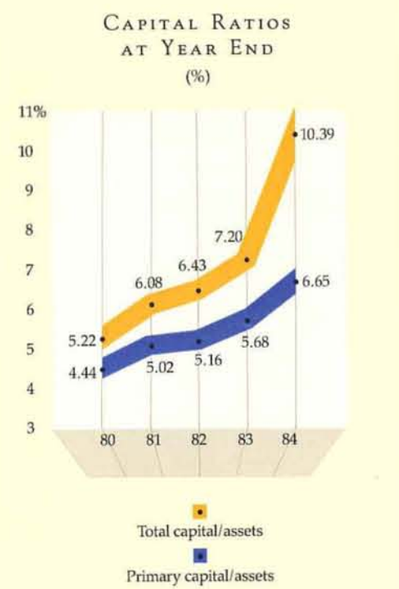
Ratio of net income to average total assets

offices in 1984. A representative office in Seoul, Korea, was expanded into a branch office, reflecting increased trade between Korea and our West Coast customers. The Singapore branch was converted into a representative office and regional administrative center.

The Bank's new Global Funds Transfer System was completed in 1984, allowing customers to wire funds from around the world for same-day deposit in California.

Wells Fargo Investment Advisors (WFIA) became a nonbank subsidiary early in 1985. WFIA, which had been a division of the Bank, managed approximately $18 billion in funds for pension plans and large institutions as of January 31, 1985. This business pioneered the development and use of passive index funds which match the performance of broad segments of the stock and bond markets. Today, it is the largest manager of passive index funds in the United States.

Wells Fargo's most important management change in 1984 was the appointment of Vice Chairman Paul Hazen, 43, as president and chief operating officer of the Company and the Bank. Mr. Hazen also was elected to the board of directors. He joined the Company as vice president of Wells Fargo Realty Advisors in 1970, and was named executive vice president of the parent company in 1980 and vice chairman in 1981. Mr. Hazen has played a key part in developing



and implementing the Company's present strategies.

In another important management change, Richard Rosenberg announced his resignation last June as vice chairman of Wells Fargo's board of directors and accepted a management position with another banking company. Mr. Rosenberg had been with the Company for 22 years.

We are committed to providing a solid return to our shareholders.

James Flood and Richard Guggenhime retired as directors emeriti of the Bank in 1984. Edmund Littlefield and George Ishiyama retired from the board, and were named directors emeriti. The management of the Company has benefited greatly from the counsel of these four men. We look forward to the continued guidance of Messrs. Littlefield and Ishiyama.

Wells Fargo is committed to providing a solid return to its shareholders, and this objective will continue to guide management's actions. The Company will remain open to new business opportunities and will continue to invest in its future. At the same time, quality in basic services, effective cost management, profitability and financial strength will be the key standards by which performance will be judged.

Carl E. Reichardt
Chairman

Paul Hazen
President

February 28, 1985

Management's Analysis of Financial Operations

Overview

Net income in 1984 was $169.3 million, an increase of 9 percent over $154.9 million in 1983. Net income per share was $6.85, up 14 percent from $6.03 in 1983. The percentage increase in net income per share exceeded that of net income primarily as a result of a reduction in common shares outstanding. Wells Fargo & Company repurchased approximately 3 million shares of its common stock in 1984.

There were no major nonrecurring items in 1984. In 1983, major nonrecurring items consisted of a $10.0 million pretax gain on a sale of property in San Francisco and net favorable prior years' tax related adjustments of approximately $4.4 million. When these gains of $.42 per share in 1983 are excluded from the calculation, net income per share increased 22 percent in 1984.

Higher interest differential and management of noninterest expense contributed to the earnings performance. The interest differential increased 17 percent to $1,124 million in 1984. The interest rate spread was 4.66 percent in 1984, an increase of 33 basis points over 1983. The improvement in spread and in interest differential was primarily attributable to increases in core deposits and targeted loan categories, favorable funding conditions and management of interest rate risk.

The average volume of loans in 1984 was $21.6 billion, an increase of 8 percent over 1983. All loan amounts in the 1984 Annual Report are net of unearned income. In 1984, average construction-related loans rose 24 percent, consumer loans 22 percent and domestic commercial loans 10 percent.

Table 1
Six-Year Summary of Selected Financial Data

(in millions)	1984	1983	1982	1981	1980	1979	Change 1984/1983	Five-year compound growth rate 1979-1984
INCOME STATEMENT								
Net interest income	**$1,069.5**	$915.0	$821.9	$731.0	$677.6	$691.5	17%	9%
Provision for loan losses	**$ 194.6**	$121.1	$115.4	$ 63.4	$ 77.0	$ 65.6	61	24
Noninterest income	**$ 270.6**	$279.5	$293.9	$231.3	$163.3	$ 96.3	(3)	23
Noninterest expense	**$ 886.6**	$843.7	$836.6	$743.5	$590.8	$528.1	5	11
Net income	**$ 169.3**	$154.9	$138.6	$124.0	$121.9	$123.4	9	7
Per common share								
Net income	**$6.85**	$6.03	$5.81	$5.33	$5.33	$5.45	14	5
Dividends declared	**$2.16**	$1.98	$1.92	$1.92	$1.92	$1.72	9	5
BALANCE SHEET								
Loans	**$22,893.9**	$20,267.6	$19,768.5	$17,977.7	$16,834.2	$15,471.6	13	8
Allowance for loan losses	**$ 260.3**	$ 199.6	$ 190.5	$ 153.1	$ 141.8	$ 130.3	30	15
Total assets	**$28,184.1**	$27,017.6	$24,814.0	$23,219.2	$23,638.1	$20,593.1	4	6
Subordinated debt	**$ 1,011.7**	$ 38.8	$ 38.8	$ 38.8	$ 38.8	$ 50.0	—	—
Intermediate- and long-term senior debt and obligations under capital leases	**$ 1,708.6**	$ 1,493.7	$ 1,335.2	$ 968.4	$ 765.8	$ 474.4	14	29
Stockholders' equity	**$ 1,343.7**	$ 1,347.8	$ 1,100.4	$ 1,020.9	$ 913.6	$ 834.1	—	10

Core deposits were $18.0 billion at December 31, 1984, a 7 percent increase over 1983. The Company's core deposits, which consist of noninterest-bearing deposits, interest-bearing checking accounts, savings accounts and savings certificates, funded 61 percent of average assets in 1984 and 1983.

Noninterest income of $270.6 million was 3 percent lower than in 1983, when the Company realized the $10.0 million major nonrecurring gain on a sale of real estate. Noninterest expense of $886.6 million in 1984 was up 5 percent compared with 1983.

Net loan charge-offs were $133.3 million in 1984 and $111.9 million in 1983. The Company's provision for loan losses was $194.6 million in 1984 compared with $121.1 million in 1983. The ratio of the allowance for loan losses to total loans at the end of 1984 was 1.14 percent compared with .98 percent at the end of 1983.

Nonaccrual and restructured loans were $734.6 million, or 3.2 percent of total loans at December 31, 1984, compared with $748.6 million, or 3.7 percent of total loans at December 31, 1983.

The Company issued $974 million of unsecured subordinated notes during 1984. Of this, $300 million is mandatory convertible debt, which qualifies as primary capital. The remaining $674 million is intermediate-term debt of the Parent and is included in total capital. The Company's ratio of primary capital to assets was 6.65 percent at December 31, 1984 compared with 5.68 percent at the end of 1983. Total capital was 10.39 percent of assets at December 31, 1984, and 7.20 percent a year earlier.

On January 31, 1985, the Company agreed to sell its residential mortgage banking subsidiary, Wells Fargo Mortgage Company (WFMC). The sale is expected to close in early 1985. The purchase price will be approximately $108 million. The Company expects to realize a pretax gain on the sale of about $50 million. The remaining deferred gain of approximately $40 million would be amortized over the expected remaining life (approximately 12 years) of the residential mortgages held by the Bank. In addition to the Bank's residential mortgages, WFMC services mortgages held by other investors. WFMC's residential mortgage banking business has assets of approximately $125 million and services approximately $6 billion of residential mortgages. The Company will continue to conduct commercial mortgage banking business.

The Company's key performance ratios are shown in the following table.

Table 2
Ratios and Statistics

	Year ended December 31,		
	1984	1983	1982
PROFITABILITY RATIOS			
Net income to:			
Average total assets	.62%	.61%	.56%
Average stockholders' equity	12.60	12.29	13.09
Net income applicable to common stock to average common stockholders' equity	12.88	12.51	13.09
CAPITAL RATIOS			
Year-end balances:			
Equity/assets (equity divided by assets)	4.77	4.99	4.43
Primary capital/assets (1)	6.65	5.68	5.16
Primary capital and other subordinated notes/assets	9.13	5.82	5.32
Total capital/assets (2)	10.39	7.20	6.43
Average balances:			
Equity/assets	4.93	4.95	4.27
Primary capital/assets	6.36	5.68	4.89
Total capital/assets	8.44	6.97	5.91
Dividend payout per common share (3)	31.53	32.84	33.05
Book value per common share	$56.21	$50.15	$46.62
STATISTICAL SUMMARY			
Market prices of common stock (4):			
High	$49⅛	$41¾	$34
Low	$31⅜	$26¼	$18¾
Year end	$47⅛	$39⅝	$26⅞
Other year-end data:			
Number of common stockholders (5)	23,100	23,100	24,000
Number of common shares outstanding	21,234,597	23,881,810	23,606,721
Company staff (6)	16,000	16,200	17,100
Number of domestic and foreign banking offices	337	380	394

(1) Based on regulatory concepts, primary capital ($1,892 million at December 31, 1984) is defined as stockholders' equity ($1,344 million), mandatory convertible debt ($294 million, net of amount in Note Fund discussed on page 32) and allowance for loan losses ($254 million, exclusive of the "Allocated Transfer Risk Reserves" discussed on page 17).

(2) Based on regulatory concepts, total capital ($2,955 million at December 31, 1984) is defined as primary capital, certain unsecured intermediate- and long-term debt of the Parent and its nonbank subsidiaries ($1,032 million) and subordinated notes of the Bank ($31 million).

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

(4) Based on daily closing prices listed in the New York Stock Exchange Composite Transaction Reporting System.

(5) Based on actual number of holders of record at year end.

(6) Full-time equivalent, excluding hourly employees.

Earnings Performance

Wells Fargo & Company (Parent) is a bank holding company registered under the Bank Holding Company Act of 1956, as amended. Its principal asset is the capital stock of Wells Fargo Bank, N.A. (Bank). In addition, the Parent, through its nonbank subsidiaries, provides equipment lease financing, real estate financing and agricultural financing, originates and services real estate loans for investors, advises a real estate investment trust, provides consumer, accounts receivable and inventory financing and provides credit insurance to borrowers from certain of the Parent's subsidiaries. In the Annual Report, Wells Fargo & Company and its subsidiaries are referred to as the Company.

A condensed consolidating statement of income of the Parent and its subsidiaries is shown in Table 3. Net income of the Bank increased 20 percent in 1984 to $153.0 million. Net income of the nonbank subsidiaries, all of which are wholly owned by the Parent, was $19.9 million, down 24 percent from 1983. This decrease was primarily the result of a $23.3 million net loss reported by Wells Fargo Ag Credit in 1984 compared with a $15.5 million net loss in 1983. These losses reflected net charge-offs of $28.1 million in 1984 and $28.9 million in 1983.

Table 3
Condensed Consolidating Statement of Income

(in thousands)	Year ended December 31, 1984				
	Wells Fargo & Company (Parent)	Wells Fargo Bank, N.A.	Nonbank subsidiaries	Eliminations and reclassifications	Consolidated Wells Fargo & Company
INTEREST INCOME					
Interest and fees on loans	$ 18,318	$2,369,369	$443,193	$ —	$2,830,880
Interest on investment securities	14,195	93,248	1,944	(70)	109,317
Interest on intercompany loans	327,817	182	46,551	(374,550)	—
Other	60,764	160,920	592	(60,926)	161,350
Total interest income	421,094	2,623,719	492,280	(435,546)	3,101,547
INTEREST EXPENSE					
Interest on deposits	—	1,554,193	—	(60,926)	1,493,267
Interest on borrowings	387,144	125,674	45,490	(70)	558,238
Interest on intercompany borrowings	46,660	5,391	322,499	(374,550)	—
Total interest expense	433,804	1,685,258	367,989	(435,546)	2,051,505
Amortized gain on interest rate hedging	—	19,437	—	—	19,437
Net interest income	(12,710)	957,898	124,291	—	1,069,479
Provision for loan losses	1,000	139,200	54,393	—	194,593
Net interest income after provision for loan losses	(13,710)	818,698	69,898	—	874,886
Equity in earnings of subsidiaries	172,884	—	—	(172,884)	—
Noninterest income	430	240,795	48,621	(19,217)	270,629
Noninterest expense	6,516	813,110	86,178	(19,217)	886,587
Income before income taxes	153,088	246,383	32,341	(172,884)	258,928
Less applicable income taxes	(16,177)	93,374	12,466	—	89,663
Net income	$169,265	$ 153,009	$ 19,875	$(172,884)	$ 169,265

Table 4
Financial Summary

AVERAGE BALANCES, RATES PAID AND YIELDS (yields on a taxable-equivalent basis)

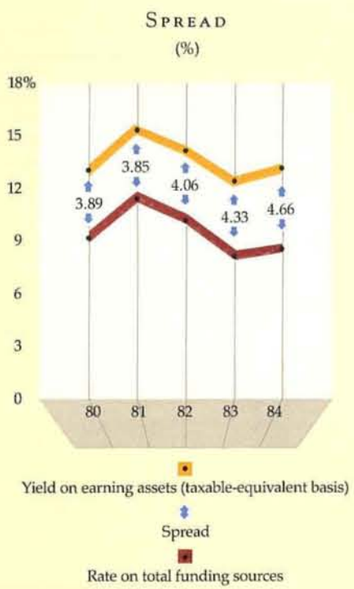
(in millions)	1984 Average balance	1984 Yields or rates	1984 Interest income/ expense	1983 Average balance	1983 Yields or rates	1983 Interest income/ expense	1982 Average balance	1982 Yields or rates	1982 Interest income/ expense	1981 Average balance	1981 Yields or rates	1981 Interest income/ expense	1980 Average balance	1980 Yields or rates	1980 Interest income/ expense
EARNING ASSETS															
Interest-earning deposits	$ 926	11.48%	$ 106.3	$ 1,342	10.74%	$ 144.1	$ 1,756	13.80%	$ 242.4	$ 1,403	16.55%	$ 232.2	$ 968	13.08%	$ 126.6
Investment securities:															
U.S. Treasury securities	641	10.85	69.5	233	10.19	23.7	204	10.04	20.4	440	10.40	45.7	446	10.18	45.4
Securities of other U.S. government agencies and corporations	65	8.57	5.6	133	8.81	11.7	215	8.96	19.2	276	9.01	24.9	326	8.63	28.1
Obligations of states and political subdivisions	218	8.83	19.3	282	8.96	25.3	476	9.15	43.6	694	9.19	63.8	796	9.10	72.4
Other securities	202	17.60	35.6	67	16.35	11.0	35	7.56	2.7	59	10.98	6.5	52	7.75	4.0
Total investment securities	1,126	11.54	130.0	715	10.03	71.7	930	9.24	85.9	1,469	9.59	140.9	1,620	9.26	149.9
Trading account securities	137	10.88	14.9	111	9.39	10.4	85	14.41	12.3	62	16.02	9.9	49	12.01	5.9
Federal funds sold	374	10.75	40.2	233	9.53	22.2	187	11.89	22.2	226	16.61	37.6	112	13.57	15.2
Loans:															
Commercial, financial, and agricultural	7,504	12.50	937.9	6,803	11.58	787.7	5,822	14.90	867.2	4,950	17.98	889.8	4,089	14.54	594.6
Real estate construction-related	2,721	13.60	370.0	2,194	12.68	278.2	2,166	15.30	331.4	1,890	18.98	358.7	1,420	16.46	233.8
Real estate mortgage (1)	4,980	11.17	556.3	4,962	11.14	552.9	5,634	11.16	628.5	5,669	10.92	618.9	5,368	10.34	555.0
Consumer (1)	2,671	15.16	404.9	2,190	14.63	320.3	1,761	15.01	264.4	2,026	14.52	294.1	2,433	13.61	331.2
Lease financing	872	13.88	121.1	914	14.27	130.5	902	14.82	133.7	770	13.14	101.2	657	11.08	72.8
Foreign	2,834	13.09	371.0	2,839	11.90	337.8	2,302	15.63	359.7	2,074	18.08	375.0	1,995	14.32	285.7
Fees and sundry interest	—	—	92.1	—	—	96.4	—	—	85.1	—	—	68.5	—	—	59.1
Total loans (2)	21,582	13.22	2,853.3	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
Total earning assets	$24,145	13.02	3,144.7	$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
FUNDING SOURCES															
Interest-bearing liabilities:															
Deposits:															
Savings deposits	$ 1,507	5.51	83.1	$ 1,768	5.29	93.6	$ 2,428	5.33	129.5	$ 2,898	5.31	154.0	$ 3,179	5.27	167.5
NOW accounts	1,376	5.10	70.2	1,270	5.18	65.7	1,272	5.17	65.8	566	5.00	28.3	—	—	—
Market rate checking	287	6.89	19.8	225	6.98	15.7	—	—	—	—	—	—	—	—	—
Market rate savings	4,742	8.51	403.4	4,577	8.35	382.3	330	9.43	31.2	—	—	—	—	—	—
Savings certificates	5,343	10.73	573.3	4,295	10.46	449.3	5,787	12.86	744.1	5,105	13.95	712.0	3,811	11.31	431.0
Certificates of deposit	414	14.06	58.2	640	13.94	89.3	1,012	14.15	143.3	1,382	15.03	207.8	1,646	12.61	207.5
Other time deposits	697	11.00	76.6	679	9.96	67.6	1,125	12.82	144.1	1,093	15.23	166.4	1,003	12.79	128.3
Deposits in foreign offices	1,820	11.46	208.7	1,966	11.16	219.3	2,140	14.13	302.4	2,652	16.16	428.6	2,773	13.01	360.7
Total interest-bearing deposits	16,186	9.23	1,493.3	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
Funds borrowed	1,070	10.01	107.2	1,171	8.78	102.9	1,315	12.84	168.8	1,313	17.40	228.4	1,210	13.35	161.5
Commercial paper	2,139	10.56	225.8	1,720	9.15	157.3	2,421	12.48	302.1	1,952	16.54	323.1	1,392	13.04	181.6
Senior and subordinated debt:															
Intermediate-term senior debt	1,315	12.45	163.8	1,011	13.39	135.3	918	13.13	120.6	624	11.86	74.0	—	—	—
Long-term senior debt	126	8.20	10.3	130	8.10	10.5	133	7.96	10.6	163	8.12	13.2	—	—	—
Subordinated debt	385	10.28	39.5	39	4.54	1.8	39	4.54	1.8	39	4.54	1.8	47	4.54	2.1
Total senior and subordinated debt (3)	1,826	11.70	213.6	1,180	12.52	147.6	1,090	12.20	133.0	826	10.78	89.0	681	9.39	63.9
Total interest-bearing liabilities	21,221	9.61	2,039.9	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
Portion of noninterest-bearing funding sources	2,924	—	—	2,812	—	—	2,625	—	—	2,752	—	—	3,016	—	—
Total funding sources	$24,145	8.45	2,039.9	$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
Amortized gain on interest rate hedging			19.4			3.2			6.7			.4			—
Spread and interest differential		4.66%	$1,124.2		4.33%	$ 964.8		4.06%	$ 875.2		3.85%	$ 789.6		3.89%	$ 727.8
NONINTEREST-EARNING ASSETS															
Cash and due from banks	$ 1,712			$ 1,713			$ 1,712			$ 1,853			$ 1,846		
Other (4)	1,376			1,422			1,561			1,814			1,498		
Total noninterest-earning assets	$ 3,088			$ 3,135			$ 3,273			$ 3,667			$ 3,344		
NONINTEREST-BEARING FUNDING SOURCES															
Deposits	$ 3,422			$ 3,420			$ 3,380			$ 3,644			$ 3,979		
Other liabilities	1,247			1,267			1,459			1,811			1,510		
Stockholders' equity	1,343			1,260			1,059			964			871		
Noninterest-bearing funding sources used to fund earning assets	(2,924)			(2,812)			(2,625)			(2,752)			(3,016)		
Total net noninterest-bearing funding sources	$ 3,088			$ 3,135			$ 3,273			$ 3,667			$ 3,344		
TOTAL ASSETS	$27,233			$25,438			$24,818			$24,206			$22,055		

(1) Effective January 1, 1983, second mortgages and other junior lien loans to individuals that are secured by 1-4 family residential properties have been classified as consumer loans. In prior periods, portions of these balances were included in both 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.

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

(3) Information relating to the segregation of intermediate-term and long-term senior debt is not available for 1980.

(4) Includes the average allowance for loan losses of $222 million, $197 million, $162 million, $152 million and $136 million in 1984, 1983, 1982, 1981 and 1980, respectively.



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 was $1,069 million in 1984 and $915 million in 1983. The interest differential is interest income on a "taxable-equivalent" basis reduced by interest incurred to fund earning assets. Interest differential was $1,124 million in 1984, an increase of 17 percent over $965 million in 1983. The interest differential expressed as a percentage of average total earning assets is referred to as the "spread." The spread represents the average net effective rate on earning assets.

Individual components of interest differential and spread are presented in the financial summary on page 10.

Interest income shown in the financial summary exceeds that in the consolidated statement of income by the amount of the taxable-equivalent adjustment ($43 million for 1984 and $38 million for 1983). The taxable-equivalent adjustment is based on the 46% federal tax rate and reflects the state tax applicable to income from securities and loans that are exempt from federal taxes. Therefore, such income included in the financial summary is comparable with revenue that is fully taxable.

Interest expense shown in the consolidated statement of income is $12 million higher for 1984 and 1983 than that shown in the financial summary. This difference is primarily due to the exclusion of imputed interest on capitalized leases. Such interest is excluded from the financial summary because the corresponding liability does not fund an earning asset. Management believes that presentation of the actual interest incurred to obtain funds is more meaningful.

Growth in earning assets, especially in the relatively high-yielding loan categories that the Company has targeted for emphasis, contributed to the improvement in interest differential in 1984. Loan volume averaged $21.6 billion during 1984, up 8 percent over 1983. Average construction-related loans were up 24 percent, consumer loans grew 22 percent and the commercial, financial and agricultural (commercial) portfolio increased 10 percent. Additional discussion of changes in the loan portfolio begins on page 15.

A more favorable relationship between some deposit and lending rates as well as changes in the mix of earning assets contributed to an improvement of 33 basis points in the Company's spread in 1984. In addition, increases in money market interest rates during the first three quarters of 1984 were more fully reflected in the Company's loan yields than in the rates paid on consumer deposits. For example, the average annual prime rate increased from 10.79% in 1983 to 12.03% in 1984 while the average rate paid on market rate savings deposits increased from 8.35% to 8.51%. Further discussion of deposits is on page 20.

The use of interest rate futures, which is discussed more fully on page 21, resulted in an amortized gain on interest rate hedging of $19.4 million in 1984 and $3.2 million in 1983. During the last 4 months of 1984, money market rates declined, and the Company's prime loan yields fell more rapidly than the rates paid on the deposits that fund such loans. Most of the 1984 gain on interest rate hedging, which is designed to protect against such rate maturity mismatches, occurred in the fourth quarter.

Total loan fees and sundry interest decreased 4 percent compared with 1983.

TABLE 5
LOAN FEES AND SUNDRY INTEREST

(in millions)	Year ended December 31,		
	1984	1983	1982
LOAN FEES			
Commercial, financial, and agricultural	$30.2	$30.5	$30.0
Real estate construction-related	10.7	6.6	6.6
Real estate mortgage	7.6	18.5	9.1
Monthly payment	8.4	9.3	6.4
Credit card	23.1	15.7	17.5
Other revolving consumer credit	2.1	.9	.3
Lease financing	1.4	2.8	4.1
Foreign	1.7	3.6	5.4
Sundry interest	6.9	8.5	5.7
Total	$92.1	$96.4	$85.1

The 1984 increase in real estate construction-related loan fees was due to more fees earned on income participation loans. Real estate mortgage loan fees decreased 59 percent in 1984 primarily due to reclassification of brokerage commissions from loan fees to noninterest income. Credit card fees increased 47 percent over 1983, primarily due to an increase in the number of accounts. Sundry interest principally consists of overdraft income and interest recovered on charged off loans.

NONINTEREST INCOME

Noninterest income decreased 3 percent compared with 1983, when the Company recorded a $10.0 million nonrecurring gain from the sale of property in San Francisco. Table 6 shows the major components of noninterest income.

TABLE 6
NONINTEREST INCOME

(in millions)	Year ended December 31,			Percentage change	
	1984	1983	1982	1984/1983	1983/1982
Service charges on deposit accounts	$ 95.2	$ 85.5	$ 72.8	11%	17%
Trust and investment advisors	51.2	56.4	45.6	(9)	24
Service fees	46.1	39.6	32.6	17	21
Domestic commissions	22.5	11.8	8.2	92	43
International commissions, fees and foreign exchange	20.7	30.1	40.3	(31)	(25)
Equity investment income	5.0	3.6	2.1	41	70
Trading account profits (losses) and commissions	3.8	(.7)	8.9	—	—
Escrow fees	3.5	3.4	2.5	4	33
Investment securities gains (losses)	3.0	.5	(6.5)	463	—
Sales of major real estate holdings	—	10.0	48.3	—	(79)
All other(1)	19.6	39.3	39.1	(50)	1
Total	$270.6	$279.5	$293.9	(3)	(5)

(1) Effective January 1, 1984, net gains or losses from the sale of bank premises are included in "all other" income. In prior periods, these amounts were included in net occupancy expense. All prior periods have been reclassified.

- The improvement in 1984 in service charges on deposit accounts reflected increases in fee schedules implemented during 1983.
- The increase in service fee income in 1984 compared with 1983 was primarily due to higher credit card merchant account activity, corporate finance fee income and real estate loan service fees.
- Domestic commissions increased over 1983 primarily due to the reclassification of brokerage commissions from loan fees to noninterest income. Increased fees associated with letters of credit and domestic loan syndications also contributed to the increase.
- International commissions, fees and foreign exchange income decreased compared to 1983. This decline reflected a general reduction in the Bank's international activities and a decrease in foreign exchange trading income.
- In 1984, "all other" income included gains of $2.2 million from the sale of equity securities received in troubled debt restructurings, compared with $8.0 million in 1983. Gains from sales of bank premises and loans held for sale were also greater in 1983.

NONINTEREST EXPENSE

Noninterest expense increased 5 percent in 1984 over 1983. Table 7 shows the major components of noninterest expense.

TABLE 7
NONINTEREST EXPENSE

(in millions)	Year ended December 31,			Percentage change	
	1984	1983	1982	1984/1983	1983/1982
Salaries	$405.8	$395.0	$385.2	3%	3%
Employee benefits	83.5	88.7	82.2	(6)	8
Net occupancy(1)	81.7	78.8	77.3	4	2
Equipment	74.2	68.3	68.9	9	(1)
Postage, stationery and supplies	39.6	40.2	41.3	(2)	(2)
Telephone and telegraph	27.7	26.8	28.6	4	(6)
Professional services	19.8	17.6	20.5	12	(14)
Travel and entertainment	19.0	18.1	18.1	5	—
Advertising	17.1	16.8	16.5	2	2
Outside data processing	13.1	13.2	13.6	(1)	(3)
Federal deposit insurance	12.3	11.7	10.2	5	14
Protection	9.1	9.5	9.3	(4)	2
All other	83.7	59.0	64.9	42	(9)
Total	$886.6	$843.7	$836.6	5	1

(1) Effective January 1, 1984, net gains or losses from the sale of bank premises are included in "all other" income. In prior periods, these amounts were included in net occupancy expense. All prior periods have been reclassified.

- Salary expense, which includes salaries of hourly and temporary employees, was up less than 3 percent compared with the prior year. Growth in salary expense was restrained by the closing of offices and streamlining of operations. Domestic and foreign banking offices declined from 380 at year-end 1983 to 337 at year-end 1984.
- Employee benefits expense decreased 6 percent in 1984 compared with 1983 due to a decrease in retirement plan expense which more than offset moderate increases in group insurance and payroll taxes. Effective January 1, 1985, the Company changed from a defined benefit retirement plan to a defined contribution plan. The former plan was overfunded at mid-1984, so no retirement plan expense accrual or contribution was required for the last half of 1984. Additional discussion of the Company's retirement plan is presented in note 8 to the financial statements on page 35. In 1985, retirement plan expense is expected to return to approximately the level of expense incurred before termination of the defined benefit plan.
- "All other" expense was up 42 percent in 1984. In 1983, the Company reversed a $9.4 million reserve it had established for possible payments associated with settlement of outstanding tax issues, which had the effect of reducing "all other" expense in 1983. Principal increases in 1984 were in costs related to other real estate owned and in expenses for outside computer programming.

Income Taxes

The Company's effective income tax rate in 1984 was 35% compared with 33% in 1983. Most of the increase in the effective income tax rate resulted from an increase in taxable income in 1984 coupled with declines in tax-exempt interest income and in investment tax credits.

In management's opinion, the effective income tax rate is not indicative of the Company's true tax burden.

The Company acts as an intermediary for tax incentives between the U.S. Government and certain recipients identified by Congress. These incentives are primarily intended to be indirect subsidies to state and local governments as well as to benefit companies that cannot directly utilize such incentives. Because interest income from state and local obligations is exempt from federal income tax, the Company is able to accept lower yields on these obligations thereby providing lower borrowing cost to the issuers. Had these obligations been taxable, the Company would have reported additional interest income and tax. Similarly, the Company, by utilizing the tax incentives of ownership, is able to offer lower cost lease financing to businesses through the reduction of rental payments from lessees. Such tax incentives lower the Company's effective income tax rate, but a substantial portion of the benefit of lower taxes is passed on to the Company's customers and to publicly supported borrowers.

Additionally, the Company is subject to indirect taxation because it must maintain noninterest-earning reserves with the Federal Reserve Bank. These reserves generate revenue for the Federal Reserve which, net of expenses, is turned over to the U.S. Treasury. The Company has estimated the amount of this indirect tax based upon its average Funds Borrowed rate and the average noninterest-earning reserve balances. While no single method of determination can precisely quantify this additional federal tax burden, the Company believes the foregoing method is reasonable.

If the effects of tax-exempt financing and reserve requirements had been included in the Company's income statement and tax provision, the effective income tax rate would have been 45% in both 1984 and 1983.

Additional detail of income taxation is presented in note 9 to the financial statements on page 36.

Balance Sheet Analysis

A condensed consolidating balance sheet of the Parent and its subsidiaries is shown in Table 8. Combined total assets of the nonbank subsidiaries were $4.2 billion at December 31, 1984, up 25 percent from year-end 1983. Contributing to this increase was growth in construction-related loans of Wells Fargo Realty Advisors.

Table 8
Condensed Consolidating Balance Sheet

(in thousands)

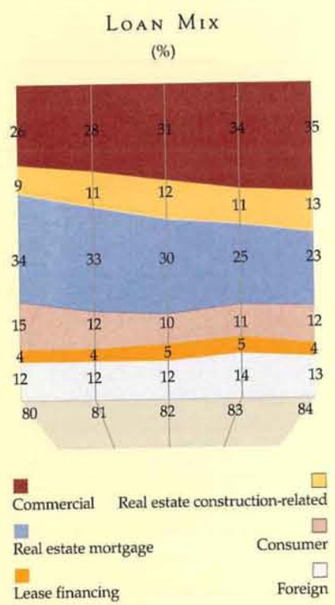
	Wells Fargo & Company (Parent)	Wells Fargo Bank, N.A.	Nonbank subsidiaries	Eliminations and reclassifications	December 31, 1984 Consolidated Wells Fargo & Company
ASSETS					
Cash and due from banks	$ 2,546	$ 2,039,024	$ 18,953	$ (11,542)	$ 2,048,981
Interest-earning deposits	209,976	432,628	15,002	(224,978)	432,628
Investment securities	151,885	919,310	17,718	(370)	1,088,543
Trading account securities	—	198,614	—	—	198,614
Federal funds sold	—	225,024	—	—	225,024
Net loans	167,383	18,860,737	3,605,436	—	22,633,556
Investment in subsidiaries	1,549,641	—	—	(1,549,641)	—
Intercompany loans and advances	3,514,133	4,000	309,858	(3,827,991)	—
Other assets	205,150	1,356,138	231,340	(235,850)	1,556,778
Total assets	$5,800,714	$24,035,475	$4,198,307	$(5,850,372)	$28,184,124
LIABILITIES AND STOCKHOLDERS' EQUITY					
Deposits	$ —	$20,437,757	$ —	$ (236,520)	$20,201,237
Borrowings	4,035,160	1,062,492	319,644	(370)	5,416,926
Intercompany borrowings	315,646	272,408	3,239,937	(3,827,991)	—
Other liabilities	106,238	997,107	354,796	(235,850)	1,222,291
Total liabilities	4,457,044	22,769,764	3,914,377	(4,300,731)	26,840,454
Paid-in capital and retained earnings	1,352,815	1,274,856	283,930	(1,558,786)	1,352,815
Equity adjustment from foreign currency translation	(9,145)	(9,145)	—	9,145	(9,145)
Total stockholders' equity	1,343,670	1,265,711	283,930	(1,549,641)	1,343,670
Total liabilities and stockholders' equity	$5,800,714	$24,035,475	$4,198,307	$(5,850,372)	$28,184,124

Investment Securities

Investment securities were $1.1 billion at December 31, 1984, a 12 percent increase over 1983. This increase of $120.2 million was primarily the result of increased purchases of U.S. Treasury securities, generally with 2-year maturities. Note 2 to the financial statements on page 30 shows the composition of the investment portfolio by type of issuer.

Loan Portfolio

A comparative schedule of year-end loans is presented in note 4 to the financial statements on page 31. A comparative schedule of average loan balances is presented in the financial summary on page 10. As illustrated by these two schedules, there were significant increases in the loan categories the Company has targeted for emphasis: commercial, real estate construction-related and consumer.



Contributing to the 1984 increase in the commercial portfolio was growth in middle-market loans. Agricultural loans (included in the commercial portfolio) were $702 million at December 31, 1984, essentially unchanged from December 31, 1983. These loans include loans to finance agricultural production, fisheries and forestries and other loans to farmers. Agricultural loans that are secured by real estate are included in real estate mortgage loans; such loans were approximately $100 million at December 31, 1984 and December 31, 1983.

The increase in real estate construction-related loans, which generally have maturities of 5 years or less, was broadly based and resulted primarily from loans made to finance commercial properties.

Growth in the credit card category of consumer loans was especially strong. That growth reflected origination of new credit card accounts and line increases to existing accounts.

Nonaccrual, Restructured and Past Due Loans

Note 1 to the financial statements on page 28 describes the Company's nonaccrual policy. Nonaccrual loans were $717.2 million, or 3.1 percent of total loans, at December 31, 1984 compared with $708.4 million, or 3.5 percent of total loans, at December 31, 1983. In 1984, the most significant increase in nonaccruals occurred in agricultural-related loans secured by real estate, which are included in the real estate mortgage portfolio.

Table 9
Nonaccrual Loans

(in millions)				December 31,	
	1984	1983	1982	1981	1980
Commercial, financial, and agricultural	**$382.4**(1)	$379.1(1)	$249.8	$130.3	$105.1
Real estate construction-related	**26.2**	57.9	146.6	155.7	31.5
Real estate mortgage	**43.7**(2)	15.6(2)	17.5	6.1	6.3
Consumer	**.6**	8.3	1.6	5.6	4.9
Lease financing	**14.4**	11.1	17.0	1.7	2.3
Foreign	**249.9**(3)	236.4(3)	107.9	44.7	49.3
Total	**$717.2**	$708.4	$540.4	$344.1	$199.4

(1) Includes agricultural loans of approximately $64 million and $75 million at December 31, 1984 and 1983, respectively.

(2) Includes agricultural loans secured by real estate of approximately $22 million and $2 million at December 31, 1984 and 1983, respectively.

(3) Includes private sector loans of approximately $39 million and $61 million in Mexico and $19 million and $68 million in Venezuela at December 31, 1984 and 1983, respectively.

In cases where borrowers experience financial difficulties, the Company may modify some contractual terms of loans. Such 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. If the customer's ability to meet the revised payment schedule is in doubt, the loan is classified as a nonaccrual loan. Restructured loans totaled $17.4 million at December 31, 1984 compared with $40.2 million at December 31, 1983.

Management's classification of a loan as nonaccrual 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. A significant portion of nonaccruals may be paying interest and principal as originally agreed. As of December 31, 1984, $82.1 million of the Company's total nonaccrual and restructured loans of $734.6 million were current. Note 4 to the financial statements on page 31 shows the interest on nonaccrual and restructured loans that was recognized as income amounted to $37.1 million in 1984 and $50.1 million in 1983. If interest due on all nonaccrual and restructured loans had been accrued at the original contract rates, it is estimated that income before income taxes would have increased by $57.8 million in 1984 and $33.4 million in 1983.

Loans contractually past due 90 days or more as to interest or principal, but not included in the nonaccrual or restructured categories, were $93.7 million at December 31, 1984, compared with $318.5 million at December 31, 1983. The decrease from December 31, 1983 was primarily due to the resolution of certain technical issues and the clarification of certain regulatory rules. All loans in this category are both well secured and in the process of collection.

Other real estate owned was $87.6 million at December 31, 1984, compared with $77.7 million at December 31, 1983. Other real estate owned is further described in note 1 to the financial statements on page 29.

Allowance for Loan Losses

An analysis of the changes in the allowance for loan losses, including net charge-offs by loan category, is presented in note 4 to the financial statements on page 31. The allowance for loan losses is increased by adding the current period's provision for loan losses and 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. At December 31, 1984, the allowance for loan losses as a percentage of total loans was 1.14 percent compared with .98 percent at December 31, 1983.

The Company considers the allowance for loan losses of $260.3 million at December 31, 1984 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 that are sizable in relation to the amount reserved, or that subsequent evaluations of the loan portfolio, in light of conditions and factors then prevailing, will not require significant changes in the allowance for loan losses.

Federal banking agencies jointly 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 in the allowance at December 31, 1984 and 1983 are "Allocated Transfer Risk Reserves" of $6.0 million and $.8 million, respectively.

The provision for loan losses in 1984 was $194.6 million compared with $121.1 million in 1983. The amount of the provision is dependent upon the amount that management believes is required to maintain the allowance at an appropriate level after net charge-offs. During 1984, net charge-offs were $133.3 million compared with $111.9 million during 1983. As a percentage of average loans outstanding, net charge-offs were .62 percent in 1984 and .56 percent in 1983. A significant portion of the 1984 increase was attributable to private sector foreign loans, agricultural-related loans (included in both the commercial and real estate mortgage loan portfolios) and loans to small and mid-size borrowers in a variety of industries.

Management has established charge-off policies that are followed throughout the Company. Loans, other than to consumers, are charged off under the following conditions, unless they are well secured and in the process of collection: (1) management judges the loans to be uncollectible, (2) repayment is deemed to be protracted beyond a reasonable period of time, (3) the loan has been classified as a loss by either internal loan examiners or National Bank Examiners/Federal Reserve Examiners or (4) the borrower has filed for bankruptcy and the loss becomes evident due to a lack of assets. Additionally, certain consumer loans are automatically charged off after a predetermined period of time.

Cross-Border 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, 1984 or 1983. Outstandings are defined as loans, interest-earning time deposits with other banks, other interest-earning investments, accrued interest receivable, acceptances and other monetary assets which are denominated in dollars or other nonlocal currency. Country distributions are based on the location of the obligor or investment, except (1) for cross-border outstandings guaranteed by a third party, in which case the country is that of the guarantor, and (2) when tangible liquid collateral is held outside the foreign country, in which case the country is that in which the collateral is located. Loans made or deposits placed with the branch of a bank outside the bank's home country are considered outstandings of the home country.

Table 10
Cross-Border Outstandings at Year End

(in millions)	Mexico (1)		Brazil		Venezuela		Japan		United Kingdom	
	1984	1983	1984	1983	1984	1983	1984	1983	1984	1983
Governments and official institutions	$343	$312	$269	$209	$121	$125	$ —	$ —	$ 6	$ 12
Banks and other financial institutions	52	56	335	347	44	44	360	242	17	394
Commercial and industrial	268	287	13	12	111	110	60	65	20	47
Total	$663	$655	$617	$568	$276	$279	$420	$307	$ 43	$453

(1) The Company also had outstanding approximately $28 million in 1984 and $32 million in 1983 of standby letters of credit in support of Mexican entities, the majority of which are in the private sector.

The remainder of the Company's foreign outstandings was spread among 56 countries at December 31, 1984 and 69 countries at December 31, 1983. The Company did not have outstandings equaling or exceeding .75 percent of total assets in any of these countries, except for Italy with outstandings of $265 million (.94 percent of total assets) at December 31, 1984.

A Country Review Committee, which includes senior officers of the International and Economic departments of the Bank, analyzes each country where the Company has or may have exposure in order to assess the cross-border risk. Based on the Committee's assessments, International Banking Group management recommends specific country limits.

As has been widely reported, various foreign countries have experienced serious difficulties in meeting scheduled payments of interest and principal on their debt due to economic and/or political difficulties. In the event of further deterioration in these countries, additional loans may be placed on nonaccrual status, reserved for or charged off under Company policies and federal regulatory requirements. For the countries discussed below, at December 31, 1984, all loans that were 90 days or more past due as to principal or interest were on nonaccrual status.

MEXICO As part of the current financial plan for Mexico, the Company, like other banks, agreed to reschedule all public sector debts falling due between August 23, 1982 and December 31, 1984. This amount is approximately $163 million and is to be repaid in installments over 4 years beginning in 1987. In May 1984, the Company signed an agreement to participate in a new $3.8 billion term loan to the Mexican government, of which the Company's share is $36 million. The Company has disbursed $27 million of that share as of December 31, 1984, and the remainder is expected to be disbursed in the first quarter of 1985. Cross-border outstandings to Mexican public sector borrowers increased by approximately $31 million during 1984, primarily as a result of a disbursement under this loan. At December 31, 1984, the Company's outstandings in Mexico included approximately $9 million in accrued interest receivable on loans to public sector Mexican borrowers. During 1984, approximately $41 million of interest income was recognized on loans to these borrowers and interest payments of approximately $40 million were received in cash. There was no other significant revenue reported as income in 1984 from public sector borrowers. No principal payments were received during 1984 on Mexican public sector loans. At December 31, 1984, there were no Company loans to public sector borrowers in Mexico on nonaccrual status.

During September 1984, a proposal to reschedule certain Mexican public sector debt falling due between 1985 and 1991 was announced. The proposal included extending maturities through 1998 on public sector debts existing before 1983. Included in this category is most of the above-mentioned $163 million now rescheduled to mature between 1987 and 1991. Effective January 1, 1985, interest rates on the Company's pre-1983 debt under this proposal would be as follows: ⅞% over the London Interbank Offered Rate (LIBOR) for dollar deposits for the period 1985–1986; 1⅛% over LIBOR for the period 1987–1991; and 1¼% over LIBOR for the period 1992–1998. The new money loan disbursed by the Company in 1983 (approximately $45 million), scheduled to mature between 1986 and 1990, would be extended to 1994 and carry an interest rate of 1⅛% over a prime rate. The Company's $36 million participation in the above-mentioned 1984 term loan already carries a final maturity of 1994 and interest of 1⅛% over a prime rate. The proposed rescheduling is subject to the approval of the individual banks which have loans covered under this proposal. Approximately $332 million of the Company's public sector loans would be included under this proposal and approximately $9 million of loans (disbursed in 1983) would be prepaid. Although this financing proposal has not yet been accepted by the banks, Mexico made a payment to its creditor banks in January 1985 of $250 million which is to be the first installment of the aforementioned prepayment. The Company's share of this installment was approximately $2 million. Currently, the weighted average contractual spread over prime for the Company's public sector prime-based loans in Mexico is approximately 1.6%; the weighted average contractual spread over LIBOR for its LIBOR-based public sector loans in Mexico is approximately 1.1%. If the proposal is adopted, the contractual spread over prime would be 1⅛% for prime-based loans; the contractual spread over LIBOR would be ⅞% (initially) for LIBOR-based loans. Under the current interest-rate environment, it is estimated that the immediate overall effect of applying this proposal would be a decline of approximately 150 basis points in the pretax yield of the Company's Mexican public sector portfolio, reflecting the changes in contractual spread and in the mix of prime and LIBOR-based loans. The Company believes that the effect of this rescheduling on it will not be material.

At December 31, 1984, there were approximately $39 million of private sector loans in Mexico on nonaccrual status, and approximately $180 million of loans to private sector Mexican borrowers had been rescheduled under a program administered by the Trust for the Coverage of Exchange Risks ("FICORCA"). Substantially all of the Company's loans to the private sector in Mexico are expected to be renegotiated under this program by the second quarter of 1985.

BRAZIL During 1984, the Company had a net increase in its loans and acceptances in Brazil of approximately $58 million. Approximately $61 million of interest income was accrued on cross-border loans to Brazilian borrowers in 1984, and interest payments of approximately $70 million were received in cash. At December 31, 1984, the Company had approximately $13 million in accrued interest receivable on these loans.

The 1984 Financial Assistance Program for Brazil consisted of $6.5 billion in new term loans, the refinancing of all 1984 maturities of term loans for 9 years, and the commitment to maintain a certain level of short-term, trade-related and interbank transactions outstanding throughout the year. The Company's pro-rata share in the new term loan was approximately $54 million; this amount was fully disbursed in 1984. At December 31, 1984, there were no nonaccrual loans in Brazil.

The International Monetary Fund (IMF) is currently negotiating with the Brazilian government on the terms of a new letter of intent with respect to Brazil's 1985 Economic Program. The Bank Advisory Committee has made substantial progress in its negotiations with respect to the refinancing of 1985 maturities and some subsequent maturities of medium-term debt. These negotiations will be finalized when agreement has been reached between Brazil and the IMF on the above-mentioned Economic Program. The Brazilian government, with the support of the Bank Advisory Committee, has requested interim measures with respect to the trade, interbank and deposit facilities until this new financing package is finalized.

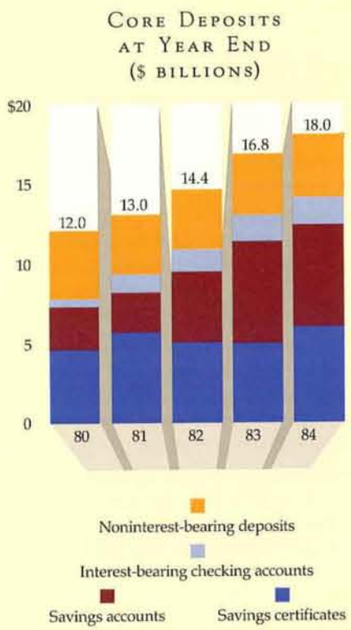
VENEZUELA In September 1984, the Company was advised that an agreement in principle had been reached between the Bank Advisory Committee and the Venezuelan government on the terms of a rescheduling of the public sector debt. If such rescheduling is agreed to by all of Venezuela's commercial bank creditors, including the Company, it will provide for the refinancing of all public sector debts falling due between March 22, 1983 and December 31, 1988. The Company's share of such debts is expected to be approximately $153 million. Repayment would be made in installments over 12 years beginning in 1985. The Company believes the effect of this rescheduling on it will not be material. Further progress toward a refinancing depends upon successful implementation by the Venezuelan government of mechanisms that would permit private sector debtors to repay foreign obligations. These mechanisms, currently being developed, should significantly reduce creditors' problem loans. As of December 31, 1984, the total of Venezuelan loans on nonaccrual status was approximately $19 million, all to private sector borrowers.

ARGENTINA In late December 1984, it was announced that approval had been obtained from the international banking community to provide 90 percent of Argentina's proposed $4.2 billion new money requirement. The managing director of the International Monetary Fund in turn indicated that this would enable him to request approval from his Board of Directors for a 1.4 billion Special Drawing Rights standby facility. These approvals will enable the rescheduling of all of Argentina's debt, pursuant to the 1984/85 Financing Plan published in early December 1984.

The Financing Plan calls for each creditor bank to participate in the new money facilities with an amount equal to 16.75 percent of its outstandings; 14.75 percent is to be in the form of a 10-year term loan and 2 percent in a trade finance facility. The Company's share of these facilities will be approximately $20 million. Under the terms of the Plan, public sector loans due for repayment during the period between 1982 and 1985 would be extended to mature between 1992 and 1997; the Company has $18 million outstanding in this category. The Plan also contains a provision for refinancing certain 1982 to 1985 private sector maturities with repayment due between 1992 and 1995. Approximately $32 million of the Company's private sector loans would be included in this rescheduling, under the guarantee of the Republic of Argentina. The Company believes that the effect of this restructuring on it will not be material.

On December 31, 1984, the Company had total cross-border outstandings in Argentina of approximately $137 million, which represent .49 percent of total assets. Approximately $68 million of loans to borrowers in Argentina were on nonaccrual status at December 31, 1984.

In January 1985, the Company converted the Buenos Aires branch into a representative office and acquired a minority interest in a local Argentine bank. This had no effect on the amount of cross-border outstandings.



Deposits

Comparative year-end detail of total deposits is presented in the following table.

Table 11
Deposits

(in millions)	1984	December 31, 1983
Noninterest-bearing deposits	$ 3,921.8	$ 3,844.7
Interest-bearing checking accounts	1,756.3	1,665.5
Savings accounts	6,411.9	6,420.2
Savings certificates	5,913.5	4,843.2
Core deposits	18,003.5	16,773.6
Certificates of deposit	287.6	578.9
Other time deposits	386.3	560.4
Interest-bearing deposits—foreign	1,523.8	2,448.1
Total deposits	$20,201.2	$20,361.0

Total deposits were essentially unchanged at December 31, 1984 compared with year-end 1983, despite some change in composition. Core deposits increased 7 percent, largely because of growth in savings certificates. The savings accounts category consists of savings deposits as well as the market rate savings accounts. During 1984, growth in the market rate account nearly offset a decline in savings deposits.

The most significant decline in deposits was in interest-bearing foreign deposits, which the Company de-emphasized as a funding source.

Core deposits funded 61 percent of the Company's average assets in 1984 and 1983. Core deposits of the Bank funded 71 percent and 69 percent of its average assets in 1984 and 1983, respectively.

Liquidity Management

Liquidity refers to the Company's ability to maintain a cash flow adequate to fund operations and meet obligations and other commitments on a timely and cost-effective basis.

The Parent, in addition to raising funds for its own use, acts as a funding source for the nonbank subsidiaries, borrowing funds in a variety of markets and lending them to the nonbank subsidiaries. The Parent's commercial paper outstanding at December 31, 1984 was $1.8 billion compared with $1.7 billion at December 31, 1983. In addition to borrowing short-term funds, the Company raised $1.3 billion in unsecured intermediate-term notes in 1984. This amount includes senior debt of $287 million and subordinated debt of $974 million.

The subordinated debt of $974 million includes $300 million of mandatory convertible debt. The mandatory convertible debt, net of the amount in the Note Fund discussed in note 5 to the financial statements on page 32, qualifies as primary capital. The remaining $674 million is intermediate-term debt of the Parent and is included in total capital. The mandatory convertible debt has a 12-year maturity which generally is considered to be intermediate-term. Consequently, in 1984, the Company classified as intermediate-term all debt with an original maturity of more than 1 year and not more than 12 years. Debt with an original maturity of more than 12 years is classified as long-term. Prior to 1984, intermediate-term had been defined as having an original maturity of more than 1 year and not more than 10 years. No prior periods were affected by this change.

As a result of the significant amount of subordinated debt issued in 1984, subordinated debt has been classified as a separate category of debt. Debt which is not subordinated is classified as intermediate-term senior or long-term senior debt. The ending and average balances and related interest expense have been reclassified for all prior periods affected.

In February 1985, the Parent issued $100 million of senior, unsecured Floating Rate Extendable Notes due 1988 and $250 million of unsecured Floating Rate Subordinated Notes due 1997; the latter will be included in total capital. Also in February 1985, the Parent filed a $750 million senior note shelf registration with the Securities and Exchange Commission, bringing the total amount of registered but unissued debt securities to $1.1 billion at February 28, 1985, of which $250 million is for subordinated debt.

Refer to note 5 to the financial statements on page 32 for a schedule of senior and subordinated debt as of December 31, 1984 and 1983. Information regarding restrictions on subsidiaries transferring funds to the Parent in the form of cash dividends, loans or advances is provided in note 10 to the financial statements on page 37.

Other sources of liquidity include maturity extensions of short-term borrowings, confirmed lines of credit from banks, 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 and to maintain confirmed lines of credit from a variety of money center, regional and international banks. At December 31, 1984, the Company had $680 million in bank line coverage from unaffiliated banks. Included in this amount was a $150 million revolving underwriting facility established in August 1984. In 1985, this bank line coverage was reduced to $480 million.

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.

Core deposits, listed on page 20, provided the Company with a sizable source of relatively stable and low-cost funds. In addition, the Bank issues certificates of deposit, borrows federal funds and sells securities under repurchase agreements.

To accommodate future growth and current business needs, the Company has a capital expenditure program. Included in 1985 projections for capital expenditures is $97 million for the relocation and remodeling of Company facilities, routine replacement of furniture and equipment and additional automated teller machines. The Company will fund these expenditures from various sources, including net income of the Company and additional borrowings of various maturities.

Capital Adequacy

The Bank and the Parent utilize a variety of leverage measures to evaluate capital adequacy. The capital ratios for 1984, 1983 and 1982, which are shown on page 8, reflect continued strengthening of the Company's capital position. The capital ratios for 1984 are higher than those in 1983 primarily due to the issuances of subordinated notes (discussed on page 20) and to increases in retained earnings and the allowance for loan losses.

Management reviews the various leverage measures monthly and takes appropriate action to ensure that they are within established internal and external guidelines. Management believes that its current leverage and liquidity positions are strong and exceed guidelines established by industry regulators, and that its capital position is adequate to support its various businesses.

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. Funding positions are kept within predetermined limits designed to ensure that risk-taking is not excessive and that liquidity is properly maintained.

The Company hedges primarily to reduce mismatches in the rate maturity of assets and liabilities through the use of interest rate futures. Gains and losses on futures contracts that are obtained for hedging purposes are deferred and amortized over the expected asset or liability holding period.

In the first quarter of 1984, the Bank began using interest-rate futures to shorten the effective maturity of a portion of the market rate accounts and 6-month consumer deposits. Approximately 85 percent of the Bank's prime loan portfolio was funded by these deposits in 1984. Management believes that shortening the effective maturity of a portion of these deposits to the overnight to 1-week range will provide more stable and more profitable spreads between prime loans and the rates on those funding sources.

Table 12
Interest Rate Sensitivity

(in billions) Remaining maturity	Assets	Liabilities and equity	Averages for December 1984: Net assets (liabilities) (column 1 minus column 2)		Net assets (liabilities) as a percent of total assets	
1–29 days(1)	$ 3.1	$ 9.7	$(6.6)		(23.6)%	
Prime-based	8.9	—	8.9	(.2)	31.9	(.7)
30–179 days(1)	3.0	5.5	(2.5)		(9.0)	
180–364 days	.8	1.3	(.5)		(1.8)	
1–5 years	3.7	1.9	1.8		6.4	
Over 5 years	3.6	.5	3.1	.7	11.1	2.5
Nonmarket	4.8	9.0	(4.2)		(15.0)	
Total	$27.9	$27.9				

(1) The 1-29 days category includes $3.8 billion of hedged Market Rate Account (MRA) deposits and 6-month deposits. Unhedged MRA's are included in the 30–179 day category, based on the past frequency of interest rate changes.

The preceding table shows the Company's interest-rate sensitivity based on average balances in December 1984. 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 5-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.

Management has made certain judgments and approximations in assigning assets and liabilities to rate maturity categories: (1) the remaining maturities of fixed-rate loans have been estimated based on recent repayment patterns rather than on contractual maturity, (2) "nonmarket" assets include noninterest-earning assets and credit card outstandings; "nonmarket" liabilities include savings deposits, NOW and ATS accounts, demand deposits, other noninterest-bearing liabilities and equity and (3) asset and liability maturities reflect the effects of hedging and interest rate swaps.

The 1-year-and-over position has increased to a net asset position of $700 million as of December 1984 (2.5 percent of total assets) from $300 million a year ago (1.1 percent of total assets), primarily due to increases in nonmarket assets and intermediate-term bonds held in the investment portfolio.

Comparison of 1983 Versus 1982

In 1983, net income was $154.9 million, up 12 percent from $138.6 million in 1982. Net income per share for 1983 reached $6.03 compared with $5.81 in 1982. When major nonrecurring items are excluded, 1983 net income was $5.61, an increase of 24 percent over the comparable 1982 amount of $4.51 per share.

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

Interest differential increased 10 percent, from $875.2 million in 1982 to $964.8 million in 1983, due to a 4 percent growth in average earning assets and a 27 basis point improvement in spread.

Average loan volume in 1983 was $19.9 billion, an increase of 7 percent over 1982. Average commercial loans increased 17 percent in 1983. Average real estate mortgage loans declined by 12 percent, primarily due to a reclassification of junior lien loans, discussed on page 10. This reclassification was also partially responsible for the 24 percent increase in average consumer loans. Average foreign loans 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.

Total deposits of $20.4 billion at December 31, 1983 were up 12 percent from December 31, 1982. Core deposits increased 17 percent to $16.8 billion at year-end 1983. A schedule of average loan and deposit balances for 1983 and 1982 is shown in the financial summary on page 10. The relaxation of regulations by the Depository Institutions Deregulation Committee in late 1982 was an important reason for the significant changes in the mix of total deposits in 1983.

Noninterest income was $279.5 million in 1983, a decrease of 5 percent from $293.9 million in 1982. When major nonrecurring items are excluded, noninterest 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.

Noninterest expense increased less than 1 percent in 1983. Salaries increased by less than 3 percent in 1983 while net occupancy and equipment expense were essentially unchanged.

The provision for loan losses was $121.1 million in 1983, compared with $115.4 million in 1982. Net charge-offs as a percentage of average loans outstanding was .56 percent in 1983 compared with .42 percent in 1982. The allowance for loan losses at the end of 1983 was .98 percent of total loans compared with .96 percent at the end of 1982.

Nonaccrual and restructured loans were $748.6 million, or 3.7 percent of total loans at December 31, 1983, compared with $561.1 million, or 2.8 percent of total loans at December 31, 1982.

The Company's effective tax rate increased to 33% in 1983 compared with 15% in 1982. The higher 1983 rate primarily resulted from an increase in taxable income, a decline in tax-exempt interest income and an adjustment in 1982 of prior years' deferred taxes.

General Information

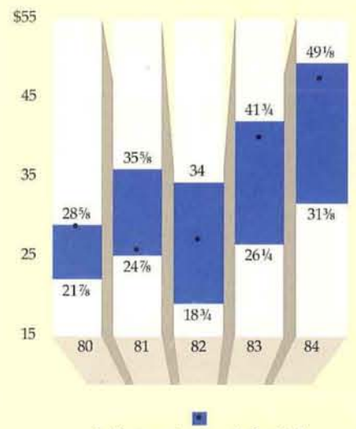
Common stock of the Parent is traded on the New York Stock Exchange, the Pacific Stock Exchange, the London Stock Exchange and the Frankfurter Börse. The high, low and closing annual and quarterly prices of the Parent's stock during 1984 and 1983 as reported in the New York Stock Exchange Composite Transaction Reporting System are presented in the graphs shown at the right. The approximate number of holders of record of the Parent's common stock was 22,900 as of January 31, 1985.

In 1984, the Company repurchased 3.0 million shares of common stock. Additional repurchases may be made pursuant to an August 1984 Board of Directors authorization; the cost for such additional repurchases may not exceed $21.3 million. This authorization is in addition to prior authorizations of repurchases in connection with issuances under employee benefit and dividend reinvestment plans.

Common dividends declared per share totaled $2.16 in 1984, $1.98 in 1983 and $1.92 in 1982. The Company intends to continue its current 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. Accordingly, in February 1985, the common stock quarterly dividend was increased to $.60 per share from $.54 per share. Additional dividend information, including information regarding restrictions on the payment of dividends, is presented in note 10 to the financial statements on page 37.

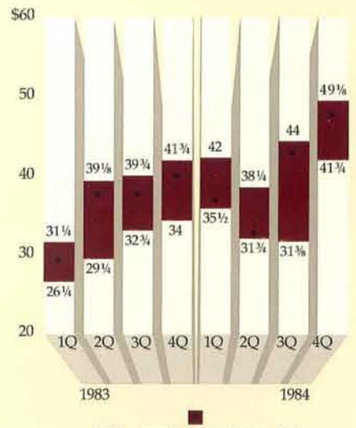
Information on financial reporting and changing prices is presented on page 44.

Price Range of Common Stock-Annual ($)



Indicates price at end of period

Price Range of Common Stock-Quarterly ($)



Indicates price at end of period

Consolidated Statement of Income

(in thousands)	Year ended December 31, 1984	1983	1982
INTEREST INCOME			
Interest and fees on loans	$2,830,880	$2,481,086	$2,643,263
Interest on investment securities:			
Taxable	99,380	43,476	42,366
Exempt from federal income taxes	9,937	13,075	22,401
Total interest on investment securities	109,317	56,551	64,767
Interest on trading account securities	14,841	10,365	12,099
Interest on interest-earning deposits	106,309	144,094	242,380
Interest on federal funds sold	40,200	22,231	22,186
Total interest income	3,101,547	2,714,327	2,984,695
INTEREST EXPENSE			
Interest on deposits	1,493,267	1,382,839	1,560,348
Interest on short-term borrowings	332,738	259,631	468,474
Interest on senior and subordinated debt	225,500	160,099	140,686
Total interest expense	2,051,505	1,802,569	2,169,508
Amortized gain on interest rate hedging	19,437	3,236	6,710
Net interest income	1,069,479	914,994	821,897
Provision for loan losses	194,593	121,109	115,417
Net interest income after provision for loan losses	874,886	793,885	706,480
NONINTEREST INCOME			
Service charges on deposit accounts	95,236	85,503	72,788
Trust and investment advisors	51,159	56,379	45,646
Service fees	46,098	39,564	32,609
International commissions, fees and foreign exchange	20,728	30,076	40,277
Investment securities gains (losses)	3,022	537	(6,540)
Sales of major real estate holdings	—	10,049	48,320
Other	54,386	57,349	60,859
Total noninterest income	270,629	279,457	293,959
NONINTEREST EXPENSE			
Salaries	405,849	394,968	385,157
Employee benefits	83,499	88,756	82,172
Net occupancy	81,654	78,764	77,297
Equipment	74,189	68,267	68,858
Other	241,396	212,894	223,153
Total noninterest expense	886,587	843,649	836,637
Income before income taxes	258,928	229,693	163,802
Less applicable income taxes	89,663	74,793	25,164
NET INCOME	$ 169,265	$ 154,900	$ 138,638
NET INCOME APPLICABLE TO COMMON STOCK	$ 154,171	$ 143,067	$ 138,638
NET INCOME PER COMMON SHARE	$ 6.85	$ 6.03	$ 5.81
Average common shares outstanding (in thousands)	22,514	23,737	23,869

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheet

(in thousands)	December 31, 1984	1983
Assets		
Cash and due from banks	$ 2,048,981	$ 2,192,539
Interest-earning deposits	432,628	1,565,401
Investment securities (market value $1,048,986 and $918,402)	1,088,543	968,304
Trading account securities	198,614	62,321
Federal funds sold	225,024	610,500
Loans, net of unearned income	22,893,870	20,267,575
Less allowance for loan losses	260,314	199,556
Net loans	22,633,556	20,068,019
Premises and equipment, net	453,467	459,874
Due from customers on acceptances	426,538	495,199
Accrued interest receivable	283,214	285,175
Other assets	393,559	310,289
Total assets	$28,184,124	$27,017,621
Liabilities and Stockholders' Equity		
Deposits:		
Noninterest-bearing deposits—domestic	$ 3,799,746	$ 3,708,005
Noninterest-bearing deposits—foreign	122,038	136,697
Interest-bearing deposits—domestic	14,755,660	14,068,132
Interest-bearing deposits—foreign	1,523,793	2,448,162
Total deposits	20,201,237	20,360,996
Short-term borrowings:		
Federal funds borrowed and repurchase agreements	963,333	856,781
Commercial paper outstanding	1,783,885	1,706,164
Other	50,880	88,580
Total short-term borrowings	2,798,098	2,651,525
Acceptances outstanding	426,661	495,665
Accrued taxes and other expenses	460,493	418,874
Intermediate-term senior debt	1,484,069	1,262,032
Long-term senior debt	123,056	127,300
Obligations under capital leases	101,443	104,417
Other liabilities	233,694	210,264
	25,828,751	25,631,073
Subordinated debt	1,011,703	38,777
Total liabilities	26,840,454	25,669,850
Stockholders' equity:		
Preferred stock—no par value, authorized 10,000,000 shares; issued and outstanding 3,000,000 shares. (Nonconvertible, cumulative, stated value—$50)	150,000	150,000
Common stock—$5 par value, authorized 50,000,000 shares; issued and outstanding 21,234,597 shares and 23,881,810 shares	106,173	119,409
Additional paid-in capital	169,904	264,909
Retained earnings	926,738	820,611
Equity adjustment from foreign currency translation	(9,145)	(7,158)
Total stockholders' equity	1,343,670	1,347,771
Total liabilities and stockholders' equity	$28,184,124	$27,017,621

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Stockholders' Equity

(in thousands)	Preferred stock	Common stock	Additional paid-in capital	Retained earnings	Foreign currency translation	Total stockholders' equity
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
Common stock issued under employee benefit and dividend reinvestment plans		2,565	8,789			11,354
Common 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
Common stock issued under employee benefit and dividend reinvestment plans		1,525	6,803			8,328
Common 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
Net income—1984				169,265		169,265
Exercise of warrants and conversion of convertible notes		776	3,045			3,821
Common stock issued under employee benefit and dividend reinvestment plans		1,029	5,750			6,779
Common stock repurchased		(15,041)	(103,800)			(118,841)
Preferred stock dividends				(15,094)		(15,094)
Common stock dividends				(48,044)		(48,044)
Equity adjustment from foreign currency translation (net of income tax benefit of $860)					(1,987)	(1,987)
Net change	—	(13,236)	(95,005)	106,127	(1,987)	(4,101)
Balance December 31, 1984	$150,000	$106,173	$169,904	$926,738	$(9,145)	$1,343,670

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Financial Position

(in thousands)	Year ended December 31, 1984 Financial resources Provided from	Year ended December 31, 1984 Financial resources Used for	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
Net income	$ 169,265	$	$ 154,900	$	$ 138,638	$
Noncash items included in net income:						
Provision for loan losses	194,593		121,109		115,417	
Benefit/provision for deferred income taxes	50,678		49,953			22,543
Provision for depreciation and amortization	58,220		50,422		43,388	
Preferred stock issued, net of issuance costs	—		146,200		—	
Exercise of warrants and conversion of 3¼% convertible capital notes	3,821		148		50	
Common stock repurchased, net of issued		112,062	7,380			11,238
Equity adjustment from foreign currency translation		1,987		2,414		2,340
Dividends		63,138		58,878		45,607
Operations and equity	476,577	177,187	530,112	61,292	297,493	81,728
Interest-earning deposits	1,132,773			574,865		131,930
Investment securities		120,239		364,447	606,649	
Trading account securities		136,293	51,580			74,818
Federal funds sold	385,476			568,800		34,800
Net loans		2,760,130		611,123		1,867,614
Earning assets	1,518,249	3,016,662	51,580	2,119,235	606,649	2,109,162
Total deposits		159,759	2,181,206		808,643	
Total short-term borrowings	146,573			46,241	19,496	
Senior and subordinated debt	1,190,719		160,871		327,693	
Obligations under capital leases		2,974		2,351	39,100	
Deposits and borrowings	1,337,292	162,733	2,342,077	48,592	1,194,932	—
Cash and due from banks	143,558			507,167	34,467	
Net additions to premises and equipment		48,934		62,983		119,285
Other assets		86,149		39,611	134,045	
Accrued taxes and other expenses		9,059		75,466		27,991
Other liabilities	23,430			21,317	26,706	
Other, net	1,618		11,894		43,874	
Other	168,606	144,142	11,894	706,544	239,092	147,276
Total	$3,500,724	$3,500,724	$2,935,663	$2,935,663	$2,338,166	$2,338,166

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 and Subsidiaries (Company) 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 Wells Fargo & Company (Parent), Wells Fargo Bank, N.A. (Bank) and the nonbank subsidiaries of the Parent.

Foreign branches and significant, majority-owned subsidiaries are consolidated on a line-by-line basis. Significant intercompany accounts and transactions are eliminated in consolidation. 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 noninterest 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 noninterest 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 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 various reasons, such as troubled debt restructurings or distributions, are included with other assets.

PREMISES AND 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 furniture and equipment and the lease term for leasehold improvements. Capitalized leased assets are amortized on a straight-line basis over the lives of the respective leases, which generally range from 20–35 years.

LOANS Loans are reported at the principal amount outstanding, net of unearned income. 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 certain nonbank subsidiaries where unearned income is amortized using an interest method.

Income from direct lease financing transactions is recorded as earned. The Bank and one of the Company's nonbank subsidiaries, for which direct lease financing consists primarily of automobile leasing for various time periods, do not recognize unearned income to offset the initial direct costs of acquiring leases. At the lease inception, Wells Fargo Leasing Corporation recognizes as income an amount which approximates the direct costs of acquiring leases plus an estimated provision for loss. The remainder of unearned income is amortized over the lease terms 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.

For the Company's mortgage banking operations, 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. Loans held as portfolio investments by the mortgage banking subsidiaries are stated at the lower of cost or market as of the date of the decision to include such loans in the investment portfolio.

Nonaccrual 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 nonaccrual 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/Federal Reserve Examiners or (4) any portion of the principal balance has been charged off. Exceptions are granted only when the loan is both well secured and in the process of collection. 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.

Allowance for Loan Losses The Company provides for probable loan losses on the allowance method. For the Bank and nonbank 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.

OTHER REAL ESTATE OWNED Other real estate owned, consisting of real estate acquired as a result of troubled debt restructuring and excess bank real estate, is carried at the lower of cost or market and is included in other assets. 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 noninterest expense.

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 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.

Federal income taxes are not provided on earnings of foreign subsidiaries or affiliates that are intended to be indefinitely reinvested abroad. Federal income taxes are provided on the earnings of foreign consolidated subsidiaries and foreign equity investments that 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.

FOREIGN CURRENCY TRANSLATION In accordance with FASB Statement No. 52, the Company 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 and recognized in net income.

Forward exchange contracts that 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 foreign exchange trading activities, are recognized in the current period in noninterest income. Premiums or discounts on forward exchange contracts that 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 In accordance with FASB Statement No. 80, 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. Amortization is 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 noninterest 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.

2.
Investment Securities

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

(in thousands)	1984		1983		1982	
	Book value	Market value	Book value	Market value	Book value	Market value
U.S. Treasury securities	$ 637,659	$ 645,704	$478,540	$475,073	$ 97,542	$ 96,843
Securities of other U.S. government agencies and corporations	20,993	23,456	100,291	94,140	152,457	147,974
Obligations of states and political subdivisions	190,955	157,683	247,185	205,785	326,047	279,797
Other securities	238,936	222,143	142,288	143,404	27,811	29,505
Total investment securities	$1,088,543	$1,048,986	$968,304	$918,402	$603,857	$554,119

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 was $275 million at December 31, 1984 and $317 million at December 31, 1983.

The income tax provision for 1984, 1983 and 1982 included $1.6 million, $.3 million and $(3.4) million, respectively, relating to securities transactions.

3.
Premises and Equipment

The following table presents comparative data for premises and equipment:

(in thousands)	December 31,	
	1984	1983
Land	$ 31,354	$ 32,183
Premises	143,961	147,501
Furniture and equipment	326,889	291,797
Leasehold improvements	99,967	93,809
Premises leased under capital leases	126,901	127,901
Total	729,072	693,191
Less accumulated depreciation and amortization	275,605	233,317
Net book value	$453,467	$459,874

Included in accumulated depreciation and amortization is accumulated amortization relating to capitalized leases of $43.9 million and $39.9 million at December 31, 1984 and 1983, respectively.

Depreciation and amortization expense was $55.3 million, $49.9 million and $42.6 million for the years ended December 31, 1984, 1983 and 1982, respectively.

4.
Loans and Allowance for Loan Losses

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

(in thousands)	December 31,	
	1984	1983
Domestic		
Commercial, financial, and agricultural	$ 8,054,968	$ 6,859,014
Real estate construction-related	3,303,543	2,288,174
Real estate first mortgage loans secured by 1-4 family residential properties	3,400,041	3,602,264
Other real estate mortgage loans	1,462,288	1,371,804
Total real estate mortgage loans	4,862,329	4,974,068
Monthly payment	795,392	719,224
Credit card	908,647	580,309
Other revolving credit	225,206	131,725
Real estate junior lien mortgage loans secured by 1-4 family residential properties	1,152,787	942,526
Total consumer	3,082,032	2,373,784
Lease financing	855,649	894,461
Foreign		
Governments and official institutions	803,742	728,901
Banks and other financial institutions	687,433	906,026
Commercial and industrial	1,244,174	1,243,147
Total foreign	2,735,349	2,878,074
Total loans (net of unearned income of $386,454 and $409,144)	$22,893,870	$20,267,575

The components of lease financing at December 31, 1984 and 1983 are as follows:

(in thousands)	December 31,	
	1984	1983
Direct lease financing minimum lease payments receivable	$ 711,837	$ 789,767
Direct lease financing unguaranteed residual value	287,884	283,036
Leveraged leases	76,316	72,193
Equipment pending lease placement	131	3,504
Gross investment in lease financing	1,076,168	1,148,500
Allowance for losses	(8,480)	(6,165)
Unearned income	(220,519)	(254,039)
Net investment in lease financing	$ 847,169	$ 888,296

Wells Fargo Leasing Corporation recognized $2.0 million, $1.0 million and $4.0 million of unearned income in 1984, 1983 and 1982, respectively, to offset initial direct costs of acquiring leases.

Direct lease receivable installments mature as follows:

(in thousands)	
Year ended December 31,	
1985	$202,146
1986	162,532
1987	130,612
1988	92,178
1989	41,336
1990-2000	83,033
Total	$711,837

Changes in the allowance for loan losses were as follows:

(in thousands)	Year ended December 31,		
	1984	1983	1982
Allowance at beginning of year	$199,556	$190,538	$153,113
Provision for loan losses	194,593	121,109	115,417
Net loan charge-offs:			
Commercial, financial, and agricultural	88,071	84,954	45,724
Real estate construction-related	3,571	342	1,110
Real estate 1-4 family	1,487	1,383	973
Other real estate mortgage loans	4,498	(145)	412
Monthly payment	1,949	4,158	10,066
Credit card and related plans	9,717	6,148	9,768
Lease financing	4,922	6,267	6,408
Foreign	19,050	8,834	3,056
Total net loan charge-offs (1)	133,265	111,941	77,517
Translation adjustment	(570)	(150)	(475)
Allowance at end of year	$260,314	$199,556	$190,538

(1) Includes recoveries of $27,805, $23,724 and $26,992 in 1984, 1983 and 1982, respectively.

If interest due on all nonaccrual, restructured and partially earning loans had been accrued at the original contract rates, it is estimated that income before income taxes would have been greater by the amount shown in the following table:

(in thousands)	Year ended December 31,		
	1984	1983	1982
Interest that would have been recorded under original terms	$94,881	$83,478	$93,111
Gross interest recorded	37,112	50,064	37,941
Foregone interest	$57,769	$33,414	$55,170

Nonaccrual and restructured loans were $734.6 million and $748.6 million at December 31, 1984 and 1983, respectively. Related commitments to lend additional funds totaled $35.7 million at December 31, 1984 and $32.6 million at December 31, 1983.

Changes in the Allocated Transfer Risk Reserves, which are included in the allowance for loan losses, were as follows:

(in thousands)	December 31,	
	1984	1983
At beginning of year	$ 822	$ -o-
Provision	5,159	822
At end of year	$5,981	$822

5. Senior and Subordinated Debt

The following is a summary of the major categories of senior and subordinated debt (less unamortized debt discount where applicable) at December 31, 1984 and 1983:

(in thousands)	December 31, 1984	1983
SENIOR		
Intermediate-term (original maturities from 1-12 years)		
Parent:		
9.55% Notes due 1985 (1)	$ 150,000	$ 150,000
10⅝% Notes due 1985 ($100,000 face amount) (1)	99,934	99,871
11.40% Notes due 1987 (2)	50,000	—
12% Notes due 1987 ($100,000 face amount) (2)	99,882	—
13¼% Notes due 1987 (1)	100,000	100,000
12¼% Notes due 1989 ($75,000 face amount) (1)	74,784	74,752
12.30% Notes due 1990 (1)(2)	100,000	100,000
14½% Notes due 1991 ($100,000 face amount) (1)	98,974	98,882
Floating Rate Extendable Notes due 1992 ($300,000 face amount) (3)	299,672	299,651
10.70% to 12.60% Medium-Term Notes due 1986 through 1988	137,200	—
Other notes	15,433	33,706
Subsidiaries:		
15% Guaranteed Notes due 1985 ($75,000 face amount) (4)	74,843	74,635
15% Guaranteed Notes due 1987 (5)	75,000	75,000
Zero Coupon Notes due 1988—effective rate of 14.75% ($164,249 face amount)—Parent guaranteed (4)	105,870	92,421
Other notes	2,477	63,114
Total intermediate-term senior debt	1,484,069	1,262,032
Long-term (original maturities of more than 12 years)		
Notes payable by the Parent	102,101	103,753
Notes payable by Subsidiaries	20,955	23,547
Total long-term senior debt	123,056	127,300
SUBORDINATED		
Parent:		
12⅝% Notes due 1991, Series A ($100,000 face amount) (2)(6)	104,493	—
12⅞% Notes due 1991 ($100,000 face amount) (1)(2)	99,879	—
13⅜% Notes due 1991 ($100,000 face amount) (2)(7)	99,756	—
13.50% Notes due 1991 (1)(2)	150,000	—
Floating Rate Notes due 1994 (U.K. pounds sterling denominated £60,000 face amount) (1)(7)(8)	69,450	—
Floating Rate Notes due 1994 (1)(7)	150,000	—
Floating Rate Notes due 1996 ($100,000 face amount) (1)(9)	99,421	—
Floating Rate Capital Notes due 1996 ($150,000 face amount) (1)(10)	149,927	—
Subsidiaries:		
4½% Capital Notes due 1989 (1)	38,777	38,777
Floating Rate Notes due 1996—Parent guaranteed (1)(4)(9)	50,000	—
Total subordinated debt	1,011,703	38,777
Total senior and subordinated debt	$2,618,828	$1,428,109

(1) May be redeemed in whole or in part, at par, at various dates beginning June 1, 1983 through October 26, 1989.

(2) The Company has entered into an interest rate swap agreement, whereby the Company receives fixed rate interest payments that are intended to cover interest on the Notes and makes interest payments based on a floating rate.

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

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

(5) May be redeemed in whole or in part, at par, beginning 1986 or if the event described in footnote (4) above occurs.

(6) Issued with 100,000 warrants to purchase $100 million 12⅝% Subordinated Notes due 1991, Series B. These warrants may be exercised prior to 1990. In the event any warrants are exercised, Series A Notes in an identical principal amount are redeemable at 101%. The Series A Notes are also redeemable at 101% beginning 1989 and at par beginning 1990 or if the event described in footnote (7) below occurs.

(7) May be redeemed in whole, at par, at any time in the event withholding taxes are imposed in the United States.

(8) The Company has entered into a currency swap agreement, whereby the Company receives pounds sterling covering floating rate interest and principal on the Notes and makes payments in U.S. dollars covering interest on a floating rate basis and principal in an amount comparable to the Notes. The transaction amount at the date of issue and interest rate swap was $74,010. The difference of $4,560 was due to the foreign currency transaction adjustment in accordance with FASB Statement No. 52.

(9) A Note Fund ($5,788 at December 31, 1984) for these Equity Commitment Notes, which are included in primary capital, has been established with the Indenture Trustee to hold proceeds from certain equity security issuances that have been and will be made prior to the maturity date of the Notes.

(10) These Mandatory Equity Notes, included in primary capital, are redeemable at the option of the Company at any time after August 1, 1988. Such redemption payments, and remaining payments at maturity, must be made from the proceeds of issuances of certain equity securities.

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

(in thousands)	1985	1986	1987	1988	1989	After 1989	Total
Parent	$267,594	$59,894	$324,094	$ 7,994	$ 77,151	$1,517,583	$2,254,310
Company	$345,862	$64,041	$403,247	$176,403	$116,507	$1,572,265	$2,678,325

The interest rates on the floating rate note issues are determined periodically by formulas based on certain money market rates or, in certain circumstances, by minimum interest rates as specified in the agreements governing the respective issues.

Certain of the agreements under which the notes, debentures and mortgages were issued contain provisions that restrict the payment of dividends, the disposition of assets, the creation of property liens and the sale or issuance of capital stock of the subsidiaries of the Company. Additionally, such provisions specify the maintenance of minimum amounts of the Bank's capital funds. The Company was in compliance with the provisions of the borrowing agreements at December 31, 1984.

6. 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 and payable quarterly on March 31, June 30, September 30 and December 31 of each year.

The dividend rate for the dividend period ending March 31, 1984 was 10.0% per annum. For each quarterly period thereafter, the dividend rate is 2.75% less than the highest of the 3-month Treasury bill discount rate, 10-year constant maturity bond yield or 20-year constant maturity bond yield, but limited to a minimum of 6% and a maximum of 12% per annum. The average dividend rate during 1984 was 10.1%.

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

7. 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, nonqualified stock options, as defined under current tax laws, and restricted share rights. The options may be exercised for periods of up to 10 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 1 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:

	Equity Incentive Plan		Other Plans	
	1984	1983	1984	1983
Options outstanding at beginning of year	141,360	184,000	188,100	489,500
Granted	146,000	—	—	—
Cancelled	(24,900)	(17,900)	—	—
Forfeited (as defined below)	(6,428)	(5,840)	(50,712)	(297,600)
Exercised	(23,172)	(18,900)	(11,671)	(3,800)
Outstanding at end of year	232,860	141,360	125,717	188,100
Exercisable at end of year	54,010	35,260	125,717	188,100
Shares available for grant at end of year	316,968	478,250	—	—
Price range of options:				
Outstanding	$18.88-$36.75	$18.88-$18.88	$24.88-$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

(Number of shares)

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, 1984, the EIP had 158,100 tentative share rights outstanding to 208 employees and the Other Plans had 63,316 final share rights outstanding to 62 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 3 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 5 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 $4.9 million, $8.2 million and $2.4 million in 1984, 1983 and 1982, respectively.

Employee Stock Purchase Plan At the 1984 annual meeting, the shareholders approved the new stock purchase plan, effective August 1, 1984, to replace the former plan which expired on July 31, 1984. The new plan is essentially the same as the former plan and may grant options for up to 950,000 shares. Under the plan, employees of the Company with over 1 year of service, except certain key employees, are eligible to participate. The plan provides for an option price of the lower of market value at grant date or 85–100 percent (as determined by the Board of Directors for each option period) of fair market value at the end of the option period, 12 months after the date of the grant. For the current option period, the Board approved a closing option price of 90 percent of fair market value. The plan is noncompensatory and results in no expense to the Company.

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

	New plan	Former plan	
	1984	1984	1983
Options outstanding at beginning of year	—	92,136	141,974
Granted	95,401	—	98,551
Cancelled	(3,549)	(13,943)	(19,180)
Exercised ($30.56 in 1984 and $21.20 in 1983)	—	(78,193)	(129,209)
Outstanding at end of year	91,852	—	92,136
Options available for grant at end of year	858,148	—	338,330

(Number of options)

COMMON STOCK The following table summarizes common stock reserved, available for issue and issued and outstanding as of December 31, 1984:

	Number of shares
3¼% convertible capital notes	17,930
Warrants	246,784
Employee stock purchase plan	950,000
Employee stock ownership plan	65,564
Dividend reinvestment plan	1,074,493
Tax advantage plan	206,273
Stock option plan	243,836
Restricted share rights plan	392,967
Stock option and appreciation plan	400,000
Equity incentive plan	699,947
Total shares reserved	4,297,794
Shares available for issue	24,467,609
Shares issued and outstanding	21,234,597
Total shares authorized	50,000,000

Warrants to purchase a total of 246,784 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.

A Stock Bonus Plan for Company employees became effective January 1, 1985. Under this plan, 10,000 shares of common stock of the Company have been reserved.

In addition, under the terms of mandatory convertible debt, the Company must sell common stock, perpetual preferred stock or other capital securities in an amount sufficient to satisfy Note Fund requirements of Equity Commitment Notes. Proceeds from the issuance of these equity securities must also be used to pay the principal amount of Mandatory Equity Notes at maturity or an earlier exchange date. Refer to note 5 to the financial statements on page 32.

8. Employee Benefits

The provisions for the retirement and profit sharing plans were as follows:

(in thousands)	Year ended December 31,		
	1984	1983	1982
Retirement plans	$9,742	$16,542	$14,233
Profit sharing plans	$7,930	$ 6,886	$ 7,711

RETIREMENT PLANS Pending final approval from the Pension Benefit Guaranty Corporation and the Internal Revenue Service, effective as of December 31, 1984, the Company terminated the noncontributory, defined benefit retirement plan, which covered substantially all employees. Pension costs under that plan were actuarially computed and were funded as accrued.

The Company funded all of the plan liabilities through purchase of annuity contracts, with an approximate value of $179 million, from an insurance company. As a result, the Company believes no liability for the plan will remain after the necessary approvals, noted above, have been obtained. Therefore, no disclosure of assets and liabilities for the plan is presented. Prior to termination, certain plan benefits were increased to the extent of plan assets. As a result, no gain or loss arose from the termination. However, retirement expense decreased in 1984 because no expense accrual or contribution was required subsequent to the mid-1984 decision to terminate the plan.

Effective January 1, 1985, the Company adopted a successor retirement plan which covers substantially all employees. The successor plan is a defined contribution plan with Company contributions based on a percentage of employee compensation. The plan contains a vesting schedule graduated from 3-10 years of service.

Also effective January 1, 1985, the Company amended the Tax Advantage Plan (see Profit Sharing Plans below) to allow the Company to make contributions to the plan without a requirement for employee contributions. All employees with 1 year of service are eligible to receive these Company contributions. The contributions are immediately vested.

RETIREE LIFE AND HEALTH INSURANCE In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for retired employees. The Company reserves its right to terminate these plans at any time, but if they continue in effect, substantially all of the Company's salaried employees may become eligible for these benefits if they reach retirement age while working for the Company. The health care benefits and similar benefits for active and retired employees are self-funded by the Company or provided through federally qualified Health Maintenance Organizations (HMO's). The Company recognized the cost of health care benefits by expensing the annual incurred claims and HMO premiums totaling $19.2 million in 1984. The life insurance and similar benefits for active and retired employees are provided through an insurance company whose premiums are based on the benefits paid during the year. The Company recognizes the cost of these benefits by expensing the annual insurance premiums, which were $.7 million in 1984. The cost of providing these benefits for 2,334 retirees is not separable from the cost of providing benefits for 16,922 active employees.

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 begin to participate in the Tax Advantage Plan after 1 year of service and in the Employee Stock Ownership Plan after 3 years of service.

As of January 1, 1984, the Company amended its Incentive and Savings Plan, and changed its name to the Tax Advantage (TAP) plan. This amendment allowed employees who have 1 year of service to contribute to the plan through salary reduction under Section 401(k) of the Internal Revenue Code. The Company makes contributions on behalf of all salaried employees who have 1 year of service and additional matching contributions to those who have 3 years of service and who elect salary reduction contributions under the plan. Company contributions are tax deductible to the Company. For 1984, approximately $7.9 million was contributed to the TAP plan by the Company and expensed.

Under the Employee Stock Ownership Plan (ESOP), the Company is allowed to make certain reductions in its federal income tax payments if the savings are passed through the plan. All salaried employees of participating Wells Fargo companies who have worked for 3 continuous years are eligible to participate.

For 1984, approximately $1.3 million of employee benefit expense was accrued for the ESOP. If the Company cannot use tax credits attributable to such expense to reduce its 1984 federal income tax liability, then this accrual will be reclassified to income tax expense. The decision will be made when the Company files its 1984 tax return. The 1982 and 1983 plan years' tax credits were not utilized as reductions of the Company's federal tax liability. No employee benefit expense for the ESOP was accrued during 1982. During 1983, $1.4 million of employee benefit expense was accrued and was subsequently reclassified as income tax expense in 1984.

9. Income Taxes

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

(in thousands)	Year ended December 31, 1984	1983	1982
Current:			
Federal	$ 5,202	$ 1,502	$ 4,522
State and local	15,636	9,956	18,519
Foreign	18,147	13,382	24,666
	38,985	24,840	47,707
Deferred:			
Federal	48,517	39,599	(25,027)
State and local	3,335	11,166	(2,963)
Foreign	(1,174)	(812)	5,447
	50,678	49,953	(22,543)
Total	$89,663	$74,793	$25,164

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

(in thousands)	Year ended December 31, 1984	1983	1982
Deferred income on lease financing	$35,886	$46,202	$ 41,820
Foreign exchange	6,766	(2,692)	(8,713)
Deferred gains for book purposes on sales of real property	3,610	3,671	(15,527)
Cash basis accounting for tax purposes	1,407	7,206	(11,640)
Realization of losses (gains) on sales of equity investments	180	(650)	7,304
Lesser loan loss deduction for income tax purposes	(20,547)	(2,193)	(17,468)
Other	23,376	(1,591)	(18,319)
Total	$50,678	$49,953	$(22,543)

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

The Company had deferred income taxes payable of $213.7 million, $163.0 million and $113.0 million at December 31, 1984, 1983 and 1982, respectively. It had current income taxes payable (receivable) of $1.4 million, $(1.1) million and $11.1 million at the same dates.

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

For financial statement purposes, the Company had deferred investment tax credits for property owned and property purchased for lease to customers of $13.7 million, $28.2 million and $19.0 million at December 31, 1984, 1983 and 1982, respectively.

For tax return purposes, investment tax credits of $13.7 million generated in 1984, will be carried to future years. These credit carryforwards expire in 1999.

The Company has not provided federal taxes on $113.8 million of undistributed earnings of foreign subsidiaries and an affiliate, because 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 $98.7 million, $92.6 million and $116.0 million from its foreign subsidiaries and branches for 1984, 1983 and 1982, respectively.

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

(in thousands)	Year ended December 31, 1984 Amount	1984 Percent	1983 Amount	1983 Percent	1982 Amount	1982 Percent
Statutory federal income tax expense and rate	$119,107	46.0 %	$105,659	46.0 %	$ 75,349	46.0 %
Increase (decrease) in tax rate resulting from:						
Tax exempt interest income	(9,076)	(3.5)	(10,435)	(4.5)	(16,692)	(10.2)
State and local taxes on income, net of federal income tax benefit	10,819	4.2	11,268	4.9	8,356	5.1
Amortization of investment tax credit	(5,665)	(2.2)	(7,009)	(3.1)	(6,615)	(4.0)
Investment tax credit on furniture and equipment	(3,168)	(1.2)	(4,655)	(2.0)	(5,641)	(3.4)
Capital gain rate difference	(2,501)	(1.0)	(4,252)	(1.9)	(9,214)	(5.6)
Indefinitely reinvested earnings of foreign subsidiaries and an affiliate	(15,948)	(6.2)	(13,299)	(5.8)	(14,758)	(9.0)
Adjustment of prior years' deferred tax accruals	—	—	—	—	(8,600)	(5.3)
Other	(3,905)	(1.5)	(2,484)	(1.0)	2,979	1.8
Effective income tax expense and rate	$ 89,663	34.6 %	$ 74,793	32.6 %	$ 25,164	15.4 %

10. Dividends and 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, 1984, the Parent could have declared additional dividends of approximately $931 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 2 years. Under this formula, as of December 31, 1984, the Bank could have declared additional dividends of approximately $291 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 nonbank 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 nonbank subsidiary are limited to 10 percent of the Bank's capital and surplus and, in the aggregate to all such entities, to 20 percent of the Bank's capital and surplus.

At December 31, 1984, restricted net assets of the subsidiaries were $1.1 billion, and total net assets were $1.5 billion.

11. 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 and 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 the years presented, 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 host country 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 foreign activities.

Total revenue, income before income taxes, net income and total identifiable assets by geographic area at December 31, 1984, 1983 and 1982 or for the years then ended were as follows:

(in millions)		Total revenue	Income before income taxes	Net income	Total identifiable assets
Canada	**1984**	**$ 16.5**	**$ .3**	**$ .2**	**$ 143.0**
	1983	21.9	1.8	1.6	209.0
	1982	31.8	3.3	2.5	216.8
Europe	**1984**	**158.0**	**5.1**	**3.4**	**1,368.1**
	1983	142.4	11.5	10.0	1,306.2
	1982	180.2	18.4	14.2	1,231.6
Latin America and Mexico	**1984**	**231.7**	**7.2**	**4.9**	**2,006.2**
	1983	214.1	17.6	15.3	1,998.4
	1982	235.6	24.0	18.6	1,613.2
Asia and Pacific Basin	**1984**	**68.7**	**1.1**	**.7**	**595.0**
	1983	90.1	7.1	6.2	809.8
	1982	139.3	14.3	11.0	954.0
Middle East and Africa	**1984**	**16.4**	**.3**	**.2**	**142.2**
	1983	20.4	1.7	1.5	195.9
	1982	26.2	2.7	2.1	182.1
Total foreign	**1984**	**491.3**	**14.0**	**9.4**	**4,254.5**
	1983	488.9	39.7	34.6	4,519.3
	1982	613.1	62.7	48.4	4,197.7
Domestic	**1984**	**2,900.3**	**244.9**	**159.9**	**23,929.6**
	1983	2,508.1	190.0	120.3	22,498.3
	1982	2,672.3	101.1	90.2	20,616.3
Total foreign and domestic	**1984**	**$3,391.6**	**$258.9**	**$169.3**	**$28,184.1**
	1983	2,997.0	229.7	154.9	27,017.6
	1982	3,285.4	163.8	138.6	24,814.0

A condensed income statement for foreign activities follows:

(in thousands)	Year ended December 31, 1984	1983	1982
Interest income	**$465,003**	$456,702	$554,365
Interest expense	**398,590**	377,673	472,142
Net interest income	**66,413**	79,029	82,223
Provision for loan losses	**19,666**	9,763	14,577
Net interest income after provision for loan losses	**46,747**	69,266	67,646
Noninterest income	**26,297**	32,177	58,771
Noninterest expense	**59,036**	61,787	63,698
Income before income taxes	**$ 14,008**	$ 39,656	$ 62,719
Net income	**$ 9,437**	$ 34,552	$ 48,354

Changes in the allowance for loan losses related to foreign activities for 1984, 1983 and 1982 were as follows:

(in thousands)	Year ended December 31, 1984	1983	1982
Allowance at beginning of year	**$24,879**	$24,100	$13,054
Provision for loan losses	**19,666**	9,763	14,577
Gross charge-offs	**20,091**	9,444	3,194
Recoveries	**(1,041)**	(610)	(138)
Net loan charge-offs	**19,050**	8,834	3,056
Translation adjustment	**(570)**	(150)	(475)
Allowance at end of year	**$24,925**	$24,879	$24,100

The net consolidated gains arising out of foreign currency transactions included in the determination of net income were negligible in 1984, $9.8 million in 1983 and $14.2 million in 1982.

12. Parent Company

Condensed financial information of Wells Fargo & Company (Parent) is presented below. Refer to note 10 to the financial statements on page 37 for a discussion of dividend restrictions.

Condensed Balance Sheet

(in thousands)	December 31, 1984	1983
Assets		
Cash and due from banks	**$ 2,546**	$ 1,121
Investment securities	**151,885**	83,533
Net loans	**167,383**	86,926
Loans and advances to subsidiaries		
Wells Fargo Bank, N.A.	**25,000**	40,663
Nonbank	**3,699,109**	2,862,615
Investments in principal subsidiaries		
Wells Fargo Bank, N.A.	**1,265,711**	1,069,336
Nonbank	**283,930**	246,034
Other assets	**205,150**	73,875
Total assets	**$5,800,714**	$4,464,103
Liabilities and Stockholders' Equity		
Short-term borrowings (primarily commercial paper)	**$1,784,254**	$1,712,650
Senior and subordinated debt	**2,250,906**	1,060,615
Indebtedness to nonbank subsidiary	**315,646**	285,373
Other liabilities	**106,238**	57,694
Total liabilities	**4,457,044**	3,116,332
Stockholders' equity	**1,343,670**	1,347,771
Total liabilities and stockholders' equity	**$5,800,714**	$4,464,103

Condensed Statement of Income

(in thousands)	Year ended December 31, 1984	1983	1982
Income			
Dividends from subsidiaries:			
Wells Fargo Bank, N.A.	**$ 54,647**	$ 46,097	$ 46,097
Nonbank	**22,675**	26,000	6,000
Interest income (primarily from subsidiaries)	**421,094**	289,779	412,546
Noninterest income	**430**	11,568	105
Total income	**498,846**	373,444	464,748
Expense			
Interest on:			
Short-term borrowings	**226,238**	159,257	310,684
Senior and subordinated debt	**160,906**	92,390	88,643
Indebtedness to nonbank subsidiaries	**46,660**	43,525	25,851
Provision for loan losses	**1,000**	—	—
Noninterest expense	**6,516**	8,550	4,050
Total expense	**441,320**	303,722	429,228
Income before income tax benefit and undistributed income of subsidiaries	**57,526**	69,722	35,520
Income tax benefit	**16,177**	3,739	11,279
Equity in undistributed income of subsidiaries:			
Wells Fargo Bank, N.A.	**98,362**	81,319	63,896
Nonbank	**(2,800)**	120	27,943
Net income	**$169,265**	$154,900	$138,638

Condensed Statement of Changes in Financial Position

(in thousands)	Year ended December 31,					
	1984 Financial resources		1983 Financial resources		1982 Financial resources	
	Provided from	Used for	Provided from	Used for	Provided from	Used for
Net income	$ 169,265	$	$154,900	$	$138,638	$
Equity in undistributed income of subsidiaries	(95,562)		(81,439)		(91,839)	
Preferred stock issued, net of issuance costs	—		146,200		—	
Exercise of warrants and conversion of 3¼% convertible capital notes	3,821		148		50	
Common stock repurchased, net of issued		112,062	7,380			11,238
Dividends		63,138		58,878		45,607
Capital contributions to subsidiaries, net		138,709		23,788		19,179
Equity adjustment from foreign currency translation		1,987		2,414		2,340
Operations, equity and contributions	77,524	315,896	227,189	85,080	46,849	78,364
Short-term borrowings	71,604		224,760			106,893
Senior and subordinated debt	1,190,291		150,215		176,640	
Indebtedness to nonbank subsidiary	30,273		12,091		242,581	
Borrowings	1,292,168	—	387,066	—	419,221	106,893
Investment securities		68,352		72,039	97,162	
Net loans		80,457		85,389	2	
Loans and advances to subsidiaries		820,831		428,612		335,381
Other assets		131,275	61,935			45,206
Other liabilities	48,544			4,751	2,484	
Other, net		1,425		319	126	
Other	48,544	1,102,340	61,935	591,110	99,774	380,587
Total	$1,418,236	$1,418,236	$676,190	$676,190	$565,844	$565,844

The Parent had available lines of credit supporting commercial paper borrowings and similar arrangements with unaffiliated banks totaling $680 million and $530 million at December 31, 1984 and 1983, respectively. The lines of credit require commitment fees or compensating balances, which were not significant to operations in 1984 and 1983.

13. 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 1984 and 1983. 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 were $60.7 million at December 31, 1984 and $50.0 million at December 31, 1983. During 1984, additional loans made were $31.6 million and payments received were $20.9 million.

14. Lease Commitments

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

The Company is obligated under a number of noncancelable operating leases for premises and equipment with terms ranging from 1-35 years, many of which provide for periodic adjustment of rentals based on changes in various economic indicators. Future minimum payments under capital leases and noncancelable operating leases with terms in excess of 1 year as of December 31, 1984 are as follows:

(in thousands)	Capital leases	Operating leases
Year ended December 31,		
1985	$ 17,841	$ 36,250
1986	17,767	27,049
1987	17,663	24,362
1988	17,569	21,826
1989	17,479	18,760
Thereafter	242,940	74,472
Total minimum lease payments	331,259	$202,719
Executory costs	(54,894)	
Amounts representing interest	(174,922)	
Present value of net minimum lease payments	$101,443	

Sublease income under capital and operating leases was not significant in 1984, 1983 or 1982. Net rental expense for all operating leases was $43.4 million, $47.7 million and $55.6 million for the years ended December 31, 1984, 1983 and 1982, respectively.

15. Commitments and 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. At December 31, 1984, the Company had outstanding commitments under standby letters of credit totaling $1.2 billion. This amount includes $.1 billion of participations purchased and is net of $.1 billion of participations sold. 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.

16. Subsequent Event

On January 31, 1985, the Company agreed to sell its residential mortgage banking subsidiary, Wells Fargo Mortgage Company (WFMC). The sale is expected to close in early 1985. The Company expects to realize a pretax gain on the sale of about $50 million. WFMC's residential mortgage banking business has assets of approximately $125 million.

Accountants' Report

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

We have examined the consolidated balance sheet of Wells Fargo & Company and Subsidiaries as of December 31, 1984 and 1983 and the related consolidated statements of income, changes in stockholders' equity and changes in financial position for each of the years in the three-year period ended December 31, 1984. 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 consolidated financial statements present fairly the financial position of Wells Fargo & Company and Subsidiaries at December 31, 1984 and 1983, 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, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

Peat, Marwick, Mitchell & Co.
Certified Public Accountants

San Francisco, California
January 14, 1985, except as to note 16,
which is as of January 31, 1985

Supplemental Quarterly and Annual Financial Data

Condensed Consolidated Statement of Quarterly Income

(in thousands)	1984 Quarter ended				1983 Quarter ended			
	March 31	June 30	Sept. 30	Dec. 31	March 31	June 30	Sept. 30	Dec. 31
Interest income	$723,250	$776,110	$808,688	$793,499	$664,337	$656,670	$687,560	$705,760
Interest expense	484,100	509,983	539,363	518,059	445,501	430,533	456,275	470,260
Amortized gain (loss) on interest rate hedging	(85)	(1,627)	5,259	15,890	3,223	20	(7)	—
Net interest income	239,065	264,500	274,584	291,330	222,059	226,157	231,278	235,500
Provision for loan losses	31,302	48,409	50,552	64,330	27,932	29,275	22,028	41,874
Net interest income after provision for loan losses	207,763	216,091	224,032	227,000	194,127	196,882	209,250	193,626
Noninterest income:								
Service charges on deposit accounts	23,384	23,632	23,207	25,013	19,752	20,110	22,641	23,000
Trust and investment advisors	14,890	11,783	11,944	12,542	11,387	13,811	13,021	18,160
Service fees	11,135	12,604	10,723	11,636	9,446	10,771	9,494	9,853
International commissions, fees and foreign exchange	5,523	4,524	4,888	5,793	7,896	6,242	7,992	7,946
Investment securities gains	420	416	187	1,999	384	8	107	38
Sale of major real estate holding	—	—	—	—	—	10,049	—	—
Other	9,440	14,827	11,602	18,517	11,477	13,940	10,124	21,808
Total noninterest income	64,792	67,786	62,551	75,500	60,342	74,931	63,379	80,805
Noninterest expense:								
Salaries	99,380	99,442	101,761	105,266	97,528	97,817	98,932	100,691
Employee benefits	24,049	22,413	17,519	19,518	22,921	23,901	21,102	20,832
Net occupancy	20,380	20,762	20,208	20,304	19,327	20,997	19,167	19,273
Equipment	17,303	18,250	18,681	19,955	17,628	16,782	17,676	16,181
Other	51,562	60,231	61,351	68,252	46,426	51,959	55,746	58,763
Total noninterest expense	212,674	221,098	219,520	233,295	203,830	211,456	212,623	215,740
Income before income taxes	59,881	62,779	67,063	69,205	50,639	60,357	60,006	58,691
Less applicable income taxes	19,855	21,927	23,224	24,657	16,119	19,719	20,791	18,164
Net income	$ 40,026	$ 40,852	$ 43,839	$ 44,548	$ 34,520	$ 40,638	$ 39,215	$ 40,527
Net income applicable to common stock	$ 36,276	$ 37,234	$ 39,826	$ 40,835	$ 33,937	$ 36,888	$ 35,465	$ 36,777
PER COMMON SHARE								
Net income	$1.52	$1.63	$1.80	$1.92	$1.44	$1.56	$1.49	$1.54
Dividends declared	$ .54	$ .54	$ .54	$ .54	$ .48	$ .48	$ .48	$ .54

Major nonrecurring items in 1983 consisted of a $10.0 million pretax gain on the sale of property in San Francisco, which occurred in the second quarter, and net favorable prior years' tax-related adjustments of approximately $4.4 million, which were made in the first quarter. There were no major nonrecurring items in 1984.

Financial Reporting and Changing Prices

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.

The following data were calculated by adjusting certain historical cost information—premises and equipment and monetary assets and liabilities—by the average Consumer Price Index for All Urban Consumers (CPI) to reflect changes in the general purchasing power of the dollar. This results in historical cost/constant dollar amounts, which are intended to eliminate financial statement distortions caused by general inflation.

Supplementary Five-Year Comparison of Selected Financial Data Adjusted for the Effects of Changing Prices

(in thousands)
(dollars expressed in average 1984 dollars)

Historical cost information adjusted for general inflation	1984	1983	1982	1981	1980
					Year ended December 31,
Net interest income (after provision for loan losses) (1)	**$ 874,886**	$ 827,673	$ 760,242	$ 762,378	$ 757,115
Income from continuing operations	**$ 123,866**	$ 114,857	$ 106,883	$ 121,150	$ 133,262
Net income per common share (2)	**$4.83**	$4.32	$4.48	$5.21	$5.82
Purchasing power loss on net monetary assets held during the year	**$ 27,151**	$ 23,008	$ 22,916	$ 55,278	$ 82,574
Net assets at year end	**$1,889,095**	$1,951,928	$1,735,375	$1,684,815	$1,517,690
Other information:					
Cash dividends declared per common share	**$2.15**	$2.06	$2.07	$2.19	$2.42
Market price per common share at year end	**$46½**	$40⅝	$28⅝	$28⅛	$34¼
Average consumer price index	**311.1**	298.4	289.1	272.4	246.8

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

The principal difference between 1984 income from continuing operations as determined on the historical cost/constant dollar basis ($123.9 million) and net income as reported in the financial statements ($169.3 million) is additional depreciation and amortization expense in the historical cost/constant dollar presentation ($45.4 million) 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/constant dollar data has been omitted because there is no material difference from historical cost/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 the effects of changing prices are more appropriately measured through careful analysis of liquidity management and interest-rate sensitivity as discussed in Management's Analysis of Financial Operations on pages 20 through 22. 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.

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 21. Additional insight can be obtained by reference to the schedule of average balances, rates paid and yields. The Company believes that such analysis is superior to mechanical restatement as specified by FASB Statement No. 33.

Directors

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

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

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

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

Paul Hazen
President and Chief Operating Officer

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

Donald M. Koll
Chairman of the Board and Chief Executive Officer, 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.
(investment and consulting company)

J. W. Mailliard III
Chairman of the Executive Committee
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 and Chief Executive Officer

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

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

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

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 Emeriti

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

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

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

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

MANAGEMENT

WELLS FARGO & COMPANY
420 Montgomery Street
San Francisco, CA 94163

Chairman and Chief Executive Officer
Carl E. Reichardt

President and Chief Operating Officer
Paul Hazen

Executive Vice Presidents
Thomas H. Boughey
Lewis W. Coleman
R. Thomas Decker
Ronald E. Eadie
Gordon S. Grout
John F. Grundhofer
Jack L. Hancock
E. Alan Holroyde
Robert L. Joss
Frank N. Newman
Richard Oppenheimer
Jesun Paik
David M. Petrone
Dale R. Walker
William F. Zuendt

Executive Vice President and Chief Financial Officer
Frank N. Newman

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

Senior Vice President and Chief Loan Examiner
Douglas P. Holloway

Senior Vice President and Director of Taxes
Alan C. Gordon

Senior Vice President and General Auditor
Clyde W. Ostler

Senior Vice President and Treasurer
Alan J. Pabst

Senior Vice President and Controller
Frank A. Moeslein

Senior Vice President and Director of Investor Relations
Eric R. Durant

WELLS FARGO BANK, N.A.
420 Montgomery Street
San Francisco, CA 94163

Chairman and Chief Executive Officer
Carl E. Reichardt

President and Chief Operating Officer
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

James C. Flood
Executive Vice President

William R. Sweet
Executive Vice President

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
Executive Vice President

Trust and Investment Group

Robert L. Joss
Executive Vice President

WELLS FARGO BANK GLOBAL FACILITIES

Subsidiaries

Wells Fargo Bank International:
New York

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

Wells Fargo International Limited:
Grand Cayman

Branches
Hong Kong
Italy: Milan
Japan: Tokyo
Korea: Seoul
Nassau
United Kingdom: London

Representative Offices
Argentina: Buenos Aires
Brazil: São Paulo
Iberian Peninsula: Madrid, Spain
Indonesia: Jakarta
Malaysia: Kuala Lumpur
Mexico: Mexico City
Philippines: Manila
Singapore
Taiwan: Taipei
Thailand: Bangkok
Venezuela: Caracas

WELLS FARGO NONBANK SUBSIDIARIES

Wells Fargo Ag Credit
Englewood, Colorado
Michael J. Gillfillan, 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
James G. Jones, President

Wells Fargo Investment Advisors
San Francisco, California
Frederick L.A. Grauer, President

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

Wells Fargo Realty Advisors
Los Angeles, California
Fredrick W. Petri, President

Wells Fargo Realty Finance
San Francisco, California
George A. Tillotson, President

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

Angelo 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 and Chief Executive Officer
A. Johnson and Company
Stockholm, Sweden

Sir Campbell Fraser
Chairman
Scottish Television P.L.C.
London, England

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

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

Stock Exchange Listings

New York Stock Exchange
Trading Symbol: WFC
Pacific Stock Exchange
Trading Symbol: WFC
London Stock Exchange
Frankfurter Börse

Transfer Agent and Registrar of Stock

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

Co-Transfer Agent and 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 16, 1985 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:

Wells Fargo & Company
Controller's Division, 0102-132
475 Sansome Street
San Francisco, California 94163

WFC0385B

Wells Fargo & Company
420 Montgomery Street
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