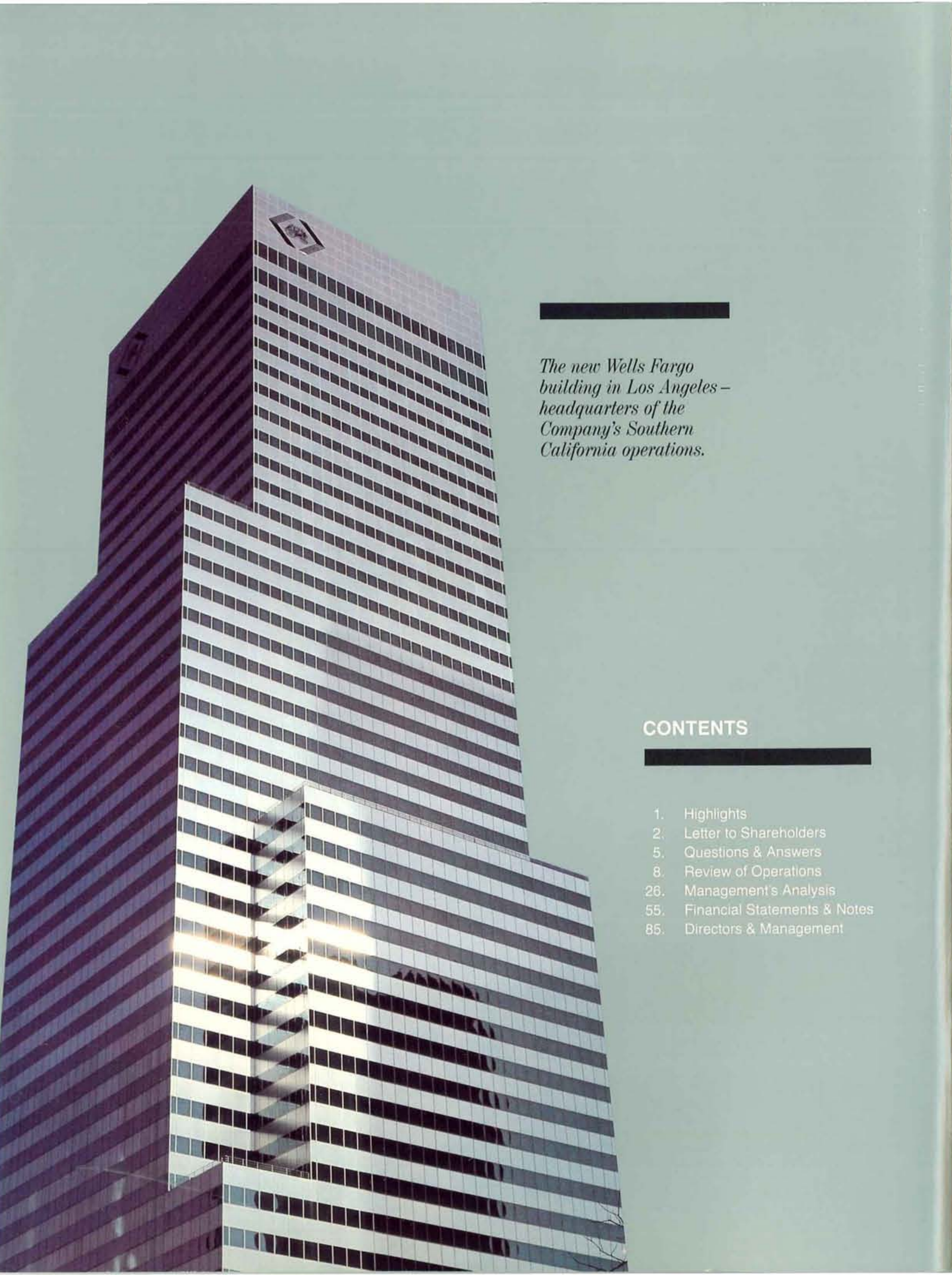
Wells Fargo & Company

1982
ANNUAL
REPORT



The new Wells Fargo building in Los Angeles – headquarters of the Company's Southern California operations.

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HIGHLIGHTS

WELLS FARGO & COMPANY AND SUBSIDIARIES

(Dollars in thousands, except per share data)	1982	1981	Percentage increase
FOR THE YEAR			
Earnings (income before securities transactions)	**$ 141,760**	$ 125,936	13%
Net income (after securities transactions)	**$ 138,638**	$ 123,988	12
Per share			
Earnings (income before securities transactions)	**$5.94**	$5.41	10
Net income (after securities transactions)	**$5.81**	$5.33	9
Dividends declared	**$1.92**	$1.92	—
AT YEAR END			
Assets	**$24,814,047**	$23,219,189	7
Loans and leases	**$20,237,745**	$18,460,542	10
Stockholders' equity	**$ 1,100,435**	$ 1,020,932	8
Book value per share	**$46.62**	$42.38	10

LETTER TO SHAREHOLDERS

In 1982, Wells Fargo & Company faced the challenges of a troubled worldwide economy and the pressures created by intensified competition and an accelerating pace of deregulation.

The Company met these challenges and achieved record earnings for the year. Equally important, we took steps that should position us to compete effectively in the period ahead. We entered 1983 with a stronger capital position and reserves for loan and lease losses, a slowing of the rise in noninterest expenses, and good momentum in the growth of noninterest income and in the contributions from our nonbank subsidiaries.

Throughout the year and still with us as we moved into 1983 were continuing concerns about the international financial scene. Wells Fargo, like all major banks, has extended considerable credit to developing countries of the world to enable them to expand their industry and agriculture, and to provide opportunities for their people. A number of these countries are currently experiencing difficulties in servicing their debt obligations. U.S. government and international agencies are playing an increasingly important role in addressing this concern and, for our part, we are carefully monitoring all international credits.

For 1982, earnings (income before securities transactions) were $141.8 million, compared with $125.9 million in 1981. Per-share earnings were $5.94, up 10 percent from the previous year's total of $5.41 per share.

Net income (after securities transactions) was $138.6 million, compared with $124 million in 1981. The per-share figure was $5.81, compared with $5.33 a year ago.

Several nonrecurring items added to earnings in 1982. These items included a gain on the sale of stock from a small business investment company, the sales of our 20-story Annex building in downtown San Francisco and land under a high-rise office building in the city's financial district, and an adjustment of deferred taxes. In view of the continuing economic uncertainties, Wells Fargo made two special $10 million additions to the allowance for loan and lease losses during 1982. This allowance amounted to $190.5 million at the end of the year, compared with $153.1 million at the end of 1981. The net result of the nonrecurring gains, less the additions to the allowance for losses from loans and leases, added $1.30 per share to earnings in 1982. Nonrecurring gains in the previous year amounted to 99 cents a share.

Wells Fargo's interest spread increased to 4.06 percent in 1982 from 3.85 percent in 1981. The combination of improved spreads and a larger volume of earning assets produced a 12 percent increase in net interest income during the year. This improvement in our spread was due in part to declining interest rates during most of the year.

At year end, Wells Fargo had a strong capital position, with stockholders' equity of $1.1 billion. The Company further improved its leverage ratio during the year, with assets amounting to 22.55 times equity at the end of 1982.

Of special note, our finance subsidiaries achieved a 57 percent increase in net income during 1982. All these subsidiaries showed gains for the year, with particularly significant increases recorded by Wells Fargo Business Credit, Wells Fargo Credit Corporation, Wells Fargo Mortgage Company and Wells Fargo Realty Advisors.

In the international lending arena, the worldwide recession and declines in commodity prices, on which many developing nations rely, increased lending risks in 1982. Although the volume of international loans increased during the year, caution became paramount in taking on new credit commitments. Discussions are currently underway with several nations, Mexico in particular, to work out potential problem situations.

The cost of deposits most likely will remain higher under deregulation than has historically been the case. This fact, coupled with pressures on our profitability in all areas of operation, has caused us to intensify our efforts to hold down noninterest expenses and increase productivity. Management at all levels has given high priority to expense control, and every area of expense is being

Members of Wells Fargo's Executive Office, photographed in the Company's San Francisco Headquarters, are (from left): Richard M. Rosenberg, vice chairman; Robert L. Kemper, vice chairman of the Board; Carl E. Reichardt, chairman, president and chief executive officer; Paul Hazen, vice chairman.

closely scrutinized. As a result, in 1982 we held the increase in noninterest expense to 12 percent, a significant improvement over the previous year when noninterest expense increased 26 percent. We plan to maintain tight control on noninterest expense growth in 1983.

In addition, Wells Fargo is placing particular emphasis on generation of noninterest income. Excluding the nonrecurring items in 1981 and 1982, noninterest income rose 16 percent in 1982 over the previous year's figure. This gain came from more carefully establishing appropriate price levels when warranted by the value of services rendered and market conditions. We are also placing increasing emphasis on those facets of our business that provide noninterest income.

Core deposits—which include demand and savings deposits, savings certificates, NOWs and *Market Rate Accounts*™—increased by 11 percent during 1982. The deposit area was affected by several waves of deregulation, the most important being the mid-October passage of the Garn-St. Germain Depository Institutions Act of 1982. Its principal provision authorized two new deposit instruments with $2,500 minimum balances and unregulated rates. The first was a savings instrument with limited transaction capability, introduced on December 14. Fortunately, Wells Fargo had reacted strongly to an earlier authorized instrument, a certificate of deposit with a $20,000 minimum deposit and a seven-day notice requirement. It was called the *Market Rate Account* and was promoted heavily to compete with the money market funds. By December 14, Wells Fargo had already attracted $1.6 billion to the *Market Rate Account* and converted this total to the newly authorized deposit instrument. This head start enabled the Bank to achieve a satisfactory market share at a fraction of the promotional cost borne by our principal competitors. By the end of January 1983, Wells Fargo had gar-

The most significant management change at Wells Fargo in more than a decade and a half took place at the close of 1982. At year end, Richard P. Cooley retired as chairman and chief executive officer, culminating 16 years of leadership of our organization during an era of great growth and vitality.

Mr. Cooley had spent virtually all of his working career with Wells Fargo and its 1960 merger partner, American Trust Company. He joined American Trust in 1949 when he was 26 years old, and moved rapidly upward through the ranks, acquiring a wide range of experience in corporate banking, retail banking, personnel and general administration. He had directed our organization as chief executive since 1966, a period which encompassed major transitions toward automation and innovative bank services and which saw Wells Fargo rise to its position as a recognized leader within the financial industry.

Mr. Cooley also provided for the orderly transition of succession by developing an outstanding management team with strong and diverse skills. He has left our Company and Bank well prepared for the exciting era we are now entering.

Wells Fargo & Company expresses its deep appreciation to Dick Cooley for his tremendous contributions during his 33 years with the organization, and for providing the leadership that has positioned the Company to continue its progress in the years ahead.

nered nearly $4 billion in this new deposit instrument.

Gains were also registered in IRA deposits and interest-bearing checking accounts. During the period in which it was authorized, the *Tax-Saver* certificate peaked at more than $500 million and led to a significant lowering of our cost of funds. Our success in gathering and retaining core deposits was due mainly to the efforts of our branch sales force, especially our Personal Banking Officers.

To provide increased customer service as well as improved productivity, we stepped up our installations of *Express Stop* automatic banking machines. By year end, there were over 400 *Express Stops* operating at branch office sites, plus nine public-access installations away from bank premises.

The Garn Act had another important provision relating to the inclusion and enforcement of the "due-on-sale" clause in real estate loan contracts. This clause specifies that loan balances are due in full when a property is sold. The 1978 Wellenkamp decision in California, which had prohibited enforcement of this clause, caused older, lower-yielding mortgage loans to remain in portfolios of financial institutions. Elimination of the due-on-sale prohibition will improve the earnings outlook for the fixed-rate mortgage loan portfolio. Currently, nearly half of Wells Fargo's single-family real estate loan portfolio is comprised of variable or adjustable rate mortgages.

In an exciting development in 1982, Wells Fargo joined with four other bank holding companies to form the WESTNET Group. The other members are Bancorp Hawaii, Seafirst Corporation, United Banks of Colorado and Valley National Corporation. This organization, which has more than 860 banking offices in the five western states, was formed to explore areas of potential mutual benefit. By year-end 1982, WESTNET had introduced two products. Its Check Guarantee Service enables customers of one member bank to cash checks at offices of the other members. An interstate Lockbox Network provides for collection and processing of payments received by corporate customers of the other banks. Planned for introduction this spring are WESTNET Brokerage Services and WESTNET Relocation Services.

The most significant management change at Wells Fargo in many years took place in December 1982 when Richard P. Cooley, 59, announced that he would take early retirement from the organization at the end of the year. Mr. Cooley accepted the position of chairman, president and chief executive officer at Seafirst Corporation, parent of Seattle-First National Bank. President Carl E. Reichardt, 51, was elected by the Board of Directors to the added positions of chairman and chief executive officer of Wells Fargo & Company and Wells Fargo Bank.

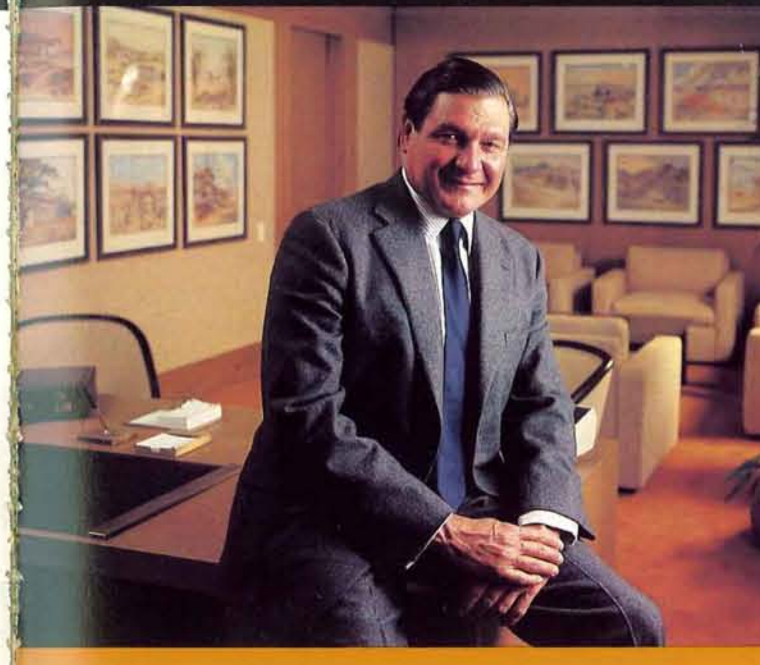
During a year of significant moves toward deregulation and a major management change, Wells Fargo's Board of Directors provided wise counsel and guidance to the Company's Executive Office. Due in large measure to its support and that of our staff, which worked extremely hard to achieve our goals of improved productivity and profitability in a climate of intensified competition, Wells Fargo & Company had a successful year. We thank all who contributed to our efforts and our achievements in 1982.

Carl E. Reichardt
Chairman, President and
Chief Executive Officer

March 2, 1983

QUESTIONS & ANSWERS

An interview with Chairman Reichardt



Carl E. Reichardt in Wells Fargo's new Southern California building.

How will the tremendous changes caused by deregulation and increased competition affect our Company?

The deregulated environment will require us to be flexible. We will have to examine all our lines of business and eliminate those that no longer give us satisfactory returns. We are pleased with deregulation—we have been advocates of it for many years because we believe it is good for business and for consumers. We think it will also provide us with many opportunities, because we have always been an effective competitor. But we recognize that the transition from a highly regulated industry to one that is substantially deregulated will also provide us with one of the greatest challenges that the Company has faced in its history.

In a deregulated environment, expense controls become tremendously important because they lead to increased productivity—and that's going to be the name of the game in the years ahead. At Wells Fargo we have good expense controls. Moreover, in past years when we were having rapid gains in non-interest expenses, we were investing in the future in the form of automated teller machines and our new computer center in Southern California, which gives us backup to our San Francisco computers. We feel that was money well spent.

Unquestionably, there will be fewer institutions as a result of deregulation. Wells Fargo intends to be one of the survivors.

What are Wells Fargo's strengths and weaknesses in this financial environment?

Our greatest strength is our people. We have an exceptional staff capable of handling every type of financial business. Our training programs have received wide recognition, and some have become industry standards. For instance, our Uniform Credit Analysis training program has now been adopted by Robert Morris Associates, the national organization of credit officers. Our deposit school has trained our staff to set impressive records in gathering new deposits. Our human resources training, such as "Managing the Wells Fargo Way," has received considerable acclaim and we have, in fact, franchised it to some other organizations. So we have one of the best trained staffs of any financial organization.

A second strength of which we are especially proud is our sound balance sheet. We are one of the best capitalized banks in the United States and have a very strong base of core deposits.

A third important asset is our recognized name and reputation. Not long ago a Gallup poll found that

we were among the four best known banking firms in the nation, and this is invaluable to us as we seek to enter new markets. And, of course, we are blessed to be located in and associated with one of the most vibrant economies in the world.

But there are certain areas where we do acknowledge some weakness. We still have a substantial percentage of our assets in fixed-rate loans, and we are continually working to put more variable-rate loans on the books. We have introduced a number of variable-rate consumer loan products. Our fixed-rate portfolio may not be a concern in 1983, because we expect interest rates to remain relatively low. However, it could present a problem in the future if rates start to rise again. And so we are working very hard to match more closely the maturities of our assets and liabilities. In 1983 we may sell some of our fixed-rate loans to investors if we determine that is in the best interest of the Company.

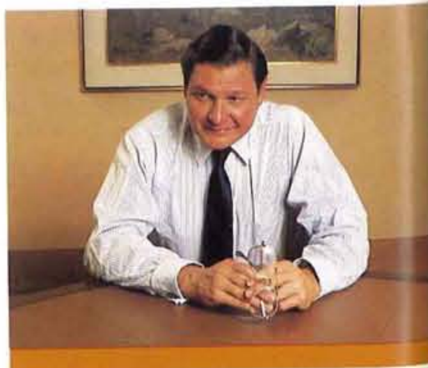
A second weakness we are working to overcome is our systems. Although some of our new systems are extremely advanced, many of our one-time "cutting edge" systems now need substantial modernization. As we upgrade these older systems, we also will work to give more of our managers greater familiarity with the capabilities of the computer by training them in the use of electronics as a management tool. But we are always mindful that computers have to be used in a cost-effective way and will never replace common sense analysis.

Where will Wells Fargo position itself in the new financial services industry?

We will try to position ourselves in market segments where we can add value with our products and skills, and where the product pricing is rational. Consumer banking, commercial real estate and agribusiness are three markets that immediately come to mind. We have a long history and very successful experience in serving consumer markets in California. We also are highly skilled in commercial real estate financing—particularly in construction lending—both in the Bank and in our nonbank subsidiaries, and we think we can continue to provide important services to the real estate industry, from mortgage banking to construction financing.

With agribusiness, too, we have a long and important history based on our location in California, which is the nation's largest agricultural state. We have skilled loan people who know farmers and ranchers and know how the business works, so they can make a contribution to the industry in California or, through Wells Fargo Ag Credit, anywhere in the nation. Where we can be of assistance to this dynamic and very productive industry, we will.

Because of our size, we will be in many markets—consumer markets in California and business markets nationwide and in California, but we won't try to be in every market. We will follow our skills and areas of expertise. We will particularly be seeking to make loans for productive purposes—lending to companies and industries that provide goods, services and new jobs that help to expand the economy. By doing business with firms and industries we understand, we also will be able to sell a portion of the loans we book to help our correspondent banks as well as to allow us more flexibility in the management of our balance sheet.



Who will be our major competitors in the days ahead?

Our competition is going to vary from market to market. Because we expect to be active in so many diverse markets, we will have many different competitors. An organization that presents very strong competition in one market may not be an effective competitor in another. We expect to be going head-to-head with the securities industry, out-of-state banks and our traditional California competitors in some retail lines of business. In the corporate and international areas, we will continue to see growing competition from foreign banks. Because the financial services industry is an attractive business, we know we will see increasing competition in *all* of our markets, which reinforces our goal of sticking to those types of businesses in which we know we can excel.

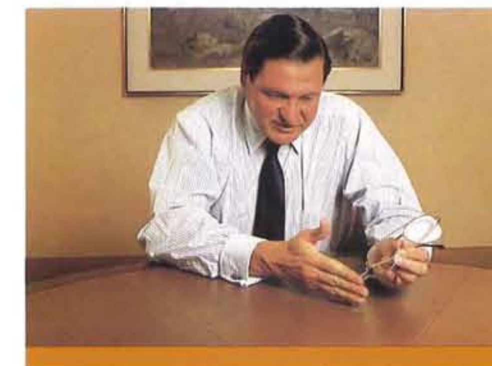
How will technological developments influence our future products and services?

Technology will affect us in two ways. It will play a major role, for instance, in the delivery of retail banking services. There will be more self-service for consumers with the spread of automated teller machines, home banking and point-of-sale terminals. Business will benefit from automated cash management and lock box services. Wells Fargo has already invested a considerable amount of money in more than 400 automated teller machines and in our WellService hard wire network that provides credit card and check authorization service for merchants. The development and start-up expenses already have been reflected in our financial statements. In areas that require personal service such as complex loan structuring, technology will play less of a role in the delivery of the service but will enable the analysts to do a better job. Many of our departments are already using computerized research services to study companies and industries, and that trend will increase.

What will be our geographic emphasis in tomorrow's financial setting?

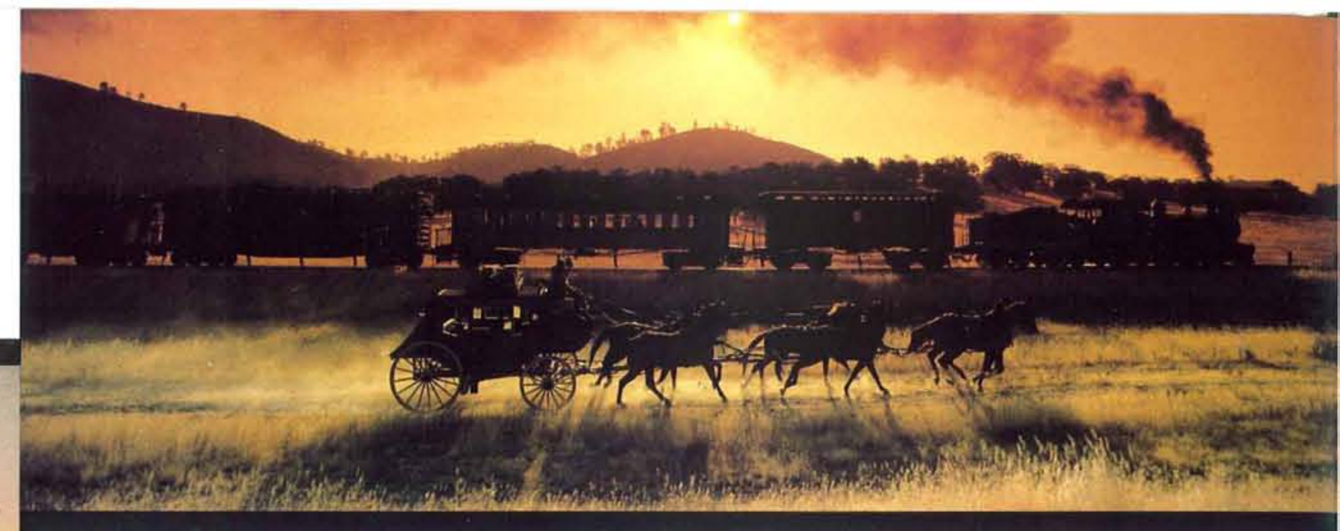
As a major U.S. bank, we undoubtedly will have transactions in every part of the world, but our orientation is the West, where we have the greatest experience and depth of resources and services. This will not be a limitation on our growth by any means. It is almost inconceivable that any significant company in the world can operate without a vendor, a supplier or a customer somewhere in the western United States. We will be here to serve them. And through our representative offices in other parts of the U.S. and throughout the world, particularly Latin America and the Pacific Rim, we can optimize our primary base of operations.

After all, industrial and consumer trends move quickly these days from the western U.S. to other parts of the world, so our base in the West gives us a head start on providing services that customers of our Tokyo, London, Atlanta or Chicago offices, to name just a few, can use. And we certainly will continue to serve our valued customers of long standing wherever they are located.



The West
spacious and grand, dynamic and diverse, and the focus since 1852 of Wells Fargo's rise to success as a provider of financial services.

REVIEW OF OPERATIONS



SERVING THE CONSUMER

Vast changes are now underway in the financial industry, and nowhere is this more evident than in the competition for the business of individual consumers. Wells Fargo has responded to this challenge with innovative marketing, improved productivity and increased emphasis on fee-generating services.

One of the major effects of accelerated deregulation in 1982 was the new capability gained by banks and thrift institutions to design and introduce deposit accounts which are competitive with money market funds. This caused a flow of funds back into banks and thrift institutions and a corresponding drain on the uninsured money market funds.

Wells Fargo took an early lead among banks and thrifts in gathering these deposits when it introduced the *Market Rate Account*™ in September, well before competitors began their heavy promotion of this type of new account. Through mid-December, when it was superseded by an even more competitive product permitted by a further relaxing of interest rate restrictions, this account had attracted $1.6 billion in deposits, including some $700 million that was new to Wells Fargo.

Wells Fargo achieved comparable results with the successor product, the improved *Market Rate Account* (MRA) which was introduced December 14. In addition to an unregulated interest rate, it provides limited check-writing privileges with a minimum deposit of only $2,500. This improved MRA attracted additional funds to Wells Fargo and, at year end, the deposits in the combined old and new *Market Rate Accounts* totaled approximately $2.3 billion, of which about half represented new funds for Wells Fargo. This growth continued into 1983, when the total approached $4 billion by the end of January. As a result of this success, Wells Fargo continues to enjoy a stronger relative position than any of its major California competitors in core deposits, which include demand and savings deposits, savings certificates, NOWs and *Market Rate Accounts*.

Much of the credit for this achievement goes to the Retail Banking Group's Personal Banking Officers, who bring personalized service to Wells Fargo's customers. There are now some 500 Personal Banking Officers working with customers throughout the branch system.

The interest rates paid on these *Market Rate Accounts* are considerably higher than banks have historically paid for deposits, although the rates are more favorable for the Bank than those on many other funding sources. Wells Fargo therefore now has the challenge of putting the funds it has successfully attracted to profitable use. Fortunately,

in recent years the Bank has developed an impressive array of variable-rate consumer loan products that will be invaluable in developing profitable new loan business.

Several new variable-rate consumer loan products were introduced in the past year, including a second mortgage product and loans specifically tailored for boat and aircraft financing. In March 1982, the Bank introduced *Capital Advantage,*™ an unsecured, variable-rate line of credit for the customer who wants to be able to write a check for a major purchase or investment. Early in 1983, Wells Fargo offered *Equity Advantage,*™ an innovative line of credit up to $100,000 that is secured by home equity. The interest rate for this new product is based on an index using large certificates of deposit, making it extremely attractive to qualified borrowers.

As a result of its early emphasis on variable-rate lending, some 45 percent of Wells Fargo's single-family mortgages now have variable or adjustable loan rates, a higher percentage than any major bank in the country. The benefits of this strategy were evident in 1982 when the yield on the Bank's single-family mortgage portfolio rose again.

As margins between higher-cost deposits and loan income have been compressed in the past few years, Wells Fargo has sought to maintain profitability by substantially increasing its fee income from accounts offering packages of services, from credit cards and from the repricing of a number of basic consumer services.

Banking services to California consumers are provided by Wells Fargo through nearly 400 offices and well over 400 *Express Stop* automatic banking machines. The Bank had more than 200 *Express Stops* in place at the beginning of the year, and an aggressive program added 230 more by year end, bringing 24-hour banking to nearly every branch in California and to a number of locations away from branches, as well.

This major investment program continues in 1983. Wells Fargo has maintained a leadership position in electronic banking in the West, substantially increasing the Bank's productivity.

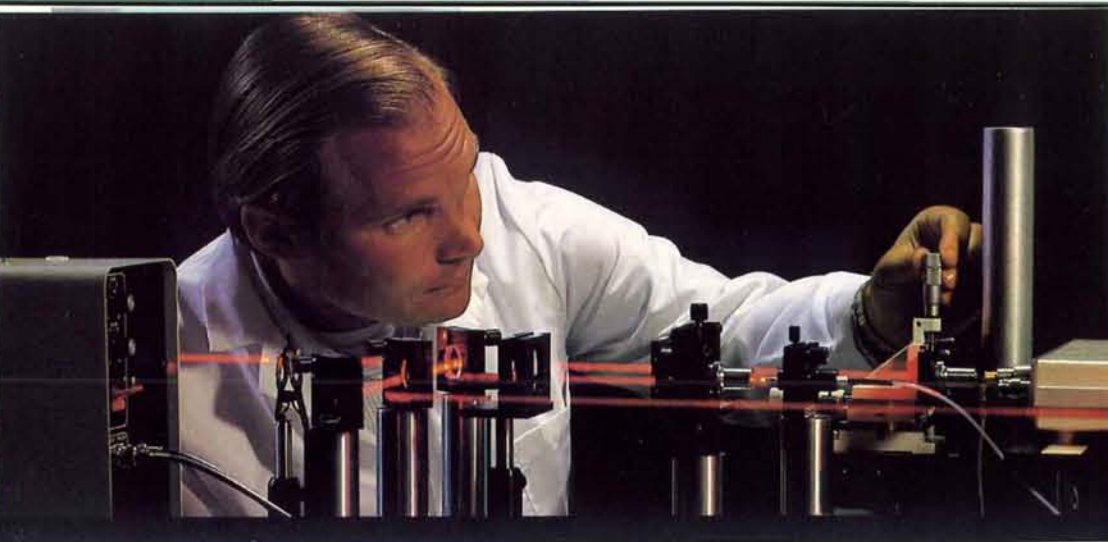
Productivity also was increased in 1982 through the consolidation of all consumer and real estate loan processing into several service centers around the state, allowing branch offices to concentrate on gathering deposits and originating loans. During the year, new branch offices were opened in Sun City, Simi Valley and East Los Angeles, while 13 other offices were closed or consolidated with nearby facilities as part of the Bank's program to improve operating economies.

Wells Fargo is also expanding its services to consumers beyond the borders of California through Wells Fargo Credit Corporation, headquartered in Scottsdale, Arizona. In 1982 this corporate subsidiary opened a new regional office in Dallas, its fifth in as many states. Loan products offered by Wells Fargo Credit Corporation include homeowner equity loans, auto leasing, loans secured by stocks and bonds, and loans secured by real property. Another Company subsidiary, Wells Fargo Insurance Services, provides credit-related insurance coverage for Wells Fargo borrowers.

California's consumer markets, such as the fast-growing San Diego region, have long been the most vigorous in the nation and offer even more exciting opportunities in the deregulated environment of the 1980s.

Trust and investment management services for customers of our retail offices are provided by the Personal Trust Division of the Trust and Investment Group. This division is one of the leading trust operations in California.

A development in 1982 that offers considerable potential for expanding the Bank's retail services in coming years was Wells Fargo's participation in the formation of the WESTNET Group. This association of five bank holding companies, including Wells Fargo and the largest in four other states—Bancorp Hawaii, Inc., Seafirst Corporation in Washington, Valley National Corporation in Arizona and United Banks of Colorado, Inc.—joined together to provide broadened services over a wider geographic area to customers of the member banks. The first consumer product developed by the network of banks was an expanded check-guarantee program covering the five-state area, and additional consumer services will be introduced in 1983.



Corporate and middle market business opportunities abound in the variety of industries that dominate the West, including Silicon Valley's high technology complex.

SERVING BUSINESS ACROSS THE NATION

Over the past several years Wells Fargo has made a concerted effort to expand its activity with businesses of all sizes throughout the country. To better attract and serve business customers, specialized units have been created to serve targeted market segments. As a result, Wells Fargo's commercial loans have increased by 65 percent in the last three years, much faster than the rate of growth of the overall loan portfolio. During 1982, commercial loans surpassed real estate mortgage loans as the largest category of earning assets.

The Bank's Corporate, Commercial and Retail Banking Groups, along with two nonbank subsidiaries, provide a growing variety of financial services to meet the changing needs of large corporations, middle-market companies and small business firms.

The Corporate Banking Group, which increased its loans by 33 percent in 1982, provides loans and operational services to large companies across the nation through offices in Atlanta, Chicago, Dallas, Los Angeles, New York, San Francisco, and a new office in Denver that opened in 1982. These offices have enhanced their success by addressing the specialized needs of selected industries, such as defense/aerospace, high-technology equipment, wholesale agriculture, insurance and securities.

Wells Fargo continued to strengthen its ability to serve its corporate customers with cash management and other operational services in 1982, by adding cash management professionals to its offices in Chicago and Atlanta, and by increasing this capability in New York. The Bank also upgraded its electronic communications with corporate customers and correspondent banks.

During the year, a development of importance to the future of the Bank's corporate banking operations was the establishment of the WESTNET Group, an association of Wells Fargo and the leading bank holding companies in Arizona, Colorado, Hawaii and Washington, that will jointly develop and provide services to customers of the member banks. Late in the year WESTNET introduced a multistate lockbox service for use in corporate cash management, the first of a series of unique products to enable corporate customers to improve the management of their financial resources.

Through domestic correspondent banking, Wells Fargo provides customer banks across the country with a wide range of services, including lending, asset purchases, global money transfer, and other operational and international documentary services.

One of Wells Fargo's top-priority markets in the 1980s is the middle-market in California—companies with sales ranging up to about $100 million a year. The Commercial Banking Group was created in 1980 specifically to serve these business firms. The Group has established 20 strong regional commercial banking centers and two trade finance centers in the state to develop total banking relationships with the best mid-sized companies and their principals. The regional vice presidents in Wells Fargo's Commercial Banking Group have extensive authority and pride themselves on fast response and personalized service for the middle-market firm and its executives.

The results have been impressive. The Commercial Banking Group produced a 25 percent increase in loans in 1982 which followed a 35 percent increase in 1981. Moreover, the quality of the loan portfolio remains high, with nonearning loans kept at a comparatively low level. At year end, Commercial Banking had $3.2 billion in commercial loan com-

Wells Fargo's commitment to agribusiness in the West is historic and deep, and the many facets of this vital industry are served by several units of the Bank and the Company.

mitments, about half of which represent asset-based lending, and most of which are at floating rates.

Like the Corporate Banking Group, the Commercial Banking Group has targeted certain industries for special emphasis, such as high technology, entertainment, the apparel industry and agribusiness.

With the Bank's agricultural lending in California combined with the activities of Wells Fargo Ag Credit, the agricultural lending nonbank subsidiary based in Colorado, Wells Fargo & Company now is the second largest private agricultural lender in the United States. All components of California's leading industry—growers, processors and a variety of agribusiness support firms—are served through the Bank's regional commercial banking centers and special agricultural loan production offices in Gridley, Los Banos and Salinas.

Wells Fargo Ag Credit lends to the agribusiness industry through regional offices in Billings, Denver, St. Louis, Spokane and Tulsa. Ag Credit has increased its outstandings steadily since its founding in 1980.

Another priority market for Wells Fargo is small business—firms with annual sales under about $5 million. The Business Division of the Retail Banking Group has established 30 business centers throughout California to serve these customers, resulting in higher fee income, interest spreads and credit quality in 1982. This year some 100 retail banking offices also will have business bankers charged with serving the needs of small business firms.

In order to be able to provide all of the financial services required by its commercial customers in California, the Business Services Division created several automated products in 1982. They are *Qwik/PAY,™* a payroll service for companies with 20 or fewer employees; *Custom Payroll Service,* a flexible system for larger payrolls and for management reporting; *Employee Profile System,* which generates appropriate reports when any changes are made on the payroll; and *Financial Management System,* an entirely automated accounting system designed for small and mid-sized firms.

Wells Fargo continued to take electronic banking to the workplace in 1982 through *Expresservice.* Thousands of employees of major firms in 11 locations in California now can have their pay deposited directly into Wells Fargo accounts, so that they can conduct routine banking at an automatic banking machine where they work.

Commercial customers outside of California are served by three nonbank subsidiaries, Wells Fargo Leasing Corporation, Wells Fargo Business Credit and the newest subsidiary, Wells Fargo Capital Markets, Inc. The Leasing Corporation syndicates a complete line of fixed-rate and floating-rate term leases for the acquisition of capital equipment by major corporations and middle-market companies across the nation. It also syndicates transactions for clients and sells participations to other financial institutions and to corporations. Business Credit makes business loans secured by accounts receivable, inventories and fixed assets. It serves small and mid-sized firms through regional offices from coast to coast. Wells Fargo Capital Markets will handle private placements and large syndications for business customers.

As a pioneering designer and manager of investment portfolios, Wells Fargo offers an added dimension to its services to industry. Wells Fargo Investment Advisors currently manages or administers employee benefit, foundation, endowment and other institutional money, and it also sells services that enable other portfolio managers to use some of the expertise it has developed.

Commercial real estate activities in the West have remained comparatively strong and active in recent years and represent a key market for Wells Fargo.

SERVING THE COMMERCIAL REAL ESTATE INDUSTRY

Wells Fargo has built a significant reputation for its services to the real estate industry through the Real Estate Industries Group of the Bank, Wells Fargo Realty Advisors, Wells Fargo Mortgage Company and Wells Fargo Realty Services. The expertise of these units was most clearly demonstrated in a recession during 1982 when real estate operations contributed substantially to Wells Fargo's earnings despite the severe housing slump and overbuilt commercial property markets. Notably, nonearning construction loans remained at about the same level as a percentage of the total construction outstandings as they had been a year earlier.

Wells Fargo Realty Advisors' earnings increased again in 1982 and were higher than any other of Wells Fargo & Company's nonbank subsidiaries. Wells Fargo Realty Advisors is the Company's oldest subsidiary, having been formed 12 years ago to manage Wells Fargo Mortgage & Equity Trust, a publicly held real estate investment trust listed on the New York Stock Exchange. Today it earns additional fee income by managing Wells Fargo Real Estate Equity Fund, in which American pension funds invest, and Wells Fargo Property Unit Trust, formed in 1981 to serve British pension funds.

Through 10 offices across the country, Realty Advisors provides construction lending outside of California. Three of its offices and approximately a third of its loans are in Texas. Wells Fargo concentrated on fewer but larger transactions in 1982, including a $260 million construction loan for a 70-story Dallas office building. Wells Fargo Realty Advisors was syndicate manager for this financing.

The Bank's Real Estate Industries Group, which serves California builders and developers with construction loans, adopted a cautious attitude in 1982, and its reduced activity was reflected in lower earnings. Since virtually all of the Group's nonearning loans involve homebuilders, the decline in interest rates and the resulting increase in home sales in late 1982 may portend an improvement in this market in 1983. There is considerable pent-up demand for housing in California, which should support a resurgence of this industry in a healthier economy.

The Group's mortgage warehousing activity again was moderate in 1982 because of depressed conditions in the national mortgage market, but it continued to generate substantial income.

Actions taken by Wells Fargo Mortgage Company in 1981 to expand its commercial real estate activities, while reducing its exposure to the residential mortgage business, increased its contribution to earnings by 65 percent in 1982. The Mortgage Company's earnings improved during the year, in part due to lower operating expenses and higher income from loan-origination fees on income property. Income from sales of loans also was higher. The mortgage servicing portfolio at the end of 1982 was $4.4 billion, compared with $4.3 billion a year earlier.

In the summer of 1983, Wells Fargo Mortgage Company will move into its new headquarters building in Santa Rosa, California. This consolidation of 225 employees now spread over five separate locations will further improve the Company's efficiency and productivity.

Wells Fargo Realty Services is a subsidiary that provides specialized accounts receivable and data-processing services to developers. This subsidiary was active and increased its contribution to profits in 1982.

International finance and foreign trade are vital activities in the western United States, which is the gateway to the Pacific Basin.

PROVIDING FINANCIAL SERVICES WORLDWIDE

The international financial arena has been a challenging market for banks in recent years. Interest spreads on foreign loans have narrowed significantly, and the 1982 worldwide recession increased loan risks, especially to nations which had the greatest need to borrow.

In this environment, Wells Fargo has concentrated in recent years on its strengths in selected markets. The Bank has been particularly active as a lead manager in arranging loan syndications, principally in Latin America. Because of economic distress in these countries, Wells Fargo's fee income from this source was reduced in the final months of 1982 and will be significantly lower for 1983 than in the past few years. The Company plans to market its considerable syndication expertise domestically through a new U.S. subsidiary, Wells Fargo Capital Markets Inc., which will act as a financial intermediary on domestic transactions and offer international leasing through sophisticated debt and equity interests.

Wells Fargo's foreign loans at the end of 1982 amounted to $2.8 billion, or less than 14 percent of total loans and leases. As described further in the section of management's analysis dealing with loan and lease portfolio management (page 41), Wells Fargo's greatest concentration of foreign loans is in Latin America. Approximately 2½ percent of the Company's total outstandings at year-end 1982 were in Mexico, some 2 percent were in Brazil, and about 1 percent were in Venezuela.

Substantially all of Wells Fargo's private-sector borrowers in Mexico are participating in a program offered by the Mexican government for the settlement of interest obligations. This arrangement and an agreement involving the deferral of principal payments on various public-sector debt in Mexico also are described in detail in management's analysis.

The Far East is another of Wells Fargo's principal international markets. In 1982, the International Group opened a full-service branch in Hong Kong, a pivotal business center in the Far East where Wells Fargo has maintained a representative office for many years. The Bank now has branches in Buenos Aires, London, Milan, Singapore, Tokyo and Nassau, along with 16 representative offices.

The close commercial relationships that exist between western Canada and the western U.S. led to the establishment early in 1982 of Wells Fargo Bank Canada, the first foreign bank ever to open its headquarters in Calgary, Alberta. This subsidiary provides wholesale lending, foreign exchange and a variety of international banking services primarily to middle-market companies in the western provinces.

Wells Fargo's international network also has been expanded by the establishment of subsidiaries in the Cayman Islands and Singapore. Wells Fargo Latin America Bank-Cayman Islands Limited and Wells Fargo Asia Limited-Singapore primarily arrange or participate in multibank transactions for governmental clients and large corporations in their respective areas. In addition, an international banking facility (IBF) was established in Miami in 1982. Similar to the IBF established in San Francisco a year earlier, the Miami

facility will accept eurodollar deposits that are exempt from the reserve requirements of the Federal Reserve.

The International Group upgraded its operational capabilities during 1982, an important investment for the future. As a result, its documentary and payments services for California companies and other Wells Fargo customers engaged in international trade are now among the best in the nation.

Wells Fargo's international strategy for the remainder of the 1980s is to be a highly specialized organization, both functionally and geographically. International activities will be used to complement the Company's domestic corporate and middle-market efforts. Increasingly, the emphasis will be on export and import financing, trade-related documentary services and on other services required by our domestic customers.

TECHNOLOGY AND PERSONNEL DEVELOPMENTS

The challenging era of deregulation is changing the complexion of the financial services industry, requiring new ways of operating and developing our business. Wells Fargo emphasized productivity in 1982 through applied technology and organizational restructuring of staff and line units to produce the type of competitive organization now required of a modern financial services company.

It is widely recognized that the well-conceived use of proven technology will be a major factor in determining which financial services companies will prevail in the years ahead.

The most visible manifestation of Wells Fargo's application of technology in 1982 was the aggressive expansion of the Bank's network of *Express Stop* automatic banking machines in California. However, there was a general increase in technological capabilities throughout Wells Fargo in 1982, to the present and future benefit of all of its customers.

Supporting all the activities of Wells Fargo are the electronic technology that enables the Company to provide superior financial services, and a well trained staff that delivers those services.

Wholesale and retail units, both domestic and international, developed improvements in their delivery systems and found ways to become low-cost producers of financial services. Underlying the expenditures and human endeavor in 1982 was Wells Fargo's commitment to improving service to customers while reducing unit costs.

The Bank is developing a new global funds transfer system, has automated its letter-of-credit systems and has introduced several new automated services for business customers. Internally, use of the electronic mail system was greatly expanded.

The Operations Group experienced its first full year with two complete data centers—in San Francisco and in El Monte, near Los Angeles. This gives Wells Fargo important back-up for either center in case of an emergency.

Like the Operations Group, the Personnel Division continued to decentralize along market lines in order to be more responsive to the personnel needs of the line units.

Wells Fargo is managing the transition to a more productive company in an orderly and responsible manner. Employees whose functions have been eliminated are provided a variety of services to assist them in finding employment in Wells Fargo or outside the organization. In addition, in late 1982 all employees age 55 and over, with at least 10 years of service, were offered an attractive early retirement option, which nearly 650 employees accepted by year end.

Through attrition and the elimination of some positions, Wells Fargo & Company's total number of staff members, on a full-time equivalent basis, had declined by 1,400, or 7.6 percent, from year-end 1981 to the end of 1982.

SERVICES TO THE COMMUNITY

As communities increasingly turn to the private sector for support, the role of the corporation has taken on heightened importance.

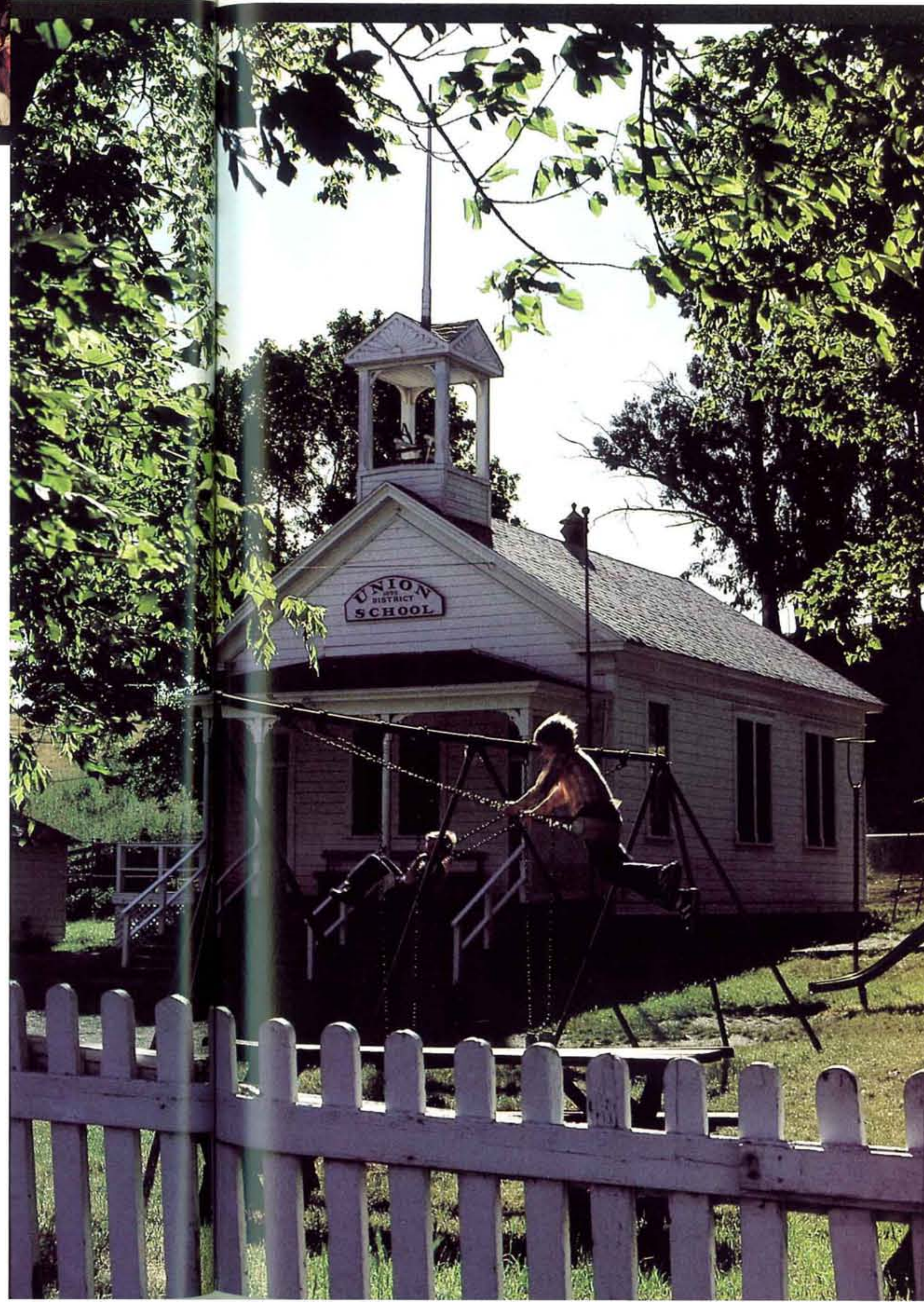
At Wells Fargo, helping us fulfill our responsibilities to the communities in which we do business are the Community Development Division, the Wells Fargo Foundation and the Corporate Responsibility Committee.

The Community Development Division ensures that the various departments throughout the Company are identifying and meeting the credit needs of all market groups within our target areas, including low- and moderate-income populations.

One project in which the division participated in 1982 with other financial institutions was the Reverse Annuity Mortgage (RAM) program, through which elderly homeowners can convert the equity in their homes into needed monthly income. Wells Fargo committed some $1.5 million in RAM loans during this pilot project.

The division also played a key role in an innovative program that combines private and federal funds to provide inexpensive housing for elderly and low-income residents in San Francisco, the first of its kind in the country. It organized a coalition of 13 banks that provided $6.5 million in low-interest loans to a private developer, who also utilized federal grants to purchase and rehabilitate four old residential hotels.

The communities we serve and their well-being represent a major concern for Wells Fargo and its staff members.



The division's Community Contacts Program also flourished in 1982. Over 1,700 visits with community groups were made by branch and regional personnel to address local credit needs or problems. Solutions developed ranged from producing a Braille brochure on the Bank's Low Income Finance Terms (LIFT) program to strengthening the Bank's Indian community network and participating in neighborhood revitalization projects.

Wells Fargo's special loan program to support minority businesses that do not meet normal credit requirements entered its 14th year, and the LIFT program completed its 10th year, serving individual consumers who do not qualify for credit under the usual standards.

The Bank's interest in supporting physical fitness was marked in 1982 by the expansion of the number of

sites of the Wells Fargo Gamefield, a recreational exercise course. During the year nearly 400 sites throughout California and the nation were developed.

A second component of the Company that plays a vital role in improving life in communities is the Wells Fargo Foundation, which provides grants to a broad spectrum of nonprofit organizations. In 1982, a total of $2.9 million was disbursed by the Foundation, including educational matching gifts and United Way donations. Nearly 41 percent went to social services, 25 percent to education, 12 percent to civic activities, 18 percent to arts and 4 percent to health agencies. Among programs the Foundation supported were a child care center in downtown Los Angeles for inner-city families; a horticultural training program in San Jose for developmentally disabled adults; and the adoption of a San Francisco cable car as part of a civic effort to save the historic vehicles.

Programs that encourage employees' active participation in their community are part of the diverse activities administered by the Corporate Responsibility Committee.

This year the annual President's Award for Social Service went to Timothy Noveroske, assistant vice president of operations at the Fresno Regional Commercial Banking Office, for his work with United Cerebral Palsy.

Wells Fargo's commitment to equal opportunity hiring and advancement programs is a heritage of which we are proud. At year end, 70.5 percent of Wells Fargo employees were women and 36.3 percent were minorities. Of Wells Fargo officers, managers and professionals, 56.8 percent were women and 23.1 percent were minorities.

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MANAGEMENT'S ANALYSIS OF FINANCIAL OPERATIONS

OVERVIEW

In 1982, earnings (income before securities transactions) increased 13 percent to $141.8 million. The Company's five-year compound annual growth rate of earnings was 10 percent. Earnings per share for 1982 reached $5.94, compared with $5.41 in 1981 and $5.32 in 1980.

Losses, net of tax, from the sale of investment securities in 1982 and 1981 were $3.1 million and $1.9 million reducing net income per share to $5.81 and $5.33, respectively. In 1980, there were gains of $.1 million which increased net income per share to $5.33. These activities are discussed on page 37.

Included in 1982 earnings were nonrecurring items, consisting of the sale of two properties ($48.3 million pretax), a favorable adjustment of prior years' deferred taxes ($8.6 million), gains on distributions to the Bank of appreciated equity securities distributed by an unconsolidated small business investment company subsidiary ($7.5 million pretax), partially offset by a special contribution to the Wells Fargo Foundation ($3.0 million pretax). Additionally, as discussed on page 45, in the third and fourth quarters of 1982 the Company increased the allowance for loan and lease losses as a percent of loans and leases through two $10 million additions to the allowance. Included in 1981 earnings were nonrecurring items consisting of two tax-free stock for debt exchanges ($11.7 million), gains on distributions to the Bank of appreciated equity securities from the investment company subsidiary ($14.9 million pretax), the adoption of a new accounting standard relating to foreign currency translation ($3.4 million pretax), partially offset by a special contribution to the Wells Fargo Foundation ($3.5 million pretax).

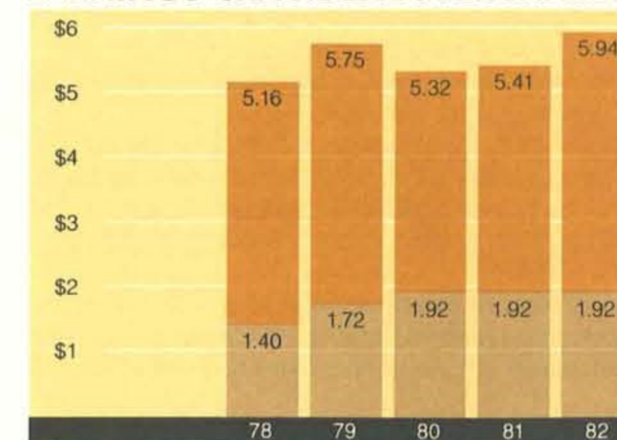
Net interest income increased 12 percent to $821.9 million in 1982, on an increase in spread of 21 basis points and a 5 percent higher volume of average earning assets. A reduction in the overall yield on earning assets of 7 percent was more than offset by the 12 percent reduction in the cost of funding these assets, reflecting the overall decline in interest rates in 1982. Non-accrual and renegotiated loans and leases were $561.1 million at December 31, 1982 and $438.0 million at December 31, 1981.

Other income increased 27 percent in 1982 to $298.9 million, compared to an increase of 45 percent in 1981. Included in 1982 were the gains from the sales of properties and the distribution of equity securities discussed above, which was also included in other income for 1981. In 1982 and 1981, service charges on deposit accounts increased 44 percent and 33 percent, respectively.

Other expense increased 12 percent in 1982, down from the 26 percent increase in 1981 over 1980. The increase in salaries and employee benefits was 9 percent in 1982 compared to 1981's increase of 20 percent. Net occupancy expense increased 31 percent in 1982 to $75.7 million, following an increase of 28 percent in 1981.

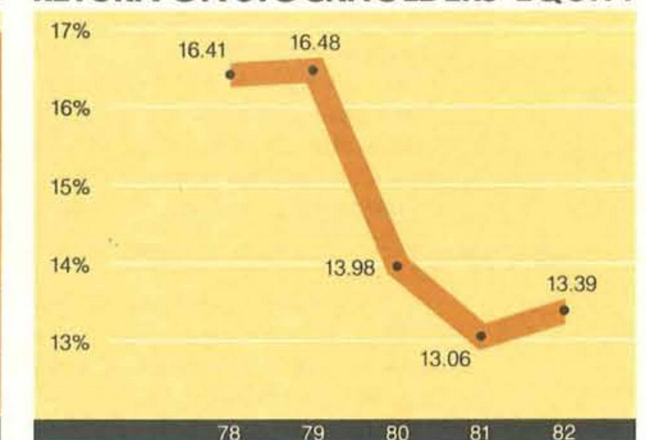
The provision for loan and lease losses was $115.4 million in 1982, including the two previously mentioned $10 million additions, compared with $63.4 million for 1981. Net charge-offs as a percentage of average loans and leases outstanding rose to .42 percent for 1982 from .30 percent for 1981.

A. EARNINGS* & DIVIDENDS PER SHARE ($)



*Income before securities transactions

B. RETURN ON STOCKHOLDERS' EQUITY (%)



Ratio of income before securities transactions to average stockholders' equity

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(Dollars in thousands, except per share data)

	1982	1981	1980	1979	1978	Change 1982/1981	Five-year compound growth rate 1977-1982
INCOME STATEMENT							
Net interest income	**$ 821,897**	$ 730,968	$ 677,638	$ 691,522	$ 596,550	12.4%	12.1%
Provision for loan and lease losses	**$ 115,417**	$ 63,428	$ 77,008	$ 65,596	$ 49,106	82.0	22.6
Other income	**$ 298,907**	$ 236,123	$ 163,259	$ 110,970	$ 102,117	26.6	26.9
Other expense	**$ 835,045**	$ 744,220	$ 590,829	$ 528,669	$ 441,120	12.2	18.7
Income before securities transactions	**$ 141,760**	$ 125,936	$ 121,737	$ 130,202	$ 115,881	12.6	10.4
Net income	**$ 138,638**	$ 123,988	$ 121,864	$ 123,416	$ 110,146	11.8	10.2
Per share							
Income before securities transactions	**$5.94**	$5.41	$5.32	$5.75	$5.16	9.8	8.3
Net income	**$5.81**	$5.33	$5.33	$5.45	$4.91	9.0	8.1
Dividends declared	**$1.92**	$1.92	$1.92	$1.72	$1.40	—	11.4
BALANCE SHEET							
Total assets	**$24,814,047**	$23,219,189	$23,638,063	$20,593,124	$18,611,436	6.9	10.0
Long-term debt and obligations under capital leases	**$ 277,525**	$ 241,782	$ 285,319	$ 340,504	$ 361,260	14.8	(5.6)
Stockholders' equity	**$ 1,100,435**	$ 1,020,932	$ 913,573	$ 834,095	$ 742,602	7.8	10.9

The Company's effective tax rate declined to 17 percent from 21 percent for 1981. Offsetting a decline in the proportion of tax-exempt interest income was the adjustment of prior years' deferred taxes and higher reinvested earnings of foreign subsidiaries for which Federal income taxes are not accrued.

Also contributing to the Company's profitability was the strong performance of the finance subsidiaries. The finance subsidiaries consist of Wells Fargo Ag Credit, Wells Fargo Business Credit, Wells Fargo Credit Corporation, Wells Fargo Leasing Corporation, Wells Fargo Mortgage Company and Wells Fargo Realty Advisors; all are wholly owned by the Parent. Through these subsidiaries, financial services are offered both outside as well as within the state of California. All of the finance subsidiaries were profitable in 1982 and their combined net income increased 57 percent from 1981. In 1982, combined total assets increased 20 percent from 1981, to $2.7 billion.

In the fourth quarter of 1982, the financial statements were reclassified in order to present leases and the related allowance, unearned income, income and provision for losses combined with loans. Previously these lease amounts were shown as a separate category. All prior periods in the financial statements have been reclassified for this change.

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

RETURN ON STOCKHOLDERS' EQUITY—earnings as a percentage of average stockholders' equity—was 13.39 percent in 1982. This compares to 13.06 percent in 1981 and 13.98 percent in 1980. This ratio reflects the profitability of the shareholders' investment and is influenced by leverage and the overall return on assets.

RETURN ON AVERAGE ASSETS—earnings divided by average total assets—increased to .57 percent in 1982 from .52 percent in 1981 and .55 percent in 1980. This ratio is a measure of the profitability of the resources utilized by the Company.

LEVERAGE RATIO—assets divided by stockholders' equity—decreased to 22.55 at December 31, 1982 compared to 22.74 at December 31, 1981 and 25.87 at December 31, 1980. See Table 15 on page 50. The Company's average leverage ratio was 23.44 in 1982 compared to 25.11 in 1981 and 25.32 in 1980. These ratios measure the extent to which external funding sources were used in building the Company's asset base and reflect the continued strengthening of the Company's capital position. Refer to page 49 for management's strategy of controlling the Company's leverage.

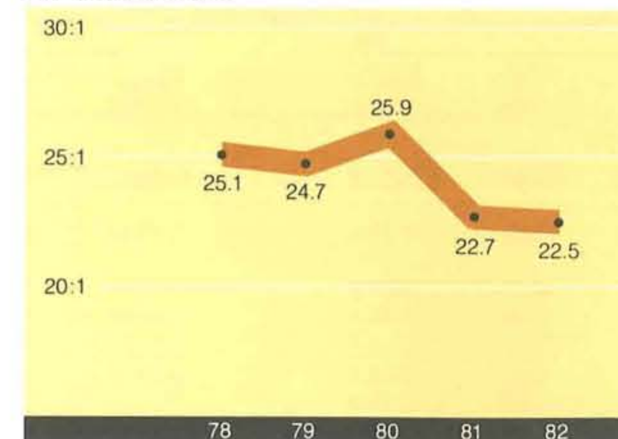
Table 1 STATISTICS AND RATIOS

	1982	Year ended December 31, 1981	1980
RATIOS			
Income before securities transactions to:			
Average total assets	**.57%**	.52%	.55%
Average stockholders' equity	**13.39%**	13.06%	13.98%
Net income to:			
Average total assets	**.56%**	.51%	.55%
Average stockholders' equity	**13.09%**	12.86%	13.99%
Average stockholders' equity to average total assets	**4.27%**	3.98%	3.95%
Dividends declared per share to:			
Income per share before securities transactions	**32.32%**	35.49%	36.09%
Net income per share	**33.05%**	36.02%	36.02%
Stockholders' equity per share at year end	**$46.62**	$42.38	$39.93
STATISTICAL SUMMARY			
Market prices of common stock (1):			
High for year	**$34**	$35⅝	$28⅝
Low for year	**$18¾**	$24⅞	$21⅞
Year end	**$26⅞**	$25½	$28½
Other year-end data:			
Number of stockholders (2)	**24,000**	23,900	24,300
Company staff (full-time equivalent)	**17,100**	18,500	17,800
Number of domestic and foreign banking offices	**394**	403	388

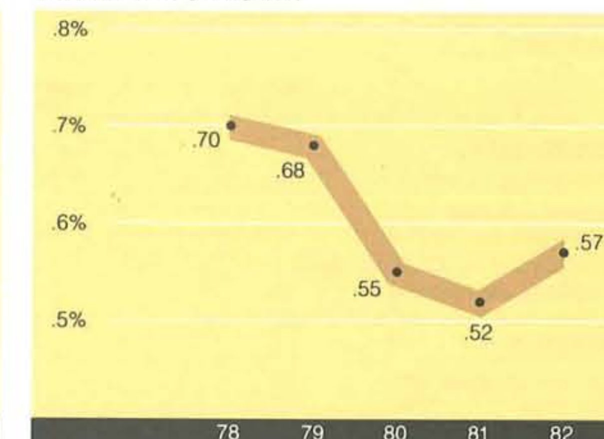
(1) Based on daily closing prices listed in Wall Street Journal—composite transactions.

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

C. ASSET TO EQUITY RATIOS AT YEAR END



D. RETURN ON AVERAGE TOTAL ASSETS (%)



Ratio of income before securities transactions to average total assets

EARNINGS PERFORMANCE

The condensed consolidating statement of income shows the principal organizational categories and their contribution to 1982 consolidated net income.

CONDENSED CONSOLIDATING SCHEDULE OF INCOME

(In thousands)	Wells Fargo & Company (Parent)	Wells Fargo Bank, N.A.	Finance subsidiaries	Other subsidiaries	Eliminations and reclassifications	Consolidated Wells Fargo & Company
						Year ended December 31, 1982
INTEREST INCOME						
Interest and fees on loans and leases	$ 250	$2,291,237	$358,350	$ 136	$ —	$2,649,973
Interest on securities	6,705	57,390	157	515	—	64,767
Interest on intercompany loans	405,591	30	61	42,963	(448,645)	—
Other	—	276,056	22	587	—	276,665
Total interest income	412,546	2,624,713	358,590	44,201	(448,645)	2,991,405
INTEREST EXPENSE						
Interest on deposits	—	1,560,468	—	—	(120)	1,560,348
Interest on borrowings	399,327	171,643	1,180	37,010	—	609,160
Interest on intercompany borrowings	25,851	157,350	255,595	9,729	(448,525)	—
Total interest expense	425,178	1,889,461	256,775	46,739	(448,645)	2,169,508
Net interest income	(12,632)	735,252	101,815	(2,538)	—	821,897
Provision for loan and lease losses	—	103,496	11,910	11	—	115,417
Net interest income after provision for loan and lease losses	(12,632)	631,756	89,905	(2,549)	—	706,480
Equity in earnings of subsidiaries	147,058	—	—	—	(147,058)	—
Other income	105	278,899	24,303	10,627	(15,027)	298,907
Other expense	4,050	782,353	54,310	9,359	(15,027)	835,045
Income before income taxes and securities transactions	130,481	128,302	59,898	(1,281)	(147,058)	170,342
Less applicable income taxes	(11,279)	15,187	25,785	(1,111)	—	28,582
Income before securities transactions	141,760	113,115	34,113	(170)	(147,058)	141,760
Securities losses, net of tax	(3,122)	(3,122)	—	—	3,122	(3,122)
Net income	$138,638	$ 109,993	$ 34,113	$ (170)	$(143,936)	$ 138,638

FINANCIAL SUMMARY: Average balances, rates paid and yields

(yields on a taxable-equivalent basis)

(Dollars in millions)	1982 Average balance	1982 Yields or rates	1982 Interest income/ expense	1981 Average balance	1981 Yields or rates	1981 Interest income/ expense	1980 Average balance	1980 Yields or rates	1980 Interest income/ expense	1979 Average balance	1979 Yields or rates	1979 Interest income/ expense	1978 Average balance	1978 Yields or rates	1978 Interest income/ expense
EARNING ASSETS															
Interest-bearing deposits	**$ 1,756**	**13.80%**	**$ 242.4**	$ 1,403	16.55%	$ 232.2	$ 968	13.08%	$ 126.6	$ 434	10.75%	$ 46.6	$ 481	7.34%	$ 35.3
Investment securities:															
U.S Treasury securities	**204**	**10.04**	**20.4**	440	10.40	45.7	446	10.18	45.4	481	7.57	36.4	734	6.57	48.2
Securities of other U.S. government agencies and corporations	**215**	**8.96**	**19.2**	276	9.01	24.9	326	8.63	28.1	386	8.22	31.7	259	7.30	18.9
Obligations of states and political subdivisions	**476**	**9.15**	**43.6**	694	9.19	63.8	796	9.10	72.4	886	9.01	79.9	754	8.40	63.4
Other securities	**35**	**7.56**	**2.7**	59	10.98	6.5	52	7.75	4.0	67	8.22	5.5	73	7.47	5.5
Total investment securities	**930**	**9.24**	**85.9**	1,469	9.59	140.9	1,620	9.26	149.9	1,820	8.44	153.5	1,820	7.47	136.0
Trading account securities	**85**	**14.41**	**12.3**	62	16.02	9.9	49	12.01	5.9	30	10.85	3.3	29	8.20	2.4
Funds sold	**187**	**11.89**	**22.2**	226	16.61	37.6	112	13.57	15.2	136	11.10	15.1	169	8.21	13.9
Loans and leases:															
Commercial loans	**5,822**	**14.90**	**867.2**	4,950	17.98	889.8	4,089	14.54	594.6	3,597	12.47	448.4	3,055	9.60	293.2
Real estate loans (1):															
Construction	**2,145**	**15.29**	**327.9**	1,882	18.97	357.1	1,416	16.47	233.2	1,054	14.05	148.1			
Mortgage	**5,655**	**11.18**	**632.0**	5,677	10.93	620.5	5,372	10.34	555.6	4,256	9.44	401.5			
Total real estate loans	**7,800**	**12.31**	**959.9**	7,559	12.93	977.6	6,788	11.62	788.8	5,310	10.35	549.6	3,851	9.09	350.2
Consumer loans	**1,761**	**15.01**	**264.4**	2,026	14.52	294.1	2,433	13.61	331.2	2,467	12.97	320.1	1,873	12.85	240.6
Lease financing	**902**	**14.82**	**133.7**	770	13.14	101.2	657	11.08	72.8	510	11.14	56.8	362	10.86	39.3
Foreign loans	**2,302**	**15.63**	**359.7**	2,074	18.08	375.0	1,995	14.32	285.7	2,182	12.45	271.7	2,551	9.61	245.1
Fees and sundry interest	**—**	**—**	**85.1**	—	—	68.5	—	—	59.1	—	—	83.3	—	—	64.9
Deferred gain/loss on hedging transactions	**(1)**	**—**	**6.7**	(1)	—	.4	—	—	—	—	—	—	—	—	—
Total loans and leases	**18,586**	**14.40**	**2,676.7**	17,378	15.57	2,706.6	15,962	13.36	2,132.2	14,066	12.30	1,729.9	11,692	10.55	1,233.3
Total earning assets	**$21,544**	**14.11**	**3,039.5**	$20,538	15.23	3,127.2	$18,711	12.99	2,429.8	$16,486	11.82	1,948.4	$14,191	10.02	1,420.9
FUNDING SOURCES															
Interest-bearing liabilities:															
Deposits:															
Savings deposits (2)	**$ 3,700**	**5.28**	**195.3**	$ 3,464	5.26	182.3	$ 3,179	5.27	167.5	$ 3,395	5.15	174.8	$ 3,595	5.02	180.4
Market rate savings	**330**	**9.43**	**31.2**	—	—	—	—	—	—	—	—	—	—	—	—
Savings certificates	**5,787**	**12.86**	**744.1**	5,105	13.95	712.0	3,811	11.31	431.0	2,673	8.84	236.2	1,876	7.06	132.5
Certificates of deposit	**1,012**	**14.15**	**143.3**	1,382	15.03	207.8	1,646	12.61	207.5	2,062	10.47	215.9	2,342	7.91	185.3
Other time deposits	**1,125**	**12.82**	**144.1**	1,093	15.23	166.4	1,003	12.79	128.3	763	10.14	77.4	558	7.29	40.7
Deposits in foreign offices	**2,140**	**14.13**	**302.4**	2,652	16.16	428.6	2,773	13.01	360.7	2,420	11.03	266.9	1,556	7.98	124.1
Total deposits	**14,094**	**11.07**	**1,560.4**	13,696	12.39	1,697.1	12,412	10.43	1,295.0	11,313	8.58	971.2	9,927	6.68	663.0
Funds borrowed (3)	**1,315**	**12.84**	**168.8**	1,313	17.40	228.4	1,210	13.35	161.5	1,339	10.75	143.9	1,023	7.87	80.5
Commercial paper	**2,421**	**12.48**	**302.1**	1,952	16.54	323.1	1,392	13.04	181.6	582	11.29	65.7	215	8.14	17.5
Intermediate-term and long-term debt	**1,090**	**12.20**	**133.0**	826	10.78	89.0	681	9.39	63.9	374	7.99	29.9	313	7.24	22.7
Total interest-bearing liabilities	**18,920**	**11.44**	**2,164.3**	17,787	13.14	2,337.6	15,695	10.84	1,702.0	13,608	8.90	1,210.7	11,478	6.83	783.7
Portion of non-interest-bearing funding sources	**2,624**	**—**	**—**	2,751	—	—	3,016	—	—	2,878	—	—	2,713	—	—
Total funding sources	**$21,544**	**10.05**	**2,164.3**	$20,538	11.38	2,337.6	$18,711	9.10	1,702.0	$16,486	7.35	1,210.7	$14,191	5.52	783.7
Spread and interest differential		**4.06%**	**$ 875.2**		3.85%	$ 789.6		3.89%	$ 727.8		4.47%	$ 737.7		4.50%	$ 637.2
NON-EARNING ASSETS															
Cash and due from banks	**$ 1,712**			$ 1,853			$ 1,846			$ 1,781			$ 1,565		
Other	**1,562**			1,815			1,498			1,002			894		
Total non-earning assets	**$ 3,274**			$ 3,668			$ 3,344			$ 2,783			$ 2,459		
NON-INTEREST-BEARING FUNDING SOURCES															
Demand deposits	**$ 3,380**			$ 3,644			$ 3,979			$ 3,779			$ 3,499		
Other liabilities	**1,459**			1,811			1,510			1,092			967		
Stockholders' equity	**1,059**			964			871			790			706		
Non-interest-bearing funding sources used to fund earning assets	**(2,624)**			(2,751)			(3,016)			(2,878)			(2,713)		
Total net non-interest-bearing funding sources	**$ 3,274**			$ 3,668			$ 3,344			$ 2,783			$ 2,459		
TOTAL ASSETS	**$24,818**			$24,206			$22,055			$19,269			$16,650		

(1) Information relating to the breakout of construction and mortgage loans is not available for 1978.
(2) Includes ATS and NOW accounts.
(3) Information relating to the breakout of intermediate-term debt in funds borrowed is not available for 1978 or 1979.

Table 2 TAX-EQUIVALENT ADJUSTMENTS TO INTEREST INCOME

(In millions)	1982	Year ended December 31, 1981	1980
Net interest income per consolidated statement of income	$821.9	$731.0	$677.6
Taxable-equivalent adjustment to obligations of states and political subdivisions	21.2	31.0	35.2
Taxable-equivalent adjustment for the municipal portion of trading account securities	.2	.2	.3
Taxable-equivalent adjustment to loans to states and political subdivisions	13.0	16.7	7.5
Taxable-equivalent adjustment to reflect the effect of investment tax credit on leasing	13.7	9.0	4.7
Total taxable-equivalent adjustment	48.1	56.9	47.7
Imputed interest expense on capital leases excluded from the interest differential	7.7	5.6	5.7
Capitalized interest on funds borrowed excluded from the interest differential	(2.5)	(3.9)	(3.2)
Interest differential	$875.2	$789.6	$727.8

Net interest income, the difference between interest income (which includes certain loan-related fees) and interest expense, is a major component of earnings for a financial institution. Analysis of the elements of net interest income is facilitated by the examination of interest differential, i.e., the "taxable-equivalent" of net interest income plus fees. Since income tax savings are realized on certain forms of revenue which are tax-exempt or otherwise unequally affected by income tax laws and regulations, the financial summary is prepared on a taxable-equivalent basis. This results in such revenue being shown on a basis comparable with revenue from fully taxable income-producing assets. Table 2 lists the items which are adjusted to a taxable-equivalent basis and reconciles interest differential with net interest income as presented in the consolidated statement of income.

The taxable-equivalent adjustment is based on the 46% federal tax rate and reflects the state tax applicable to income from securities and loans which are exempt from federal taxes. No similar state tax effect is applicable to the lease financing adjustment for investment tax credit.

Imputed interest on capitalized leases has not been included in the determination of the interest differential since the corresponding liability does not fund an earning asset. Capitalized interest on Company-constructed fixed assets is also omitted from the financial summary. Management believes that presentation of the actual interest incurred to obtain funds is more meaningful. Beginning in 1982, interest expense includes amortization of costs associated with debt issuance. Prior to 1982, such expense had been presented in other expense. Such costs are not material to the Company's financial statements.

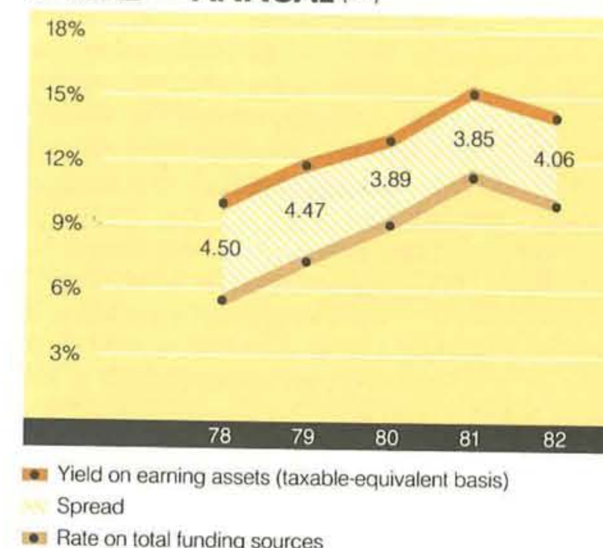
Non-earning and partially earning loan and lease balances, and related income are included in their respective categories in the financial summary. Further detail of such loans and leases begins on page 41. In the financial summary, the average allowance for loan and lease losses is included in other assets and was $162 million, $152 million and $134 million in 1982, 1981 and 1980, respectively.

INTEREST DIFFERENTIAL AND SPREAD

The interest rate spread is the difference between the average rate earned on all earning assets and the average cost to fund these assets. The spread illustrates the average net effective rate earned by the Company on its earning assets, both in an aggregate sense and on a specific product basis and is an integral part of management decisions. Spread multiplied by average total earning assets equals interest differential.

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

E. SPREAD—ANNUAL (%)



The interest differential was $875.2 million in 1982, up 11 percent from $789.6 million in 1981. This compares to an 8 percent increase from 1980 to 1981. The spread improved by 21 basis points in 1982 as the overall yield on earning assets declined at a slower pace than the reduction in the cost of funding these assets. The spread was adversely affected by an increase in non-earning and partially earning loans and leases, discussed beginning on page 41. The spread decreased by four basis points from 1980 to 1981 partly because the proportion of earning assets funded by non-interest-bearing funding sources decreased from 16 percent in 1980 to 13 percent in 1981.

Loan and lease fees and sundry interest Loan and lease fees and sundry interest rose 24 percent in 1982 following a 16 percent increase in 1981. Table 3 presents these fees by major categories. Credit card fees increased more than two and a half times in 1982 as products were repriced in late 1981 by charging fixed membership and other fees and also by charging higher interest rates. Consumers responded by consolidating and closing unnecessary accounts, as reflected by a drop of 31 percent in the number of active accounts. However, much of the reduction was due to the consolidation of loans as the outstanding credit card balance at December 31, 1982 increased 5 percent over year-end 1981.

Commercial loan fees increased by 18 percent in 1982, approximately one half of the increase in 1981. Amounts for both years were affected by increased loan commitment fees received in lieu of compensating balances. Commercial loan origination fees, approximately unchanged in 1982 from 1981, increased substantially from 1980.

As in 1981, real estate loan fees were at a reduced level compared to 1980 due to a continuing lower level of new loan activity.

Table 3 LOAN AND LEASE FEES AND SUNDRY INTEREST

(In thousands)	1982	Year ended December 31, 1981	1980
LOAN AND LEASE FEES			
Commercial	$30,023	$25,466	$18,657(1)
Credit card	17,510	6,629	3,923
Real estate:			
Construction loans	9,091	10,435	5,254
Mortgage loans	6,579	5,838	21,501
Total real estate	15,670	16,273	26,755
Monthly payment	6,666	4,697	4,341
Foreign	5,426	1,940	—(1)
Lease fees	4,124	2,030	1,611
Sundry interest	5,699	11,435	3,785
Total	$85,118	$68,470	$59,072

(1) The breakout between commercial and foreign is not available for 1980.

Fees on foreign loans rose in 1982 to $5.4 million, up from $1.9 million in 1981. This increase was due to increased foreign lending and marketing emphasis on fee-generating business in 1982 compared to 1981.

Sundry interest is interest income which is not associated with earning assets and is primarily composed of overdraft income and interest recovered on charged off loans. In 1982, sundry interest income was halved from 1981, primarily due to 1981's unusually high interest earned by the Bank's New York Edge Act subsidiary on customers' overdrafts and on funds transfer transactions.

Earning assets Total average earning assets rose 5 percent in 1982 to $21.5 billion compared with 1981's increase over 1980 of 10 percent. During 1982, commercial loans surpassed real estate mortgage loans as the largest category of earning assets on both an average and year-end balance basis. Average commercial loans grew 18 percent in 1982 to $5.8 billion following 1981's increase of 21 percent.

The average balance of real estate mortgage loans was $5.7 billion in both 1982 and 1981. Construction loans, which provide a market-sensitive yield, increased 14 percent in 1982, after rising 33 percent in 1981. This slower growth was attributable to a reduction in demand for commercial and residential real estate due to relatively high interest rates and the recession.

The average consumer loan balance declined 13 percent in 1982, slower than the 17 percent decline in 1981 as interest rates remained high and automobile sales remained low. However, December 1982 and January 1983 showed a small increase over November 1982, signifying a possible leveling-off of the declining trend. Average foreign loans grew 11 percent in 1982 as the Bank played a key role in syndicating several large foreign loans, and due to the draw-down of existing commitments. Average balances for lease financing increased 17 percent in 1982 and 18 percent in 1981.

Total investment securities continued to decline primarily due to a combination of maturing government securities and sales of municipal securities. Average balances declined 37 percent in 1982 and 9 percent in 1981. Management's decision to place funds in foreign short-term money markets caused relatively large fluctuations in interest-bearing deposits, with 1982 showing an increase of 25 percent in average balances and 1981 showing an increase of 45 percent. Management of earning assets and further discussion of asset volumes begin on page 38.

Yields Interest rates in 1982 showed a general decline which began in the fourth quarter of 1981. Consequently, the yield on average total earning assets decreased 112 basis points to 14.11% compared with a 1981 increase of 224 basis points.

The prime rate, which began the year at 15.75%, was at 11.5% at year-end 1982. Yields linked to the prime rate declined the most in 1982; the real estate construction loan yield declined 368 basis points, commercial loans 308 basis points, interest-bearing deposits 275 basis points and foreign loans declined 245 basis points. Further constraining loan yields are the currently high levels of non-earning and partially earning loans.

The lowered interest rate environment did not have a significant effect on the yield for asset categories where funds are committed for longer periods at fixed rates. In 1982, the yield on total investment securities declined 35 basis points and the yield on real estate mortgage loans increased by 25 basis points. The Company continues to hold a sizable percentage of assets in long-term mortgages with relatively low, fixed rates of interest.

The yield on lease financing increased 168 basis points in 1982 primarily due to the inclusion (beginning in the second half of 1981) of the pretax benefit of the investment tax credits for new and existing leases in the Bank and to the runoff of old, lower-yielding leases.

Funding sources Changes in the mix of funding sources have been greatly affected by interest rates, new deposit instruments, the Depository Institutions Deregulation and Monetary Control Act of 1980, competition from unregulated money market funds and tax legislation. Beginning in September 1982 and as authorized by the Depository Institutions Deregulation Committee (DIDC), the Bank offered a $20,000 minimum balance deposit account which paid a short-term market rate of interest and permitted withdrawal of funds on seven days notice. In mid-December, this account was superseded by the market rate savings (or "Garn") account, a $2,500 minimum balance, limited transaction deposit account with no interest rate restrictions. At December 31, 1982, the Bank had $2.3 billion in the market rate savings account.

In addition to the new market rate savings accounts, costs of deposits continued to rise following the 1981 trend. Interest-paying checking accounts (NOW) and savings accounts linked to zero balance checking accounts (ATS) rose to $1.3 billion at December 31, 1982, up 17 percent.

Effective in January 1983, the DIDC reduced the minimum balance requirements on 13-week and 26-week Treasury certificate deposits and authorized an unlimited transaction market rate checking account (or "SUPER NOW") with no interest rate restrictions. The market rate savings and market rate checking accounts grew to a total of $4.0 billion at January 31, 1983.

The Company believes that in the long run these money market type accounts will provide additional sources of deposits at rates more favorable than many other funding sources. However, they may have an adverse impact on the Company's earnings in the short run. The impact of these new accounts on the profitability of the Bank will depend on the amounts deposited from other financial intermediaries, the amounts

shifted from lower-cost deposits within the Bank, the level of interest rates and the pricing of these accounts. The impact of these changes on asset/liability management is discussed on page 39.

The need for certain other funds was lessened as the new instruments in 1982 and 1981 attracted new deposits and as the average balance of savings deposits increased in both years. However, the average balances of savings certificates declined by $648 million or 11 percent in the fourth quarter of 1982, after increasing by $511 million in the first nine months of 1982 as some of the funds were shifted to the new market rate account. The average balances of certificates of deposit decreased 27 percent in 1982 and 16 percent in 1981. Deposits in foreign offices decreased 19 percent in 1982 and 4 percent in 1981. Overall, average interest-bearing deposits increased to $14.1 billion in 1982, up 3 percent compared to a 10 percent increase in 1981. Commercial paper outstanding averaged 24 percent higher in 1982 after an increase of 40 percent in 1981. Proceeds of this paper, sold by the Parent, are used primarily to fund the activities of the nonbank subsidiaries. When market conditions are advantageous, the Parent may also lend substantial amounts to the Bank.

Intermediate-term debt is primarily used to fund intermediate-term assets of the nonbank subsidiaries. The Company was an active participant in the intermediate-term debt markets in 1982 and 1981 with average balances (including long-term debt) increasing 32 percent and 21 percent, respectively. Refer to page 49 for further discussion.

Rates paid The average rate paid on all interest-bearing liabilities fell 170 basis points to 11.44% in 1982. This largely tracks the steep decline in interest rates in 1982 from the very high rates of 1981. In 1981, the average rate paid increased 230 basis points over 1980. The rate on average total deposits declined only 132 basis points in 1982, in part due to the stability of the average balance outstanding of low-yielding savings deposits. The rate on the new market rate savings account averaged 9.43% in 1982. In 1981, there was a 196 basis point increase over 1980 in the rate paid on average total deposits.

The rate paid on funds borrowed and commercial paper declined in 1982 by 456 basis points and 406 basis points, respectively. In 1981, these rates increased by 405 basis points and 350 basis points, respectively. The rate paid for intermediate and long-term debt increased 142 basis points in 1982 and 139 basis points in 1981.

OTHER INCOME

Other income for 1982 increased 27 percent over 1981. The comparative increase for 1981 over 1980 was 45 percent. Table 4 lists the major components of other income.

Table 4 COMPONENTS OF OTHER INCOME

(In thousands)	1982	Year ended December 31, 1981	1980
Service charges on deposit accounts	**$ 72,788**	$ 50,521	$ 37,846
Gain on sales of major real estate holdings	**48,320**	—	—
Trust and corporate agency income	**45,646**	38,713	32,875
International commissions, fees and foreign exchange	**40,277**	37,882	21,586
Service fees	**32,609**	29,068	27,159
Trading account profits and commissions	**8,876**	6,466	6,523
Domestic commissions	**8,226**	6,251	6,414
Escrow fees	**2,565**	2,547	2,235
Equity investment income	**2,088**	7,150	6,219
Gain on redemption of long-term debt	**(49)**	11,892	12,515
All other	**37,561**	45,633	9,887
Total	**$298,907**	$236,123	$163,259

■ Earnings in 1982 include $48.3 million of pretax gains on the sales of two properties located in the San Francisco financial district. In July, $28.5 million was recognized on the sale of a 20-story office building, sold under a sale/leaseback arrangement. The remaining deferred benefit of approximately $36 million will be recognized as reductions against net occupancy expense over the next six years during the leaseback period. The Company will relinquish 25 percent of the building at the end of the third year and 25 percent over each of the following three years. In December, $19.8 million was recognized on the sale of land under a high-rise office building where the Company will continue to lease space.

- Service charges on deposit accounts rose $22.3 million or 44 percent over 1981 reflecting the Company's continued emphasis on fee-generating services as a means to cover increased costs and to increase its return on assets. The increases were mainly in service fees on checking accounts and low balance savings accounts with a high volume of transactions. In 1981, service charges on deposit accounts increased 33 percent primarily due to service and overdraft charges on the new NOW accounts.
- Trust and corporate agency income was up 18 percent in both 1982 and 1981 due to new accounts, increased activity in existing accounts, fee schedule increases and an increase in security market values toward the end of 1982.
- International commissions, fees and foreign exchange income increased $2.4 million or 6 percent over 1981 due to increased foreign loan syndications, a foreign exchange gain on the sale of certain foreign investments and some favorable trading results. The 75 percent increase in 1981 over 1980 reflected the aggressive development of loan syndication activity, foreign exchange trading profits and the favorable impact of adopting Financial Accounting Standards Board Statement No. 52 relating to the translation of financial statements of foreign entities. International syndication fee income for 1983 is not expected to be as high as in 1982 as the Company expects to have reduced syndication activities in 1983.
- Equity investment income decreased $5.1 million, or 71 percent, compared to 1981 due to the disposal of most of these investments in recent years and a loss of $2.4 million on an investment in a bank which was nationalized by the French government.
- In 1981 and 1980, there was income of $11.9 million and $12.5 million, respectively, from the redemption of long-term debt. An insignificant amount of similar transactions occurred in 1982.
- All other income decreased $8.1 million or 18 percent compared to 1981. In 1982, there were $7.5 million in pretax gains on distributions to the Bank of appreciated equity securities previously held by Wells Fargo Investment Company (WFIC), an unconsolidated subsidiary of the Bank that has been liquidated. There was a similar pretax gain of $14.9 million on another WFIC distribution in 1981. Also, 1982 had a pretax gain of $3.4 million from the sale of securities received in loan restructurings, compared to a similar pretax gain of $4.1 million in 1981.

OTHER EXPENSE

Other expense increased 12 percent in 1982, down significantly from the 26 percent increase in 1981. Table 5 shows the major components of other expense.

Table 5 COMPONENTS OF OTHER EXPENSE

(In thousands)	1982	Year ended December 31, 1981	1980
Salaries	**$378,342**	$350,527	$290,047
Employee benefits	**88,987**	78,804	68,457
Net occupancy expense	**75,705**	57,893	45,067
Equipment expense	**74,758**	62,682	41,913
Postage, stationery and supplies	**41,258**	38,323	30,051
Telephone and telegraph	**28,571**	20,979	17,584
Professional services	**20,550**	19,187	13,177
Travel and entertainment	**18,132**	22,146	17,036
Advertising	**16,537**	15,294	12,683
Federal deposit insurance	**10,254**	4,525	5,084
Protection	**9,304**	7,571	5,983
Outside data processing	**7,719**	9,261	11,481
All other	**64,928**	57,028	32,266
Total	**$835,045**	$744,220	$590,829

- Salary expense was up 8 percent compared to the prior year. The 1981 increase over 1980 was 21 percent. In 1981, controls were instituted to reduce the growth of salary expense and to control other noninterest expenses. As a result, the Company's full-time equivalent staff decreased by almost 8 percent in 1982, from 18,500 at year-end 1981 to 17,100 at year-end 1982. These controls also contributed to the 18 percent reduction in travel and entertainment and to significant reductions of education, employment and temporary help expenditures.
- The 1982 increase of 13 percent in employee benefits expense compares to a 15 percent increase in 1981. The 1982 increase was primarily due to increases in group insurance and retirement plan costs and in payroll taxes. Profit-sharing expense also increased due to the increase in earnings.

- The 31 percent increase in net occupancy expense in 1982 followed a 1981 increase of 28 percent. Both years included new data-processing or loan-processing centers and increases in utilities and maintenance costs. Also contributing to the 1982 increase was the occupancy of several floors of a major new leased office building in Southern California. Reflecting the Bank's program of consolidating certain retail facilities, the number of domestic banking offices declined to 387 in 1982, from 397 in 1981. Equipment expense was up 19 percent. The comparative increase for 1981 over 1980 was 50 percent. Both periods were impacted by depreciation on the increasing number of automated teller machines and by general increases of rental and maintenance costs. Also affecting 1981's increase was the opening of the El Monte Data Processing Center in Southern California.
- Federal deposit insurance more than doubled in 1982 to $10.3 million, primarily due to a decrease in the rebate paid by the FDIC to member banks.
- Outside data processing expense continued to decline (17 percent in 1982) as more computer processing was brought in-house.
- Most other categories of general operating expense continued to increase moderately in 1982 and 1981 due to the growth of the Company's activities, new services and inflation. The all other category, also affected by these factors, included a contribution by the Bank to the Wells Fargo Foundation of $3.0 million in 1982 and $3.5 million in 1981. The 1982 contribution was associated with the sale of the San Francisco office building; the 1981 contribution with the $14.9 million WFIC stock distribution. Both 1982 and 1981 included charges by the Federal Reserve Bank ($2.6 million and $.8 million, respectively) for check processing, wire transfers and other services provided without charge prior to the latter part of 1981. All other expense increased 77 percent in 1981 primarily as a result of special outside computer programming costs and reduced operating losses in 1980, as well as the Federal Reserve charges and the contribution discussed above.

TAXES

The Company's effective income tax rate on earnings in 1982 was 17 percent. The comparable rates in 1981 and 1980 were 21 percent and 30 percent, respectively. One reason for the decline in the effective tax rate in 1982 from 1981 was an increase in the amount of indefinitely reinvested earnings of foreign banking subsidiaries and of an affiliate on which Federal income taxes are not provided. The subsidiaries were established in the fourth quarter of 1981. A second reason for the decline was the nonrecurring adjustment of prior years' deferred tax accruals recorded in the first quarter of 1982, which reduced the tax provision by approximately $8.6 million. In addition, gains of approximately $51.1 million, taxable at the lower capital gains rate, were recognized in 1982 compared with approximately $28.3 million in 1981. The 1982 gains included the building sale, land sale and securities distribution discussed on page 35. A decrease in tax-exempt interest income as a proportion of income before income taxes and securities transactions partially offset the effective tax rate decline caused by the factors noted above. In addition, non-taxable gains from early extinguishment of certain of the Company's long-term debt occurred in 1981. The net effect of these events and the change in pretax income explain why the tax provision decreased by $4.9 million in 1982 compared to 1981.

The effective tax rate declined in 1981 compared with 1980. The principal reason was an increase in tax-exempt income, including gains from extinguishment of certain of the Company's long-term debt noted above, and interest income from obligations of states and political subdivisions, as a proportion of income before income taxes and securities transactions. Further contributing to the decline were gains taxable at the lower capital gains rate on the distribution to the Bank and subsequent sale of marketable equity securities, and an increase in the amount of investment tax credits.

The Company is subject to significant tax burdens (in addition to income taxes described above) at the federal, state and local levels. In 1982, 1981 and 1980, the Company expensed $33.8 million, $31.7 million and $22.9 million, respectively, for taxes based on payroll, property values and other measures.

Additional detail of income taxation is presented in note 11 to the financial statements on page 74.

SECURITIES TRANSACTIONS

Gains or losses, net of tax, from the sale of investment securities are shown separately in the consolidated statement of income and in the Parent's statement of income. The Company realized after-tax losses of $3.1 million in 1982 compared to an after-tax loss of $1.9 million in 1981 and an after-tax gain of $.1 million in 1980. The 1982 loss resulted primarily from the sale in the third and fourth quarters of certain low-yielding investment securities. These sales were transacted in order to free funds to finance higher yielding assets or were used to pay off liabilities. In these sales, $110 million principal amount of securities were liquidated.

Profits or losses on trading portfolio securities are included in other income.

BALANCE SHEET ANALYSIS

In the second quarter of 1982, certain items, previously classified on the Bank's balance sheet as short-term and intermediate-term eurodollar borrowings, were reclassified to other time deposits in the financial statements and in the financial summary to more properly reflect their nature as deposit instruments. All prior periods have been reclassified for this change.

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

CONDENSED CONSOLIDATING BALANCE SHEET

					December 31, 1982	
(In thousands)	Wells Fargo & Company (Parent)	Wells Fargo Bank, N.A.	Finance subsidiaries	Other subsidiaries	Eliminations and reclassifications	Consolidated Wells Fargo & Company
ASSETS						
Cash and due from banks	$ 802	$ 1,674,163	$ 11,251	$ 3,538	$ (4,382)	$ 1,685,372
Interest-bearing deposits	230,000	990,536	—	727	(230,727)	990,536
Investment securities	11,494	582,117	5,577	4,669	—	603,857
Trading account securities	—	113,901	—	—	—	113,901
Funds sold	—	41,700	—	—	—	41,700
Net loans and leases	1,537	17,025,156	2,546,241	2,652	—	19,575,586
Investment in subsidiaries	1,210,143	—	—	—	(1,210,143)	—
Intercompany loans and advances	2,242,274	800	600	393,091	(2,636,765)	—
Other assets	138,202	1,696,600	88,418	30,642	(150,767)	1,803,095
Total assets	$3,834,452	$22,124,973	$2,652,087	$435,319	$(4,232,784)	$24,814,047
LIABILITIES AND STOCKHOLDERS' EQUITY						
Deposits	$ —	$18,419,199	$ —	$ —	$ (239,409)	$18,179,790
Borrowings	2,398,291	1,262,540	24,941	279,997	(765)	3,965,004
Intercompany borrowings	273,282	32,061	2,230,083	97,040	(2,632,466)	—
Other liabilities	62,444	1,421,506	199,832	35,801	(150,765)	1,568,818
Total liabilities	2,734,017	21,135,306	2,454,856	412,838	(3,023,405)	23,713,612
Paid-in capital and retained earnings	1,105,179	994,411	197,231	22,481	(1,214,123)	1,105,179
Foreign currency translation adjustment	(4,744)	(4,744)	—	—	4,744	(4,744)
Total stockholders' equity	1,100,435	989,667	197,231	22,481	(1,209,379)	1,100,435
Total liabilities and stockholders' equity	$3,834,452	$22,124,973	$2,652,087	$435,319	$(4,232,784)	$24,814,047

ASSET/LIABILITY MANAGEMENT

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

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

The Parent, in addition to raising funds for its own use, acts as a funding source for the finance subsidiaries, borrowing funds in a variety of markets and lending them to the finance subsidiaries. The Parent and its eurodollar funding subsidiary, Wells Fargo International Financing Corporation N.V., borrow intermediate-term fixed-rate funds for subsidiaries that make fixed-rate, intermediate-term loans or leases. The Parent borrows short-term funds to finance subsidiaries that make rate-sensitive loans.

Table 6 shows the Company's interest rate sensitivity based on average balances in December 1982. Interest rate sensitivity is the interval of time before earning assets and interest-bearing liabilities are responsive to changes in market rates of interest. In a period of extreme rate volatility such as that experienced in the past two years, the rate sensitivity position of a financial institution can significantly influence earnings. Assets and liabilities have been assigned to categories according to remaining interest rate maturities rather than according to final maturities of obligations. For example, a new five-year loan with a rate that is adjusted every 180 days would have a remaining interest rate maturity of 180 days. In 60 days, the same loan would have a remaining interest rate maturity of 120 days.

Table 6 INTEREST RATE SENSITIVITY

			Averages for December 1982			
(Dollars in billions) Remaining maturity	Assets	Liabilities and equity	Net assets (liabilities) (column 1 minus column 2)		Net assets (liabilities) as a percent of total assets	
One to 29 days	$ 2.7	$ 7.6	$(4.9)		(19.4)%	
Prime-based	6.1	—	6.1	.1	24.1	.4
30 to 179 days	3.3	4.4	(1.1)		(4.3)	
180 to 364 days	.8	.5	.3		1.2	
One to five years	3.0	2.5	.5		2.0	
Over five years	4.9	.4	4.5	(.4)	17.8	(1.6)
Non-market	4.5	9.9	(5.4)		(21.4)	
Total	$25.3	$25.3				

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

- The remaining maturities of fixed-rate loans and leases have been estimated based on recent repayment patterns rather than on contractual maturity.
- Loans based on the prime rate are placed in a special category between the "One to 29 days" category and the "30 to 179 days" category. Bank studies have shown that a portfolio of prime-based loans has a rate maturity like a portfolio of money-market instruments that would be assigned to those categories.
- "Non-market" assets include non-interest-earning assets and credit card outstandings; "non-market" liabilities include 5¼% consumer deposits, demand deposits, other non-interest-bearing liabilities and equity.
- The new market rate savings account (the "Garn Account") is included in the "One to 29 days" category.

In 1982, the Bank continued to manage the maturities of liabilities that fund prime-based loans. Largely because the Bank has attracted many 26-week Treasury certificate deposits, it had more liabilities than loans which roll over every six months. To control that imbalance through year end, the Bank continued its approach, adopted in 1981, of using Treasury bill futures to hedge a portion of its 26-week Treasury certificate deposits. Hedged six-month liabilities have about a three-month rate maturity because the effective cost of hedged 26-week Treasury bills approximates the cost of consecutive 13-week Treasury bills. Management believes that a mix of hedged 26-week Treasury certificates and overnight borrowings provides attractive returns in comparison to risk when funding a portfolio of prime-based loans. At December 31, 1982, the Bank had outstanding Treasury bill futures positions of $387 million, down significantly from $661 million at September 30, 1982, due to a shift of deposits from 26-week Treasury certificates to the new market rate savings account. The three month effective maturity of the hedged 26-week deposits is reflected in Table 6.

The Treasury bill futures hedging program affects the financial statements and the financial summary. Realized gains or losses on futures contracts obtained for hedging purposes are deferred and included in the basis of assets or liabilities intended to be hedged. Such gains or losses are amortized over the remaining holding period of the associated assets or liabilities as an adjustment to interest income or interest expense.

The one-year-and-over position for the Company changed to a net liability position of approximately $400 million as of December 1982 from a net asset position of approximately $600 million a year ago. This shift is due to increases in ATS and NOW accounts, and in 30-month Treasury certificate deposits, in addition to runoff of long-term assets and sales from the bond portfolio.

As discussed on page 35, the new market rate accounts have become a major funding source since their inception in September of 1982. By reducing overnight borrowings, the Bank accommodated these balances

without significant changes in overall asset/liability mix. However, continued rapid growth in the market rate accounts in 1983 will likely cause balance sheet changes that would require changes in asset/liability management strategy. Large volumes of new funds or shifts from 26-week Treasury certificate deposits will require reductions in short-term borrowings or in Treasury bill futures hedges. Shifts of funds out of 5¼% deposits or demand deposits may require new strategies to manage the one-year-and-over position. Management anticipates that the one-year-and-over position will return to a net asset position in 1983.

LIQUIDITY MANAGEMENT

The concept of liquidity represents the ability of the Bank, the Parent and the nonbank subsidiaries to maintain sufficient cash flows to fund their operations and meet their obligations and existing commitments on a timely basis. Liquidity requires the maintenance of an ability to withstand fluctuations in deposit levels and to provide for customers' credit needs. The liquidity of the Company ultimately depends on its profitability, asset quality, the maturity of its liabilities, its reputation and its ability to borrow in alternative money and capital markets.

The Parent currently borrows substantial funds in the commercial paper and short-term private placement markets. The Parent's commercial paper outstanding at December 31, 1982, was $1.5 billion and other short-term debt (one year or less) totaled $11 million. At December 31, 1981 and 1980, commercial paper outstanding was $1.6 billion and $2.1 billion, respectively. Additional information on short-term borrowings is provided in note 7 to the financial statements on page 69. In addition to these short-term borrowings, the Parent raised $175 million from the issuance of intermediate-term notes in the domestic capital market during 1982 and, through its Netherlands Antilles financing subsidiary, Wells Fargo International Financing Corporation N.V., the Parent raised $147 million in the eurodollar market including $55 million from the issuance at a discount of $125 million Zero Coupon Guaranteed Notes due February 4, 1988 and $17 million from the issuance at a discount of $39.2 million Zero Coupon Guaranteed Notes due September 10, 1988. Refer to discussion of Borrowings and Intermediate-Term Debt on page 49.

Other sources of liquidity include maturity extensions of short-term borrowings, confirmed lines of credit from non-affiliated banks, the sale or runoff of assets and short-term interest-bearing deposits. The Company's policy is to extend maturities of short-term borrowings when it is cost-effective to do so and to maintain confirmed lines of credit from a diversified group of money center, regional and foreign banks. At December 31, 1982, the Company had $780 million of such lines of credit. Included in this amount is a $160 million eurodollar facility established in a seven-year agreement with thirteen banks. Borrowings thereunder will have rates based on the London Interbank Offered Rate and will have maturities of three or six months as determined by the Company.

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

Demand deposits, savings accounts and savings certificates have provided the Bank with a sizable source of low-cost funds. Market rate deposits recently created by deregulation will increase the cost of consumer deposits and improve the Bank's ability to compete for these funds against unregulated money market funds. In addition, the Bank issues certificates of deposit, purchases federal funds and sells securities under repurchase agreements. Table 7 presents the Bank's borrowed funds position as of December 31, 1982.

Table 7 **PORTFOLIO OF MONEY MARKET BORROWINGS*** Wells Fargo Bank

(Dollars in billions) Original maturity	Average total outstanding December 1982
One to 29 days	$2.8
30 to 89 days	.9
90 to 179 days	.8
180 to 364 days	.7
One to two years	.3
Two to three years	.2
Three to five years	.7
Over five years	.4
Total	$6.8

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

Repayment from the Company's consumer and real estate loan portfolios represent another significant source of liquidity. At December 31, 1982, the Company had $1.2 billion of monthly payment loans and $5.7 billion of mortgage loans. In the past, a significant portion of these loans have prepaid before their maturity. In recent years, prepayment rates on mortgage loans have been reduced due to relatively high interest rates, as well as legal decisions affecting the ability to enforce due-on-sale clauses in real estate loan contracts. Approximately $850 million in principal payments and prepayments were made from these two portfolios in 1982.

To accommodate future growth and current business needs, the Company has committed itself to controlled expansion, which will require the expenditure of substantial funds. Included in 1983 capital commitments are new branches of the Bank, relocations and remodelings of Company facilities, routine replacement of furniture and equipment and a substantial number of automated teller machines. Projected expenditures during 1983 associated with these projects are approximately $95 million. The Company funds these commitments from various sources, including net income of the Company and additional borrowings of various maturities.

LOAN AND LEASE PORTFOLIO MANAGEMENT

The object of loan and lease portfolio management is to ensure that loans and leases are granted on a sound basis, that Company funds are properly invested for the benefit of the shareholders and the protection of depositors, and that the Company serves the legitimate credit needs of its community.

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

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

At December 31, 1982, the Company had outstandings (loans and leases, acceptances, deposits placed and investments) in Mexico which constituted approximately 2½ percent of its total outstandings. In addition, the Company had approximately 2 percent of its total outstandings in Brazil, approximately 1½ percent in the United Kingdom, and approximately 1 percent in both Japan and Venezuela. As part of Brazil's 1983 debt restructuring, the Company has agreed to lend to Brazil an additional $35 million for eight years. Other commitments, including commitments to maintain bank deposits, may result in additional outstandings in Brazil. The majority of the Company's outstandings in Venezuela mature in 1983, and are anticipated to be rescheduled as medium-term debt at the request of the Venezuelan Government. The remainder of the Company's foreign outstandings at December 31 were spread among 77 countries; in none of these countries did the Company have cross-border outstandings which exceeded 1 percent of total outstandings.

Table 14 provides a schedule of foreign loans based upon the extent of country development as measured by per-capita GNP data obtained from the World Development Report prepared by the World Bank.

Non-Earning & Partially Earning Assets

Commercial, foreign, real estate (other than 1–4 family) and consumer loans (other than homeowner loans secured by second deeds of trust, mobile homes and revolving type consumer credit) of $25,000 and over are placed on non-accrual status when 1) the loan becomes 90 days past due as to interest or principal, 2) the full timely collection of interest or principal becomes uncertain, 3) the loan is classified doubtful by either internal loan examiners or national bank examiners or

Table 8 **NON-ACCRUAL AND RENEGOTIATED LOANS AND LEASES**

										December 31,
		1982		1981		1980		1979		1978
(In millions)	**Non-accrual**	**Renego-tiated**	Non-accrual	Renego-tiated	Non-accrual	Renego-tiated	Non-accrual	Renego-tiated	Non-accrual	Renego-tiated
Real estate loans (1):										
Construction	**$146.6**	**$ 1.3**	$155.7	$ 2.9	$ 31.5	$ —	$ —	$ —	$ —	$ —
Mortgage	**17.5**	**5.4**	6.1	5.5	6.3	4.5	—	—	—	—
Total real estate	**164.1**	**6.7**	161.8	8.4	37.8	4.5	34.8	3.6	31.5	4.5
Commercial loans	**249.8**	**14.0**	130.3	60.9	105.1	14.0	94.0	9.9	80.6	21.9
Consumer loans	**1.6**	**—**	5.6	—	4.9	—	7.5	—	4.2	—
Lease financing (2)	**17.0**	**—**	1.7	—	2.3	—	—	—	—	—
Foreign loans (3)	**107.9** (4)	**—**	44.7	24.6	49.3	18.4	—	—	—	—
International loans (3)	**—**	**—**	—	—	—	—	72.6	—	9.2	—
Total	**$540.4**	**$20.7**	$344.1	$93.9	$199.4	$36.9	$208.9	$13.5	$125.5	$26.4

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

(2) Information relating to non-accrual and renegotiated lease financing is not available for years prior to 1980.

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

(4) Does not include approximately $90 million of private sector loans in Mexico which are partially earning.

4) a portion of the principal balance has been charged off. All exceptions to this policy require explicit approval of senior management.

When an account is placed on non-accrual status, accrued interest outstanding is reversed against income, although exceptions may be made when ultimate collection of principal and interest is virtually assured. Subsequent interest receipts may be credited to income on a cash basis or may be applied to the principal balance outstanding, depending upon management's judgment of the extent of the credit risk involved. Non-accrual loans are restored to accrual status when, in the opinion of management, the financial condition of the borrower has improved to the extent that collection of both interest and principal appears probable.

Management's classification of a loan as renegotiated or non-accrual does not necessarily indicate that any portion of the principal outstanding is uncollectible. Loans in these categories represent a wide range of credit problems. For example, a significant portion of non-accruals may be paying interest and principal as originally agreed. As of December 31, 1982, $123.3 million of the Company's total non-accrual and renegotiated loans and leases of $561.1 million were current. Those loans which represent more serious problems are supervised by special departments of the Company whose staffs are skilled in working out problem loans.

In cases where the borrowers are experiencing financial difficulties, but where collection of principal appears probable, loans may be renegotiated to 1) provide rates below the original contractual rates or below current market levels for comparable risk or 2) forgive payment of principal in part or forgive interest in whole or in part. Loans of this type to customers owing $500,000 or more are classified as renegotiated and interest is usually accrued at the reduced contractual rate. If, after renegotiation, doubt arises as to the customer's ability to meet the revised payment schedule, the loan is classified as a non-accrual loan and the recognition of interest income is subject to non-accrual policies.

Other real estate owned, which is primarily received in foreclosure or in settlement of non-earning loans, but also includes real estate owned in connection with the transfer of Company employees, was $58.4 million at December 31, 1982. This compares to $27.1 million at December 31, 1981 and to $15.9 million at December 31, 1980. The increase in 1982 was primarily due to higher foreclosures on properties received in connection with residential construction loans. This balance is included in other assets on the balance sheet.

Table 8 presents comparative data for non-accrual and renegotiated loans and leases by category. Non-accruals increased by 57 percent at December 31, 1982 over the December 31, 1981 balance. The most significant increases in non-accruals occurred in the areas of: 1) major corporate borrowers and lessees, 2) commercial loans to individuals and small businesses, 3) energy-related borrowers and 4) foreign loans.

Reductions in the Bank's non-accruals occurred through: 1) payments which brought the loans and leases current or paid in full, $120.2 million, 2) charge-offs, $41.4 million and 3) foreclosures, $43.9 million. Renegotiated loans at December 31, 1982 were less than one quarter of the balance at December 31, 1981.

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

The Country Risk Review Committee analyzes each country where the Company has or may have exposure in order to assess the cross-border risk inherent in international lending. The Committee includes senior officers of the International and Economics Departments of the Bank, who review reports prepared by professional staff economists and assess social, political and economic risks. Based on assessments of the committee, International Banking Group management recommends specific country limits which are then approved by the Executive Office. Despite the thoroughness of these review procedures, the swiftness with which international events occur together with an inability to reduce longer term outstandings, will affect the level of foreign loans placed on non-accrual or renegotiated status. Foreign loans on non-accrual status increased by $63.2 million during 1982; from $44.7 million to $107.9 million.

At December 31, 1982, the Company had outstandings in Mexico of approximately $575 million, approximately half of which were to the private sector. In addition, the Company had outstanding at such date approximately $45 million in standby letters of credit in support of Mexican entities, substantially all in the private sector. The Company, like other banks, has agreed to defer for successive 90-day periods the repayment of principal falling due between August 23, 1982 and March 23, 1983 on various Mexican public sector loans. In addition, substantially all of the Company's private sector borrowers have participated in the program offered by the Mexican Government for the settlement of private sector interest obligations that fell due between August 1, 1982 and January 31, 1983. Under this program, private sector borrowers may discharge such interest obligations falling due in this period by depositing the peso equivalent of such obligations with designated Mexican intermediary banks, who in turn credit the proceeds to new interest-bearing U.S. dollar accounts opened at the Bank of Mexico for the participating banks. The Mexican Government paid approximately 10 percent of such accounts during February 1983. The balance is to be paid monthly, as foreign exchange becomes available; any balance remaining at September 30, 1983 is expected to be refinanced. The total amount of the Company's Mexican private sector interest receivable was approximately $15 million on December 31, 1982 and has been credited to the dollar accounts. As part of the overall financial plan for Mexico, the Company has agreed to participate in a new medium-term loan to the Mexican Government. The Company's share of this facility is $45 million. The plan further contemplates that the principal maturities on public sector debt falling due in the period from August 23, 1982 to December 31, 1984 be deferred. The deferred amounts, which are approximately $125 million, would be repaid in installments over six years beginning in 1986.

In addition to the non-accrual and renegotiated loans and leases in Table 8, there are approximately $90 million of the Company's private sector loans in Mexico which are partially earning. The exclusion of these loans from Tables 8 and 9, and of those private sector loans in Mexico that continue on full accrual status, reflects the financing arrangement with the Mexican government, described above. The extent to which loan interest income is recorded on these loans reflects the extent to which each borrower provides pesos in payment of interest as well as the Mexican Government's policies regarding exchange into U.S. dollars.

Loans and leases contractually past due 90 days or more as to interest or principal, but which are not included as non-accrual or renegotiated as defined above, are presented in Table 9. In 1979 and prior years, similar loans 60 days or more past due were required to be disclosed. Both 60 and 90 day past due presentations are shown for 1980 to facilitate analysis.

In analyzing the level of past due loans, management believes it is important to recognize that past due status is not necessarily indicative of potential problems. Certain loans are classified as past due although interest is current and no collection problems have been experienced or are anticipated. For example, a loan may be 90 days past due as to principal because it is pending renewal and internal documentation of the renewal has not yet been finalized. In another example, a real estate loan on which imminent payoff is expected may be included because the Bank can most efficiently maintain its lien position by not formally renewing the facility.

Table 9 LOANS AND LEASES 90 DAYS OR MORE PAST DUE

	1982		1981		December 31, 1980	
(Dollars in millions)	**Amount**	**Percent**	Amount	Percent	Amount	Percent
Real estate loans:						
Construction loans	**$ 95.3**	**4.5%**	$ 73.3	3.4%	$ 30.2	1.9%
Mortgage loans	**47.2**	**.8**	32.1	.6	17.6	.3
Total real estate	**142.5**	**1.8**	105.4	1.3	47.8	.7
Commercial loans	**69.8**	**1.0**	95.5	1.8	38.5	.8
Consumer loans	**16.9**	**1.0**	10.2	.5	18.3	.7
Lease financing	**.1**	**—**	.6	.1	.9	.1
Foreign	**14.8** (1)	**.5**	.4	—	.8	—
Total	**$244.1**	**1.2**	$212.1	1.1	$106.3	.6

LOANS AND LEASES 60 DAYS OR MORE PAST DUE

	1980		1979		December 31, 1978	
(Dollars in millions)	Amount	Percent	Amount	Percent	Amount	Percent
Real estate loans (2):						
Construction	$ 41.3	2.6%	$ —	—%	$ —	—%
Mortgage	33.6	.6	—	—	—	—
Total real estate	74.9	1.0	39.0	.6	26.7	.6
Commercial loans	67.0	1.4	25.3	.7	14.6	.4
Consumer loans	40.2	1.6	29.2	1.0	29.9	1.2
Lease financing (2)	1.9	.2	—	—	—	—
Foreign (3)	3.1	.2	—	—	—	—
International loans (3)	—	—	11.8	.6	1.1	—
Total	$187.1	1.1	$105.3	.7	$72.3	.6

(1) Does not include approximately $90 million of private sector loans in Mexico which are partially earning.

(2) Information relating to the breakout of real estate loans between construction and mortgage and information relating to leases 60 days or more past due is not available for years prior to 1980.

(3) See footnote 3 of Table 8 for the explanation of the difference in presentation between foreign and international loans.

Charge-off Policies Management has established charge-off policies which are followed throughout the Company. Credit card accounts are charged off when they are six billing cycles delinquent or when a loss is evident, whichever is sooner. Loans secured by mobile homes are charged off when payments are past due for 180 days. Other consumer loans are charged off when 90 days delinquent, except for automobile loans if

the collateral has been repossessed, in which case the loan is charged off after sale of the collateral but not later than 90 days after the end of the redemption period. In the latter case, the loan is placed on non-accrual status pending sale of the collateral. Credit card and consumer loans to individuals in bankruptcy are charged off upon notice of bankruptcy unless secured by a deed of trust on real property. Commercial and other loans, unless they are well secured and in the process of collection, are charged off when principal or interest is past due for 180 days or when management judges the loans to be uncollectible. It is also the Company's policy to charge off any loan which is classified as a loss by either internal loan examiners or national bank examiners.

During 1982, net charge-offs were $77.5 million as compared to $52.1 million during 1981 and $65.5 million in 1980. As a percentage of average loans and leases outstanding, net charge-offs were .42 percent in 1982, .30 percent in 1981 and .41 percent in 1980.

Credit card net charge-offs decreased from the high levels of loss experienced during 1981 and 1980. Monthly payment loan net charge-offs decreased in absolute dollar amount but increased slightly from 1981 in percentage terms, reflecting the decrease in loan volume due to a weak economy. Net charge-offs in other loan categories were at higher levels in 1982 than in 1981 and 1980. The $26.5 million increase in commercial loan net charge-offs in 1982 was associated primarily with loans to major corporate borrowers. Table 10 provides a breakdown of loan and lease losses and recoveries over the last five years.

Table 10 NET CHARGE-OFFS BY CATEGORY

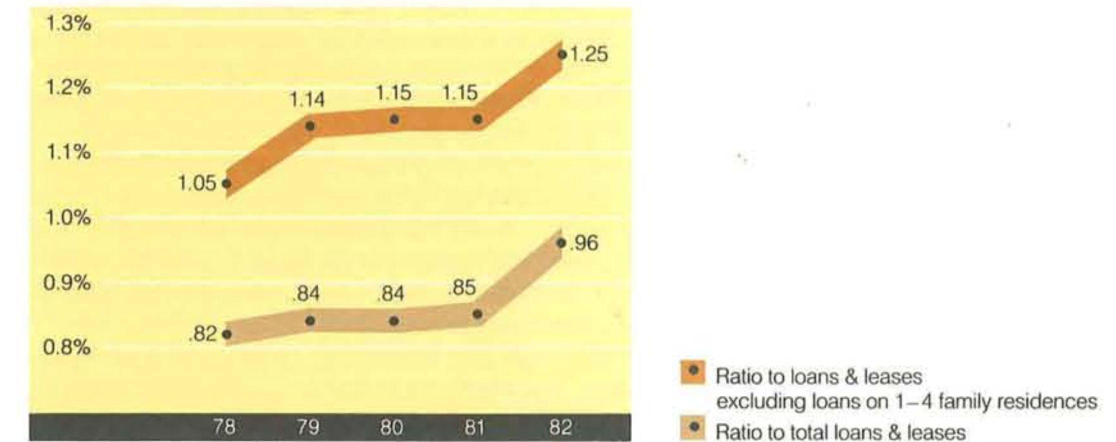
(In millions)	Real estate: Construction (1)	Real estate: 1-4 family	Real estate: Other	Commercial	Consumer: Monthly payment	Consumer: Credit card	Lease financing	Foreign (2)	Total
1978									
Gross charge-offs	—	—	$ .2	$16.0	$ 8.4	$10.2	— (1)	$ 6.9	$ 41.7
Less recoveries	—	—	.5	5.1	1.9	1.4	— (1)	1.4	10.3
Net charge-offs	—	—	$ (.3)	$10.9	$ 6.5	$ 8.8	—	$ 5.5	$31.4
Net charge-offs as a percent of total	—	—	(.9)%	34.7%	20.7%	28.0%	—	17.5%	100%
1979									
Gross charge-offs	—	—	$1.6	$ 9.0	$24.3	$18.4	— (1)	$ 2.8	$ 56.1
Less recoveries	—	—	.1	5.7	3.8	2.3	— (1)	4.1	16.0
Net charge-offs	—	—	$1.5	$ 3.3	$20.5	$16.1	—	$(1.3)	$40.1
Net charge-offs as a percent of total	—	—	3.8%	8.2%	51.2%	40.0%	—	(3.2)%	100%
1980									
Gross charge-offs	$ .1	—	$ .2	$21.9	$39.6	$21.5	$6.5	$ .2	$ 90.0
Less recoveries	—	—	.1	4.0	12.7	3.5	1.1	3.1	24.5
Net charge-offs	$ .1	—	$ .1	$17.9	$26.9	$18.0	$5.4	$(2.9)	$65.5
Net charge-offs as a percent of total	.2%	—	.2%	27.2%	41.0%	27.4%	8.4%	(4.4)%	100%
1981									
Gross charge-offs	$ .3	$ .5 (3)	$ .2	$25.4	$22.4	$18.9	$7.4	$ 3.3	$ 78.4
Less recoveries	—	—	.3	6.3	12.0	4.2	2.6	.9	26.3
Net charge-offs	$ .3	$ .5	$ (.1)	$19.1	$10.4	$14.7	$4.8	$ 2.4	$52.1
Net charge-offs as a percent of total	.6%	.9%	(.2)%	36.7%	20.0%	28.2%	9.2%	4.6%	100%
1982									
Gross charge-offs	**$1.1**	**$1.0** (3)	**$ .6**	**$55.1**	**$20.3**	**$14.7**	**$8.5**	**$ 3.2**	**$104.5**
Less recoveries	**—**	**—**	**.2**	**9.5**	**10.2**	**4.9**	**2.1**	**.1**	**27.0**
Net charge-offs	**$1.1**	**$1.0**	**$ .4**	**$45.6**	**$10.1**	**$ 9.8**	**$6.4**	**$ 3.1**	**$ 77.5**
Net charge-offs as a percent of total	**1.4%**	**1.3%**	**.5%**	**58.8%**	**13.0%**	**12.7%**	**8.3%**	**4.0%**	**100%**

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

(2) The foreign category for 1982, 1981 and 1980 represents loan charge-offs and recoveries of borrowers domiciled outside of the United States as defined by the Securities and Exchange Commission. The information for years prior to 1980 represents activity of the International Banking Group, which provides international banking services from the Bank's foreign and domestic based International Group offices.

(3) Residential loan charge-offs for 1982 and 1981 in the Bank were $.3 million and $.1 million, respectively. The remaining $.7 million in 1982 and $.4 million in 1981 of such charge-offs were attributable to second mortgage loans in one of the Finance Subsidiaries.

F. RATIO OF ALLOWANCE FOR LOAN & LEASE LOSSES TO YEAR-END LOANS & LEASES (%)



Allowance for Loan and Lease Losses The allowance for loan and lease losses is increased in two ways: 1) by adding to the allowance the amount of the provision for loan and lease losses which has been charged against earnings, and 2) by adding amounts recovered on previously charged-off loans and leases. The allowance is reduced when loans or leases deemed to be uncollectible in the ordinary course of business are charged against it.

The provision for loan and lease losses in 1982 was $115.4 million compared to $63.4 million in 1981 and $77.0 million in 1980. The amount of the provision is dependent upon the amount which management believes is required to maintain the allowance at an adequate and appropriate level after net charge-offs. In the third and fourth quarters of 1982, the Company increased the allowance for loan and lease losses as a percent of loan and leases through two $10 million additions to the allowance, made in view of the economic climate. If interest

Table 11 CHANGES IN THE ALLOWANCE FOR LOAN AND LEASE LOSSES

(Dollars in thousands)	1982	1981	1980	1979	1978
				Year ended December 31,	
Allowance at beginning of year	**$ 153,113**	$ 141,839	$ 130,329	$ 106,879	$ 90,084
Provision charged to expense	**115,417**	63,428	77,008	65,596	49,106
Deductions:					
Gross loan charge-offs	**96,001**	71,028	83,457	56,068	41,634
Less recoveries on loan charge-offs	**24,892**	23,644	23,414	15,970	10,261
Net loan charge-offs	**71,109**	47,384	60,043	40,098	31,373
Net lease charge-offs	**6,408**	4,770	5,455	2,048	938
Net loan and lease charge-offs	**77,517**	52,154	65,498	42,146	32,311
Translation adjustment	**(475)**	—	—	—	—
Allowance at end of year	**$ 190,538**	$ 153,113	$ 141,839	$ 130,329	$ 106,879
Total loans and leases at end of year, net of unearned income	**$19,766,124**	$17,976,502	$16,834,217	$15,471,599	$13,070,602
Average loans and leases for the year	**$18,586,000**	$17,378,000	$15,962,000	$14,066,000	$11,692,000
Allowance as a percentage of total loans and leases, net of unearned income, at end of year	**.96%**	.85%	.84%	.84%	.82%
Allowance as a percentage of total loans and leases, net of unearned income, at end of year, exclusive of 1–4 family residential properties	**1.25%**	1.15%	1.15%	1.14%	1.05%
Allowance as a percentage of average loans and leases for the year	**1.03%**	.88%	.89%	.93%	.91%
Net loan charge-offs as a percentage of average loans for the year	**.40%**	.29%	.39%	.30%	.28%
Net loan and lease charge-offs as a percentage of average loans and leases outstanding	**.42%**	.30%	.41%	.30%	.28%

due on all non-accrual, renegotiated and partially earning loans and leases had been accrued at the original contract rates, it is estimated that after-tax earnings would have increased by $26.3 million in 1982, $19.0 million in 1981 and $12.1 million in 1980. Related per share amounts were $1.10, $.82 and $.53, respectively.

Table 11 provides data concerning changes in the allowance for loan and lease losses over the last five years and related ratios for those years. Management believes that the allowance as a percentage of total loans and leases, excluding real estate loans secured by 1-4 family residential properties, is the most relevant ratio. Losses in the 1-4 family category have not been significant during the past several years (charge-offs in 1982 were approximately .02 percent of average loans outstanding).

On an annual basis, management compares loans previously criticized or classified as to quality by internal loan examiners to subsequent net losses (charge-offs less recoveries) and computes a loan loss experience factor for each quality classification. On a quarterly basis, these loss experience factors are applied to the current loan quality classifications including loans not criticized or classified. In addition, all loans $100,000 and over which have been classified are reviewed in detail. Losses on these loans are then estimated and combined with the estimated net losses derived from the experience factors.

By following the above procedure, amounts are then allocated to each specific loan category as required by the Securities and Exchange Commission. This methodology to allocate the allowance is applied consistently from period to period. Table 12 provides a breakdown of the loan and lease portfolio and the amount of the allowance that has been allocated to each category. The remaining unallocated portion of the allowance is evaluated in light of portfolio growth and concentrations, lending policies, delinquency trends and general economic conditions as part of the overall evaluation of the adequacy of the allowance. Although management allocates the allowance to specific loan categories, the adequacy of the allowance must be considered in its entirety. It is the intent of management that the allowance for loan and lease losses, along with future provisions, adequately provide for probable future losses. At any given date, the amount of the allowance will be less than the total of loans outstanding to borrowers who are experiencing varying degrees of financial difficulty. This is because experience has shown that the probability of all these loans becoming completely uncollectible is remote. Therefore, management determines a lesser amount which will be sufficient to absorb probable losses.

Table 12 ALLOCATION OF THE ALLOWANCE FOR LOAN AND LEASE LOSSES

	December 31, 1982		December 31, 1981		December 31, 1980		December 31, 1979		December 31, 1978	
(In thousands)	Loans and leases outstanding	Allocation of the allowance	Loans and leases outstanding	Allocation of the allowance	Loans and leases outstanding	Allocation of the allowance	Loans and leases outstanding	Allocation of the allowance	Loans and leases outstanding	Allocation of the allowance
Real estate loans:										
Secured by 1-4 family residential properties	**$ 4,523,213**	**$ 2,805**	$ 4,605,960	$ 4,852	$ 4,548,821	$ 581	$ 4,034,440	$ 100	$ 2,885,148	$ 100
Construction(1)	**2,126,889**	**15,478**	2,131,815	17,229	1,610,038	15,383	—	—	—	—
Other	**1,211,202**	**6,836**	1,165,181	5,682	1,152,452	3,220	2,351,896	11,558	1,541,467	8,462
Commercial loans	**6,660,813**	**79,527**	5,326,931	49,962	4,698,878	29,238	4,048,478	33,778	3,581,548	37,134
Consumer loans:										
Monthly payment loans	**1,241,981**	**16,455**	1,517,415	15,320	1,986,926	30,875	2,271,821	22,384	1,948,926	14,741
Credit card	**481,578**	**15,000**	460,029	17,644	475,290	21,539	596,001	20,055	535,090	15,016
Lease financing	**1,215,116**	**8,004**	1,163,543	6,285	912,624	5,639	747,887	5,129	523,502	4,530
Foreign loans	**2,776,953**	**24,100**	2,089,668	13,054	1,919,119	14,883	1,890,774	18,440	2,403,490	19,950
Unallocated portion of the allowance	**—**	**22,333**	—	23,085	—	20,481	—	18,885	—	6,946
Total	**$20,237,745**	**$190,538**	$18,460,542	$153,113	$17,304,148	$141,839	$15,941,297	$130,329	$13,419,171	$106,879

(1) Information not available prior to 1980.

Management considers the allowance for loan and lease losses of $190.5 million at December 31, 1982 adequate to cover probable losses on the loans and leases 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 and leases. No assurance can be given that the Company will not in any particular period sustain loan and lease losses which are sizable in relationship to the amount reserved or that subsequent evaluations of the loan and lease portfolio, in light of conditions and factors then prevailing, will not require significant changes in the allowance for loan and lease losses.

LOAN AND LEASE PORTFOLIO

Total loans and leases at December 31, 1982 increased 10 percent over year-end 1981, a higher rate of growth than the increase of 7 percent experienced in 1981. Average and ending balances increased for commercial and foreign loans and lease financing and decreased for consumer loans. The average balance of total real estate loans increased while the ending balance declined slightly.

Commercial loans totaled $6.7 billion at December 31, 1982, an increase of 25 percent from December 31, 1981. In 1982, approximately $200 million of loans were reclassified from consumer to commercial in order to more properly reflect their nature. Commercial loans increased 13 percent between December 31, 1981 and December 31, 1980. Included in commercial loans are loans to farmers, which amounted to $607 million at December 31, 1982 and were up 50 percent over December 31, 1981. The Bank recognized the difficulties most farmers have dealing with volatile interest costs. In November 1980, the Bank established a Base Agricultural Rate (BAR) to be used for certain agricultural loans, with the rate based on a longer-term (compared to prime) cost of funds index. The rate is reviewed monthly and borrowers' interest costs are adjusted to reflect changes in the BAR.

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

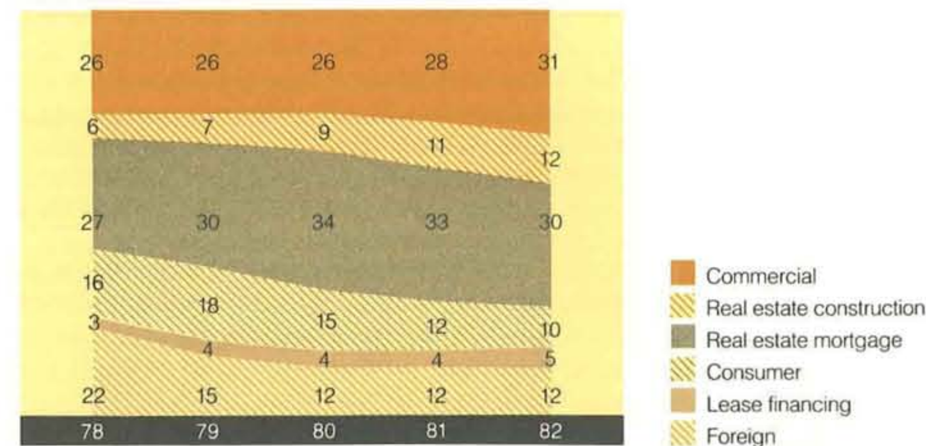
Table 13 ANALYSIS OF LOAN AND LEASE PORTFOLIO

	December 31, 1982									December 31,
		Over one year through five years		Over five years						
(In thousands)	One year or less	Predetermined rate	Floating rate	Predetermined rate	Floating rate	Total	1981	1980	1979	1978
Selected loan and lease maturities (1):										
Real estate construction loans	**$1,440,538**	**$149,190**	**$ 537,161**	**$ —**	**$ —**	**$ 2,126,889**	$ 2,131,815	$ 1,610,038	$ 1,422,814	$ 787,411
Real estate mortgage loans (excluding loans secured by 1-4 family residential properties)	**8,765**	**209,867**	**120,900**	**581,664**	**290,006**	**1,211,202**	1,165,181	1,152,452	929,082	754,056
Financial institutions	**389,364**	**31,899**	**53,634**	**11,096**	**27,283**	**513,276**	446,572	526,357	597,168	493,616
Loans for purchasing and carrying securities	**26,106**	**4,015**	**30,245**	**57,143**	**114,292**	**231,801**	218,115	111,320	166,287	329,585
Loans to farmers	**510,952**	**9,237**	**71,293**	**3,610**	**12,061**	**607,153**	404,239	265,031	216,848	188,750
Other commercial	**3,181,226**	**410,118**	**1,006,990**	**174,206**	**536,043**	**5,308,583**	4,258,005	3,796,170	3,068,175	2,569,597
Total commercial	**4,107,648**	**455,269**	**1,162,162**	**246,055**	**689,679**	**6,660,813**	5,326,931	4,698,878	4,048,478	3,581,548
Foreign loans	**1,342,017**	**4,963**	**694,058**	**910**	**735,005**	**2,776,953**	2,089,668	1,919,119	1,890,774	2,403,490
Total selected loan maturities	**$6,898,968**	**$819,289**	**$2,514,281**	**$828,629**	**$1,714,690**	**12,775,857**	10,713,595	9,380,487	8,291,148	7,526,505
Other loan and lease categories:										
Secured by 1-4 family residential properties						**4,523,213**	4,605,960	4,548,821	4,034,440	2,885,148
Monthly payment loans						**1,241,981**	1,517,415	1,986,926	2,271,821	1,948,926
Credit card						**481,578**	460,029	475,290	596,001	535,090
Lease financing						**1,215,116**	1,163,543	912,624	747,887	523,502
Total loans and leases						**$20,237,745**	$18,460,542	$17,304,148	$15,941,297	$13,419,171

(1) Based on remaining maturities.

Construction loans at year-end 1982 totaled $2.1 billion, a negligible decrease from year-end 1981. This compares to a 32 percent increase between December 31, 1981 and December 31, 1980. This slowdown was primarily a result of high interest rates and the recession, which has resulted in a reduction in demand for commercial and residential real estate. These factors also contributed to a rather high level of non-accrual loans primarily to residential builders. However, non-accrual construction loans as a percentage of related outstandings, decreased slightly from year-end 1981. Construction loans generally have relatively short maturities and their rates move with money market rates, mitigating the effect of increases in the cost of short-term funds to the Company.

G. LOAN & LEASE MIX* (%)



*Based on average loan & lease balances

Loans secured by 1-4 family residences decreased 2 percent in 1982 to $4.5 billion. The 1981 year-end balance increased 1 percent over year-end 1980. Approximately 45 percent of such loans in the Bank at December 31, 1982 and December 31, 1981 were on a variable-rate basis, which permits periodic and limited adjustments in the rates at which the loans were originally written. These variable rate mortgage loans currently afford the Company some protection against rising costs of funds. The lack of growth in 1982 resulted from high interest rates and management's desire to only make new long-term loans with rates that can be adjusted more rapidly to changes in market rates or can be sold in the secondary market. Based on regulations adopted by the Comptroller of the Currency, an Adjustable Rate Mortgage (A.R.M.) was introduced in October 1981. The A.R.M. is a 30-year mortgage, the rate of which changes based on movements in the six-month moving average cost of three-year U.S. Treasury obligations. The A.R.M. reduces funding risk and therefore enables the Bank to offer long-term mortgages. Because of relatively high interest rates and borrower concerns about the new instruments, only $6.3 million of A.R.M. loans were outstanding at December 31, 1982.

Consumer loans consist of credit card loans and monthly payment loans. Monthly payment loans included unsecured and secured loans including most of the Bank's consumer loan products secured by subordinated deeds of trust on residential property. Year-end monthly payment loans decreased 18 percent from 1981, while credit card loans increased 5 percent compared to 1981. The decline in monthly payment loans in 1982 was primarily due to the approximate $200 million of loans which were reclassified from consumer to commercial. In 1981, outstandings decreased 24 percent and 3 percent, respectively. This decline in monthly payment loans reflected the combination of a recessionary economy, a weak automobile market and consumer resistance to relatively high borrowing costs.

In spite of the recession, relatively high interest rates and growing unemployment, consumers continued to repay their obligations as evidenced by improved delinquency and loss experiences in both the monthly payment loan and credit card portfolios. This decline in losses resulted from tighter credit standards instituted in mid-1979 as well as improved collection and recovery procedures resulting from centralization and automation.

Gross lease financing at December 31, 1982 totaled $1.2 billion, an increase of 4 percent over year-end 1981. The comparable increase in 1981 was 27 percent.

Year-end foreign loans increased 33 percent in 1982 to $2.8 billion, compared to a 9 percent increase in 1981. For the same periods, the average balances increased 11 percent and 4 percent, respectively. This overall increase can largely be attributed to the Bank's expanded syndicated loan activities and increased drawdowns under existing commitments. The growth in syndicated loans continued 1981 trends and reflected a strategy to emphasize fee-generating, high-yielding syndicated transactions. The Company expects to reduce its level of syndication activity in 1983.

Foreign acceptances totaled $579.5 million at December 31, 1982, an increase of 67 percent compared to December 31, 1981. In 1981, foreign acceptances decreased 62 percent from year-end 1980. The increase in 1982 reflected expanded syndicated acceptance facilities and increased customer interest in such financing.

Table 13 provides a detailed breakdown of the various components of the loan and lease portfolio segregated by remaining maturity. The Company generally expects loans to be paid at maturity but there are certain circumstances under which loans may be "rolled-over". The Company may agree to lend money in a series of 90 day notes, with each renewal or rollover based on continued customer performance as contracted. Renewals or rollovers will also occur when a customer borrows under an existing line of credit or a revolving commitment. Finally, in the case of problem loans, the Company may decide to renew or restructure loans as part of a workout agreement. All loans and leases are shown in Table 13 according to their current contractual terms rather than on the basis of their original maturities.

Table 14 FOREIGN LOANS AND ACCEPTANCES
(Components by extent of country development)

(Dollars in millions, except per capita GNP)	December 31, 1982		December 31, 1981	
	Amount	**Percent**	Amount	Percent
OPEC member countries	**$ 377**	**11.3%**	$ 301	12.3%
Other countries classified by per capita GNP:				
In excess of $2,000	**1,179**	**35.2**	917	37.7
$750 to $2,000	**1,502**	**44.9**	956	39.3
$375 to $750	**264**	**7.9**	244	10.0
$200 to $375	**12**	**.4**	4	.2
Less than $200	**11**	**.3**	11	.5
	$3,345	**100.0%**	$2,433	100.0%

DEPOSITS

In 1982, the deposit environment was characterized by the advent of new types of money market instruments which bear market-sensitive interest rates. The continued relaxation of regulations by the Depository Institutions Deregulation Committee have been an important reason for the significant changes in the mix of total deposits in 1982 and 1981. See discussion of Funding Sources on page 34 for further discussion.

BORROWINGS AND INTERMEDIATE-TERM DEBT

During 1982, the Company participated actively in the public intermediate-term debt markets. The following notes were issued during the year:

- $125 million (face amount) Zero Coupon Guaranteed Notes due February 4, 1988 (issued by Wells Fargo International Financing Corporation N.V. and guaranteed by the Parent).
- $39.2 million (face amount) Zero Coupon Guaranteed Notes due September 10, 1988 (issued upon exercise of warrants by Wells Fargo International Financing Corporation N.V. and guaranteed by the Parent).
- $75 million 15% Guaranteed Notes due March 15, 1987, redeemable at par beginning March 15, 1986 (issued by Wells Fargo International Financing Corporation N.V. and guaranteed by the Parent).
- $100 million 13¼% Notes due October 1, 1987, redeemable at par beginning October 1, 1986 (issued by the Parent).
- $75 million (face amount) 12¼% Notes due October 15, 1989, redeemable at par beginning October 15, 1986 (issued by the Parent).

The notes issued by Wells Fargo International Financing Corporation N.V. are redeemable in the event withholding taxes in the United States or the Netherlands Antilles are imposed. The last two notes above were issued in the domestic capital markets under the Securities & Exchange Commission's new shelf registration format (Rule 415). On May 4, 1982, the Parent filed a shelf registration covering $300 million of notes. The last two issues listed above, totaling $175 million, decreased the amount of notes which could be issued under the shelf registration to $125 million. However, on November 18, 1982, the Parent filed another $175 million shelf registration with the Securities & Exchange Commission bringing the total amount of registered but unissued debt securities to $300 million at December 31, 1982.

CAPITAL ADEQUACY AND LEVERAGE

Capital adequacy, or the level of capital needed to support the operations of the Company, depends upon the overall risk to which the Company is exposed. This includes credit, operational, liquidity and interest rate risk. See discussion of Liquidity Management on page 40.

The Bank and the Parent utilize a variety of leverage measures to evaluate capital adequacy. Such measures are shown in Table 15 for the period 1980 to 1982.

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

Table 15 CAPITAL ADEQUACY AND LEVERAGE

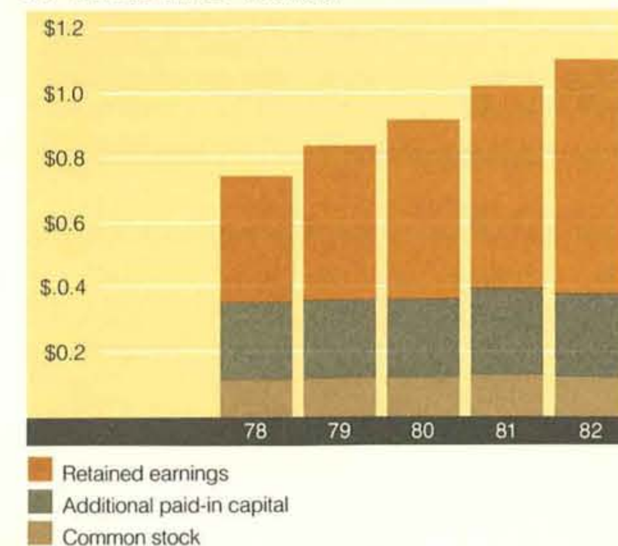
	1982	1981	December 31, 1980
COMPANY			
Leverage at year end:			
Assets/equity (assets divided by equity)	**22.55**	22.74	25.87
Assets/primary capital (1)	**19.37**	19.91	22.53
Assets/total capital (2)	**18.79**	19.26	21.69
Average leverage:			
Assets/equity	**23.44**	25.11	25.32
Assets/primary capital (1)	**20.46**	21.83	22.08
Assets/total capital (2)	**19.82**	21.07	21.10
BANK			
Assets to equity	**22.36**	22.56	25.06
Net loans and leases to equity	**17.20**	16.97	17.47
Net loans and leases excluding 1-4 family homes to equity	**13.07**	12.40	12.86
Risk assets (3) to equity	**20.42**	20.22	22.46
Risk assets (3) excluding 1-4 family homes to equity	**16.29**	15.65	17.85

(1) As based on regulatory concepts, primary capital is defined as stockholders' equity and allowance for loan and lease losses.

(2) As based on regulatory concepts, total capital is defined as stockholders' equity, allowance for loan and lease losses and subordinated notes/debentures.

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

H. STOCKHOLDERS' EQUITY AT YEAR END ($billions)



Retained earnings
Additional paid-in capital
Common stock

OTHER

- **Interest-Bearing Deposits** The balance of interest-bearing deposits was $991 million at December 31, 1982, an increase of 15 percent over year-end 1981. Relatively large fluctuations occurred during 1982 as management placed funds in short-term money markets at times when market conditions were deemed to be particularly attractive.
- **Investment Securities** Table 16 contains the detail of the investment portfolio by type of issuer and maturity. Investment securities were $604 million at December 31, 1982, down from $1.2 billion at December 31, 1981, as the Bank sold certain securities and others matured in 1982; see Securities Transactions on page 37.

Table 16 MATURITIES AND YIELDS (taxable-equivalent basis)

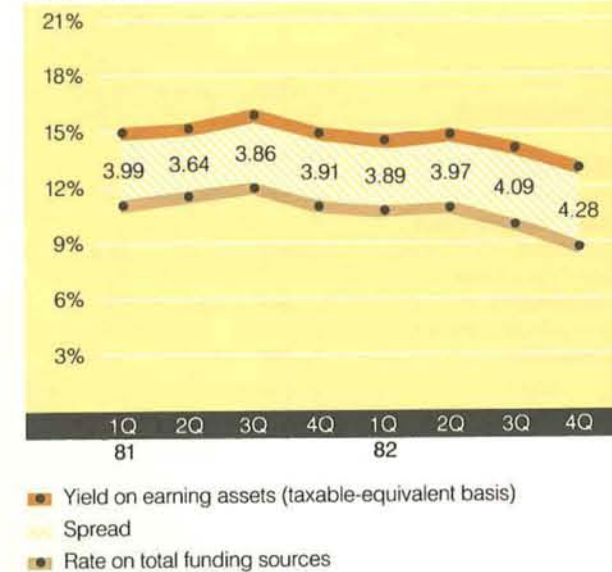
(Dollars in thousands)	Total amount	Average yield	Average maturity (in yrs.-mos.)	One year or less Amount	One year or less Yield	After one year through five years Amount	After one year through five years Yield	After five years through ten years Amount	After five years through ten years Yield	After ten years Amount	After ten years Yield
				December 31, 1982 Remaining Maturity							
BOOK VALUE											
U.S. Treasury	$ 97,542	9.15%	2-2	$ 30,767	9.14%	$ 66,675	9.15%	$ 100	10.80%	$ —	—%
Other U.S. government agencies	152,457	8.81	3-8	51,498	8.61	84,505	9.27	—	—	16,454	7.05
States and political subdivisions	326,047	8.53	4-3	78,548	8.70	151,678	8.55	66,216	8.49	29,605	7.85
Other bonds, notes and debentures	10,593	12.13	4-10	4,360	10.10	1,892	17.63	104	9.13	4,237	11.83
Total	586,639			$165,173		$304,750		$66,420		$50,296	
Stocks	17,218										
Total	$603,857										
MARKET VALUE											
Investments with maturities	$534,882			$166,244		$288,825		$48,558		$31,255	
Stocks	19,237										
Total	$554,119										

Table 17 CONDENSED CONSOLIDATED STATEMENT OF QUARTERLY INCOME

(In thousands, except per share data)	1982 Quarter ended March 31	June 30	Sept. 30	Dec. 31	1981 Quarter ended March 31	June 30	Sept. 30	Dec. 31
Interest income	**$743,463**	**$788,162**	**$760,047**	**$699,733**	$737,623	$770,863	$818,519	$743,269
Interest expense	**551,778**	**586,158**	**550,176**	**481,396**	549,414	596,142	633,188	560,562
Net interest income	**191,685**	**202,004**	**209,871**	**218,337**	188,209	174,721	185,331	182,707
Provision for loan and lease losses	**13,577**	**24,359**	**32,922**	**44,559**	17,855	12,644	15,996	16,933
Net interest income after provision for loan and lease losses	**178,108**	**177,645**	**176,949**	**173,778**	170,354	162,077	169,335	165,774
Other income:								
Service charges on deposit accounts	**15,232**	**18,621**	**19,053**	**19,882**	10,341	12,082	13,496	14,602
Sales of major real estate holdings	**—**	**—**	**28,481**	**19,839**	—	—	—	—
Trust and corporate agency income	**9,318**	**11,368**	**10,449**	**14,511**	6,646	9,736	9,717	12,614
International commissions, fees and foreign exchange	**7,356**	**9,358**	**16,059**	**7,504**	7,301	8,141	6,610	15,830
Service fees	**7,794**	**8,162**	**8,207**	**8,446**	7,449	7,725	6,504	7,390
Other	**16,793**	**13,727**	**12,164**	**16,583**	26,077	11,731	19,664	22,467
Total other income	**56,493**	**61,236**	**94,413**	**86,765**	57,814	49,415	55,991	72,903
Other expense:								
Salaries	**94,859**	**93,557**	**94,206**	**95,720**	81,923	85,787	89,425	93,392
Employee benefits	**23,654**	**20,381**	**20,766**	**24,186**	21,242	22,214	19,851	15,497
Net occupancy expense	**18,328**	**18,382**	**19,797**	**19,198**	11,885	13,056	15,205	17,747
Equipment expense	**17,873**	**17,371**	**17,389**	**22,125**	11,355	14,923	15,645	20,759
Other	**48,589**	**53,137**	**55,291**	**60,236**	45,496	45,151	47,095	56,572
Total other expense	**203,303**	**202,828**	**207,449**	**221,465**	171,901	181,131	187,221	203,967
Income before income taxes and securities transactions	**31,298**	**36,053**	**63,913**	**39,078**	56,267	30,361	38,105	34,710
Less applicable income taxes	**(6,138)**	**8,165**	**20,264**	**6,291**	17,533	6,524	6,469	2,981
Income before securities transactions	**37,436**	**27,888**	**43,649**	**32,787**	38,734	23,837	31,636	31,729
Securities gains (losses), net of tax	**1**	**1**	**(1,924)**	**(1,200)**	2	(14)	(1,937)	1
Net income	**$ 37,437**	**$ 27,889**	**$ 41,725**	**$ 31,587**	$ 38,736	$ 23,823	$ 29,699	$ 31,730
PER SHARE								
Income before securities transactions	**$1.55**	**$1.16**	**$1.84**	**$1.39**	$1.69	$1.03	$1.37	$1.32
Net income	**$1.55**	**$1.16**	**$1.76**	**$1.34**	$1.69	$1.03	$1.28	$1.33
Dividends declared	**$ .48**	**$ .48**	**$ .48**	**$ .48**	$ .48	$ .48	$ .48	$ .48

I. QUARTERLY EARNINGS & DIVIDENDS PER SHARE ($)

J. SPREAD—QUARTERLY (%)



FOURTH QUARTER

Income before securities transactions for the fourth quarter of 1982 was $32.8 million, down 25 percent from the previous quarter and up 3 percent from the comparable period in 1981. Other income in the 1982 fourth quarter included a $19.8 million gain on the sale of land in San Francisco and $3.4 million from the sale of securities received in loan restructurings. Other income in the third quarter of 1982 included a $28.5 million gain on the sale of a San Francisco office building. Additionally, in view of the economic climate, the Company increased the allowance for loan and lease losses as a percent of loans and leases through a $10 million addition to the allowance in both the third quarter and fourth quarter of 1982.

Net interest income was $218.3 million in the fourth quarter of 1982 compared to $209.9 million in the third quarter of 1982 and $182.7 million in the fourth quarter of 1981. For the same periods, interest expense on deposits and short-term borrowings declined faster than interest and fees on loans and leases.

The interest differential was up in the fourth quarter of 1982 compared with the previous quarter and with the fourth quarter of 1981. For the same periods, the spread improved 19 basis points and 37 basis points, respectively. Contributing to the improvement in the spread was the increased yield on lease financing due to the inclusion of the pretax benefit of the investment tax credits for new and existing leases. The volumes of earning assets and interest-bearing liabilities, stable from third to fourth quarter of 1982, were significantly higher than for the fourth quarter of 1981. While yields and rates generally showed large declines, rates on short-term deposit instruments declined faster than the yields on longer-term variable interest rate instruments.

Table 18 LOAN AND LEASE FEES AND SUNDRY INTEREST

(In thousands)	December 31, 1982	September 30, 1982	Quarter ended December 31, 1981
LOAN AND LEASE FEES			
Commercial	**$ 7,401**	$ 7,777	$ 7,750
Credit card	**3,541**	2,460	1,322
Real estate:			
Construction loans	**1,515**	1,639	1,874
Mortgage loans	**2,668**	2,330	2,937
Total real estate	**4,183**	3,969	4,811
Monthly payment	**2,159**	1,609	1,457
Foreign	**1,661**	98	578
Lease fees	**968**	1,156	602
Sundry interest	**727**	1,322	3,767
Total	**$20,640**	$18,391	$20,287

Table 19 AVERAGE BALANCES, RATES PAID AND YIELDS (yields on a taxable-equivalent basis)

(Dollars in millions)	Fourth quarter—1982 Average balance	Yields or rates	Interest income/ expense	Third quarter—1982 Average balance	Yields or rates	Interest income/ expense	Fourth quarter—1981 Average balance	Yields or rates	Interest income/ expense
EARNING ASSETS									
Interest-bearing deposits	**$ 1,481**	**11.73%**	**$ 43.807**	$ 2,039	13.46%	$ 69.168	$ 1,084	15.74%	$ 43.008
Investment securities:									
U.S. Treasury securities	**87**	**9.02**	**1.981**	158	9.93	3.954	367	10.29	9.521
Securities of other U.S. government agencies and corporations	**165**	**8.82**	**3.650**	195	8.88	4.330	253	9.00	5.693
Obligations of states and political subdivisions	**373**	**9.06**	**8.442**	436	9.13	9.956	608	9.10	13.834
Other securities	**25**	**8.89**	**.547**	26	7.31	.475	53	7.96	1.054
Total investment securities	**650**	**8.99**	**14.620**	815	9.17	18.715	1,281	9.38	30.102
Trading account securities	**110**	**9.68**	**2.678**	71	13.64	2.421	82	17.08	3.502
Funds sold	**304**	**9.83**	**7.526**	222	11.19	6.262	118	15.45	4.595
Loans and leases:									
Commercial loans	**6,287**	**12.77**	**202.374**	5,832	14.94	219.571	5,171	16.80	218.923
Real estate loans:									
Construction	**2,151**	**12.77**	**69.040**	2,188	14.96	82.288	2,076	16.85	87.912
Mortgage	**5,643**	**11.24**	**158.583**	5,614	11.19	157.007	5,724	11.17	159.853
Total real estate loans	**7,794**	**11.66**	**227.623**	7,802	12.25	239.295	7,800	12.68	247.765
Consumer loans	**1,634**	**15.02**	**61.534**	1,766	15.04	66.668	1,863	14.68	68.594
Lease financing	**906**	**17.02**	**38.545**	905	14.22	32.167	824	14.22	29.298
Foreign loans	**2,621**	**13.32**	**87.976**	2,393	16.12	97.218	2,034	17.55	89.970
Fees and sundry interest	**—**	**—**	**20.640**	—	—	18.391	—	—	20.287
Deferred gain/loss on hedging transactions	**(3)**	**—**	**4.357**	(1)	—	1.273	(1)	—	.354
Total loans and leases	**19,239**	**13.31**	**643.049**	18,697	14.36	674.583	17,691	15.19	675.191
Total earning assets	**$21,784**	**13.01**	**711.680**	$21,844	14.05	771.149	$20,256	14.87	756.398
FUNDING SOURCES									
Interest-bearing liabilities:									
Deposits:									
Savings deposits (1)	**$ 3,767**	**5.30**	**50.345**	$ 3,707	5.27	49.287	$ 3,545	5.25	46.879
Market rate savings	**1,256**	**9.41**	**29.803**	54	9.81	1.340	—	—	—
Savings certificates	**5,444**	**11.64**	**159.666**	6,092	12.96	198.934	5,581	14.42	202.870
Certificates of deposit	**878**	**13.72**	**30.371**	981	14.02	34.664	1,357	14.75	50.435
Other time deposits	**1,162**	**10.62**	**31.116**	1,223	12.62	38.889	1,027	14.65	37.930
Deposits in foreign offices	**2,065**	**12.06**	**62.781**	2,256	13.50	76.747	2,281	15.16	87.184
Total deposits	**14,572**	**9.91**	**364.082**	14,313	11.08	399.861	13,791	12.23	425.298
Funds borrowed	**1,159**	**8.78**	**25.664**	1,101	12.21	33.872	1,030	15.74	40.870
Commercial paper	**2,088**	**9.64**	**50.705**	2,715	11.79	80.705	1,837	14.34	66.418
Intermediate-term and long-term debt:									
Intermediate-term debt	**1,064**	**13.33**	**35.456**	905	13.52	30.582	766	12.20	23.550
Long-term debt	**170**	**7.20**	**3.068**	171	7.20	3.077	177	7.26	3.212
Total intermediate-term and long-term debt	**1,234**	**12.48**	**38.524**	1,076	12.51	33.659	943	11.26	26.762
Total interest-bearing liabilities	**19,053**	**9.98**	**478.975**	19,205	11.33	548.097	17,601	12.61	559.348
Portion of non-interest-bearing funding sources	**2,731**	**—**	**—**	2,639	—	—	2,655	—	—
Total funding sources	**$21,784**	**8.73**	**478.975**	$21,844	9.96	548.097	$20,256	10.96	559.348
Spread and interest differential		**4.28%**	**$232.705**		4.09%	$223.052		3.91%	$197.050
NON-EARNING ASSETS									
Cash and due from banks	**$ 1,758**			$ 1,666			$ 1,782		
Other	**1,752**			1,673			1,514		
Total non-earning assets	**$ 3,510**			$ 3,339			$ 3,296		
NON-INTEREST-BEARING FUNDING SOURCES									
Demand deposits	**$ 3,505**			$ 3,314			$ 3,478		
Other liabilities	**1,650**			1,590			1,460		
Stockholders' equity	**1,086**			1,074			1,013		
Non-interest-bearing funding sources used to fund earning assets	**(2,731)**			(2,639)			(2,655)		
Total net non-interest-bearing funding sources	**$ 3,510**			$ 3,339			$ 3,296		
TOTAL ASSETS	**$25,294**			$25,183			$23,552		

(1) Includes ATS and NOW accounts.

Other income increased to $86.8 million in the fourth quarter of 1982, up 19 percent from the comparable period in 1981. Other expense increased 9 percent to $221.5 million.

The provision for loan and lease losses was $44.6 million in the fourth quarter of 1982 compared to $16.9 million for the fourth quarter of 1981. Net charge-offs were $27.3 million and $15.8 million for the same periods.

If interest due on all non-accrual, renegotiated and partially earning loans and leases had been accrued at the original contract rates during the quarter, it is estimated that after-tax earnings would have increased by $7.0 million in the fourth quarter of 1982, $7.5 million in the previous quarter and $5.8 million in the fourth quarter of 1981. Related per share amounts were $.29, $.32 and $.24, respectively.

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

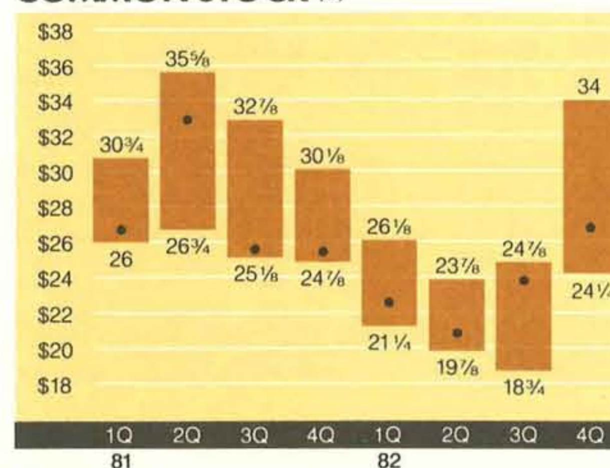
GENERAL INFORMATION

Common stock of the Parent is traded on the New York Stock Exchange, the Pacific Stock Exchange, the London Stock Exchange and the Frankfurter Börse. The high and low quarterly sales prices for the Parent's stock during 1982 and 1981 as reported in the New York Stock Exchange Composite Transaction Reporting system are presented in graph K. The approximate number of holders of record of the Parent's stock was 24,000 as of January 31, 1983.

Dividends declared per share totaled $1.92 in 1982, 1981 and 1980. The five-year compound growth rate for dividends was 11.4 percent. The Company intends to continue its present policy of paying quarterly cash dividends to shareholders. Future dividends will be determined by the board of directors in light of the earnings and financial condition of the Company. Additional dividend information including information regarding restrictions on the payment of dividends, is presented in note 12 to the financial statements on page 76.

Information on financial reporting and changing prices is presented in note 20 to the financial statements on page 83.

K. PRICE RANGE OF COMMON STOCK ($)



Indicates price at end of period

CONSOLIDATED STATEMENT OF INCOME

WELLS FARGO & COMPANY AND SUBSIDIARIES

(In thousands, except per share data)	Year ended December 31, 1982	1981	1980
INTEREST INCOME			
Interest and fees on loans and leases	**$2,649,973**	$2,680,882	$2,120,014
Interest on investment securities:			
Taxable	**42,366**	77,119	77,556
Exempt from federal income taxes	**22,401**	32,749	37,197
Total interest on investment securities	**64,767**	109,868	114,753
Interest on trading account securities	**12,099**	9,742	5,631
Interest on interest-bearing deposits	**242,380**	232,233	126,600
Interest on funds sold	**22,186**	37,549	15,195
Total interest income	**2,991,405**	3,070,274	2,382,193
INTEREST EXPENSE			
Interest on deposits	**1,560,348**	1,697,109	1,295,057
Interest on short-term borrowings	**468,474**	547,561	339,875
Interest on intermediate-term and long-term debt	**140,686**	94,636	69,623
Total interest expense	**2,169,508**	2,339,306	1,704,555
Net interest income	**821,897**	730,968	677,638
Provision for loan and lease losses	**115,417**	63,428	77,008
Net interest income after provision for loan and lease losses	**706,480**	667,540	600,630
OTHER INCOME			
Service charges on deposit accounts	**72,788**	50,521	37,846
Sales of major real estate holdings	**48,320**	—	—
Trust and corporate agency income	**45,646**	38,713	32,875
International commissions, fees and foreign exchange	**40,277**	37,882	21,586
Service fees	**32,609**	29,068	27,159
Other	**59,267**	79,939	43,793
Total other income	**298,907**	236,123	163,259
OTHER EXPENSE			
Salaries	**378,342**	350,527	290,047
Employee benefits	**88,987**	78,804	68,457
Net occupancy expense	**75,705**	57,893	45,067
Equipment expense	**74,758**	62,682	41,913
Other	**217,253**	194,314	145,345
Total other expense	**835,045**	744,220	590,829
Income before income taxes and securities transactions	**170,342**	159,443	173,060
Less applicable income taxes	**28,582**	33,507	51,323
Income before securities transactions	**141,760**	125,936	121,737
Securities gains (losses), net of income tax effect of $(3,418) in 1982, $(2,133) in 1981 and $66 in 1980	**(3,122)**	(1,948)	127
Net income	**$ 138,638**	$ 123,988	$ 121,864
PER SHARE			
(based on average number of common shares outstanding of 23,869,245, 23,277,922, 22,872,062)			
Income before securities transactions	**$ 5.94**	$ 5.41	$ 5.32
Securities transactions, net of income tax effect	**(.13)**	(.08)	.01
Net income	**$ 5.81**	$ 5.33	$ 5.33

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEET

WELLS FARGO & COMPANY AND SUBSIDIARIES

(In thousands)

	1982	December 31, 1981
ASSETS		
Cash and due from banks	**$ 1,685,372**	$ 1,719,839
Interest-bearing deposits	**990,536**	858,606
Investment securities, at cost (market value $554,119 and $1,062,220 at December 31, 1982 and 1981, respectively)	**603,857**	1,210,506
Trading account securities	**113,901**	39,083
Funds sold	**41,700**	6,900
Loans and leases:		
Commercial loans	**6,660,813**	5,326,931
Real estate construction loans	**2,126,889**	2,131,815
Real estate mortgage loans	**5,734,415**	5,771,141
Consumer loans	**1,723,559**	1,977,444
Lease financing	**1,215,116**	1,163,543
Foreign loans	**2,776,953**	2,089,668
Total loans and leases	**20,237,745**	18,460,542
Less:		
Allowance for loan and lease losses	**190,538**	153,113
Unearned income	**471,621**	484,040
Total net loans and leases	**19,575,586**	17,823,389
Premises and equipment, net	**445,617**	367,653
Due from customers on acceptances	**786,038**	441,392
Accrued interest receivable	**296,647**	340,916
Other assets	**274,793**	410,905
Total assets	**$24,814,047**	$23,219,189

The accompanying notes are an integral part of these statements.

WELLS FARGO & COMPANY AND SUBSIDIARIES

(In thousands)

	1982	December 31, 1981
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand—domestic	**$ 3,519,633**	$ 3,619,546
Demand—foreign	**126,694**	148,972
ATS and NOW accounts	**1,348,364**	1,149,068
Market rate savings	**2,256,605**	—
Savings deposits	**2,192,731**	2,485,190
Savings certificates	**4,979,933**	5,572,096
Certificates of deposit	**791,884**	1,256,302
Other time deposits	**951,234**	1,109,840
Deposits in foreign offices	**2,012,712**	2,030,133
Total deposits	**18,179,790**	17,371,147
Short-term borrowings:		
Federal funds borrowed and repurchase agreements	**1,135,814**	986,850
Commercial paper outstanding	**1,477,385**	1,578,605
Other	**84,567**	112,815
Total short-term borrowings	**2,697,766**	2,678,270
Acceptances outstanding	**786,082**	441,831
Accrued taxes and other expenses	**444,387**	494,921
Intermediate-term debt	**1,096,481**	765,431
Long-term debt	**170,757**	174,114
Obligations under capital leases	**106,768**	67,668
Other liabilities	**231,581**	204,875
Total liabilities	**23,713,612**	22,198,257
Stockholders' equity:		
Preferred stock—no par value, authorized 10,000,000 shares, none issued	**—**	—
Common stock—$5 par value, authorized 50,000,000 shares, outstanding 23,606,721 shares and 24,090,184 shares at December 31, 1982 and 1981, respectively	**118,034**	120,451
Additional paid-in capital	**262,556**	271,327
Retained earnings	**724,589**	631,558
Equity adjustment from foreign currency translation	**(4,744)**	(2,404)
Total stockholders' equity	**1,100,435**	1,020,932
Total liabilities and stockholders' equity	**$24,814,047**	$23,219,189

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

WELLS FARGO & COMPANY & SUBSIDIARIES

(In thousands)	Year ended December 31, 1982 Financial resources Provided from	Year ended December 31, 1982 Financial resources Used for	Year ended December 31, 1981 Financial resources Provided from	Year ended December 31, 1981 Financial resources Used for	Year ended December 31, 1980 Financial resources Provided from	Year ended December 31, 1980 Financial resources Used for
Net income	$ 138,638	$ —	$ 123,988	$ —	$ 121,864	$ —
Non-cash items included in net income:						
Provision for loan and lease losses	115,417		63,428		77,008	
Benefit/provision for deferred income taxes		19,453		4,759	25,739	
Provision for depreciation and amortization	43,388		32,507		25,485	
Gain on exchange of equity for debt				11,731		
Equity adjustment from foreign currency translation		2,340		2,404		
Cash dividends declared		45,607		45,026		43,914
Conversion of 3¼% convertible capital notes	50		1,465		269	
Common stock repurchases, net of other stock issued		11,238	6,452		1,259	
Exchange of stock for debt			22,884			
Operations and equity	297,493	78,638	250,724	63,920	251,624	43,914
Interest-bearing deposits		131,930	579,457			913,784
Net loans and leases		1,867,614		1,194,439		1,428,116
Investment securities	606,649		461,598		10,853	
Funds sold		34,800	214,150			220,550
Trading account securities		74,818	12,884			46,318
Earning assets	606,649	2,109,162	1,268,089	1,194,439	10,853	2,608,768
Total deposits	808,643		662,599		673,813	
Total short-term borrowings	19,496			838,503	1,572,470	
Intermediate-term and long-term debt	327,693		216,187		257,893	
Obligations under capital leases	39,100			1,858		648
Deposits and borrowings	1,194,932		878,786	840,361	2,504,176	648
Cash and due from banks	34,467			15,442	78,597	
Net additions to premises and equipment		119,285		96,721		74,987
Other assets	134,045			110,362		75,394
Other liabilities	26,706			84,532		35,423
Other, net	12,793		8,178			6,116
Other	208,011	119,285	8,178	307,057	78,597	191,920
Total	$2,307,085	$2,307,085	$2,405,777	$2,405,777	$2,845,250	$2,845,250

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

WELLS FARGO & COMPANY AND SUBSIDIARIES

WELLS FARGO & COMPANY (PARENT)

(In thousands)	Common stock	Additional paid-in capital	Retained earnings	Foreign currency translation	Total stockholders' equity
Balance December 31, 1979	$114,012	$245,437	$474,646	$ —	$ 834,095
Net income—1980			121,864		121,864
Conversion of convertible notes	46	223			269
Stock issued to employee benefit plans and other	1,535	5,877			7,412
Stock repurchased	(1,201)	(4,952)			(6,153)
Cash dividends declared			(43,914)		(43,914)
Net increase	380	1,148	77,950		79,478
Balance December 31, 1980	114,392	246,585	552,596		913,573
Restatement of foreign currency translation (net of income tax benefit of $21)				(60)	(60)
Balance January 1, 1981	114,392	246,585	552,596	(60)	913,513
Net income—1981			123,988		123,988
Conversion of convertible notes	253	1,212			1,465
Stock issued to employee benefit plans and other	2,194	9,748			11,942
Exchange of stock for debt	4,486	18,398			22,884
Stock repurchased	(874)	(4,616)			(5,490)
Cash dividends declared			(45,026)		(45,026)
Equity adjustment from foreign currency translation (net of income tax benefit of $801)				(2,344)	(2,344)
Net increase	6,059	24,742	78,962	(2,344)	107,419
Balance December 31, 1981	120,451	271,327	631,558	(2,404)	1,020,932
Net income—1982			138,638		138,638
Conversion of convertible notes	9	41			50
Stock issued to employee benefit plans and other	2,565	8,789			11,354
Stock repurchased	(4,991)	(17,601)			(22,592)
Cash dividends declared			(45,607)		(45,607)
Equity adjustment from foreign currency translation (net of income tax provision of $1,229)				(2,340)	(2,340)
Net increase	(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

The accompanying notes are an integral part of these statements.

STATEMENT OF INCOME

WELLS FARGO & COMPANY (PARENT)

(In thousands, except per share data)	Year ended December 31, 1982	1981	1980
INCOME			
Dividends from subsidiaries:			
Wells Fargo Bank, N.A.	**$ 46,097**	$ 46,097	$ 46,091
Finance subsidiaries	**6,000**	4,375	20,250
Other subsidiaries	**—**	1,698	—
Interest income:			
From subsidiaries	**405,591**	389,956	232,990
From others	**6,955**	21,990	24,452
Other income	**105**	11,870	7,764
Total income	**464,748**	475,986	331,547
EXPENSE			
Salaries and employee benefits	**1,820**	1,843	1,619
Interest expense	**425,178**	431,590	264,191
Other expense	**2,230**	7,904	5,265
Total expense	**429,228**	441,337	271,075
Income before income tax benefit, undistributed income of subsidiaries and securities transactions	**35,520**	34,649	60,472
Income tax benefit	**11,279**	16,512	8,638
Income before securities transactions and undistributed income of subsidiaries	**46,799**	51,161	69,110
Equity in undistributed income of subsidiaries:			
Wells Fargo Bank, N.A.	**67,018**	58,051	57,955
Other subsidiaries	**27,943**	16,724	(5,328)
Total equity in undistributed income of subsidiaries	**94,961**	74,775	52,627
Income before securities transactions	**141,760**	125,936	121,737
Securities losses of Wells Fargo Bank, N.A., net of income tax effect of $(3,418) in 1982, $(2,133) in 1981, and $(1) in 1980	**(3,122)**	(1,948)	(1)
Securities gains in 1980 of Wells Fargo & Company (Parent), net of income tax effect of $67	**—**	—	128
Net income	**$138,638**	$123,988	$121,864
PER SHARE (based on average number of common shares outstanding):			
Income before securities transactions	**$ 5.94**	$ 5.41	$ 5.32
Securities transactions, net of income tax effect	**(.13)**	(.08)	.01
Net income	**$ 5.81**	$ 5.33	$ 5.33

The accompanying notes are an integral part of these statements.

BALANCE SHEET

WELLS FARGO & COMPANY (PARENT)

(In thousands)	December 31, 1982	1981
ASSETS		
Cash and due from banks	**$ 802**	$ 928
Security repurchase agreement	**6,461**	6,721
Marketable securities	**11,494**	108,656
Dividend receivable from Wells Fargo Bank, N.A.	**11,524**	11,524
Advances to subsidiaries	**1,650,985**	1,600,634
Intermediate-term loans to subsidiaries	**718,220**	432,930
Long-term loans to subsidiaries	**99,000**	99,000
Investments in common stock of principal subsidiaries:		
Bank subsidiary	**990,444**	926,309
Other subsidiaries	**219,699**	172,816
Accrued interest receivable from subsidiaries	**37,457**	18,312
Other assets	**88,366**	62,307
Total assets	**$3,834,452**	$3,440,137
LIABILITIES AND STOCKHOLDERS' EQUITY		
Demand notes payable	**$ —**	$ 10,376
Commercial paper outstanding	**1,477,385**	1,568,202
Other short-term notes outstanding	**10,505**	26,581
Accrued expenses and other liabilities	**829**	530
Interest payable	**50,285**	37,492
Dividends payable	**11,331**	11,563
Indebtedness to affiliates	**273,282**	30,701
Intermediate-term debt	**804,904**	628,214
Long-term debt	**105,496**	105,546
Total liabilities	**2,734,017**	2,419,205
Stockholders' equity:		
Preferred stock—no par value, authorized 10,000,000 shares, none issued	**—**	—
Common stock—$5 par value, authorized, 50,000,000 shares; outstanding, 23,606,721 shares and 24,090,184 shares at December 31, 1982 and 1981, respectively	**118,034**	120,451
Additional paid-in capital	**262,556**	271,327
Retained earnings	**724,589**	631,558
Equity adjustment from foreign currency translation	**(4,744)**	(2,404)
Total stockholders' equity	**1,100,435**	1,020,932
Total liabilities and stockholders' equity	**$3,834,452**	$3,440,137

The accompanying notes are an integral part of these statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

WELLS FARGO & COMPANY (PARENT)

(In thousands)	Year ended December 31, 1982 Financial resources		Year ended December 31, 1981 Financial resources		Year ended December 31, 1980 Financial resources	
	Provided from	**Used for**	Provided from	Used for	Provided from	Used for
Net income	**$138,638**	**$ —**	$123,988	$ —	$ 121,864	$ —
Equity in undistributed net income of subsidiaries	**(94,961)**		(74,775)		(52,627)	
Equity adjustment from foreign currency translation		**2,340**		2,404		
Cash dividends declared		**45,607**		45,026		43,914
Capital contributions to subsidiaries, net		**16,057**		27,161		61,006
Conversion of 3¼% convertible capital notes	**50**		1,465		269	
Common stock repurchases, net of other stock issued		**11,238**	6,452		1,259	
Exchange of stock for debt			22,884			
Operations, equity and contributions	**43,727**	**75,242**	80,014	74,591	70,765	104,920
Commercial paper outstanding		**90,817**		499,575	1,280,519	
Funds borrowed under repurchase agreement						160,000
Other short-term notes outstanding		**16,076**		68,429		14,138
Indebtedness to affiliates	**242,581**		30,701			
Intermediate-term and long-term debt	**176,640**		93,324		321,955	
Interest payable	**12,793**		10,992		10,661	
Borrowings	**432,014**	**106,893**	135,017	568,004	1,613,135	174,138
Loans and short-term advances to subsidiaries and affiliates		**335,641**	344,810			1,335,817
Marketable securities	**97,162**		137,857			30,867
Security repurchase agreement	**260**			3,381		3,340
Other, net		**55,387**		51,722		34,818
Other	**97,422**	**391,028**	482,667	55,103		1,404,842
Total	**$573,163**	**$573,163**	$697,698	$697,698	$1,683,900	$1,683,900

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Wells Fargo & Company (Parent), Wells Fargo & Company and Subsidiaries (Company), Wells Fargo Bank, N.A. (Bank) and the Finance Subsidiaries of Wells Fargo & 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, Wells Fargo Bank, N.A. and the nonbank subsidiaries of the Parent. Foreign branches and subsidiaries of the Bank are consolidated on a line-by-line basis. Significant intercompany accounts and transactions are eliminated in consolidation. Investments of the Parent in its principal subsidiaries are accounted for by the equity method. Other subsidiaries and affiliates in which there is at least 20 percent ownership are generally accounted for by the equity method and less than 20 percent owned investments are carried at cost. These investments are reported in other assets; income, including disposition gains and losses, is included in other income.

SECURITIES Securities are held for both investment and trading purposes. Effective in 1982, trading account securities are being carried at market value. Prior to 1982, they had been carried at the lower of cost or market. The Company believes this method provides more meaningful presentation of financial results. The effect of this change is not significant, therefore, prior years' numbers have not been restated. Debt securities held for investment purposes are carried at cost, adjusted for amortization of premium and accretion of discount.

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

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

Depreciation and amortization are computed primarily using the straight-line method. Estimated useful lives range from 40-50 years for buildings, 3-15 years for equipment and the lease term for leasehold improvements. Capitalized leased assets are amortized on a straight-line basis over the life of the respective leases, which generally range from 20-30 years.

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

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

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

Gains or losses from other foreign currency transactions, including gains or losses from foreign exchange trading activities, are recognized in the current period under other income. Premiums or discounts on forward

exchange contracts which are associated with the funding of assets from liabilities of a different currency (swap transactions) are deferred and amortized into interest income or expense over the life of the contract.

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

As a lessor, the Company engages in lease financing in its banking operations and through Wells Fargo Leasing Corporation and Wells Fargo Credit Corporation. Policies for those subsidiaries engaged in leasing activities are disclosed under the heading of Finance Subsidiaries. The Bank's direct lease financing consists primarily of automobile leasing to customers for various time periods.

ALLOWANCE FOR LOAN AND LEASE LOSSES The Company provides for probable loan and lease losses on the allowance method. For the Bank and other subsidiaries, the allowance for loan and lease losses is supported by a review and evaluation of various factors which affect their collectibility. In the evaluation, numerous factors are considered, including, but not necessarily limited to, general economic conditions, loan and lease portfolio composition, prior loan and lease loss experience, and management's estimation of future potential losses.

UNEARNED INCOME ON LOANS AND LEASES Unearned income on loans and leases is shown as a reduction of total loans and leases. Unearned income on loans is recognized as income, primarily on a declining basis (sum-of-the-digits method) over the term of the loan, except at Wells Fargo Credit Corporation, Wells Fargo Mortgage Company and Wells Fargo Realty Advisors, where unearned income is amortized using an interest method. Unearned income on direct financing leases is amortized over the lease terms by methods producing approximately level rates of return on net leased assets.

INCOME TAXES The Company files a consolidated federal income tax return. Taxable income is computed primarily using the cash receipts and disbursements method of accounting as permitted by the tax statutes.

Deferred income taxes, included in accrued taxes and other expenses, result from timing differences between income as reported in the financial statements and as reported for income tax purposes.

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

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

OTHER REAL ESTATE OWNED Other real estate owned, consisting of real estate acquired through foreclosure or deed in lieu of foreclosure and excess bank real estate, is carried at the lower of cost or market. When the property is acquired, any excess of the loan balance over market is charged to the allowance for loan and lease losses. Subsequent write-downs, if any, are charged to other expense.

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

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

NON-ACCRUAL LOANS AND LEASES Generally, a loan of $25,000 and over is placed on non-accrual status when the loan becomes 90 days past due as to principal or interest, when the full timely collection of interest or principal becomes uncertain, when the loan is classified as doubtful by either internal loan examiners or national bank examiners, or when any portion of the principal balance has been charged off. The accrued and unpaid interest is reversed and interest is not accrued until the loan is made current. The transfer of a loan to non-accrual status does not necessarily indicate that any portion of the principal outstanding is uncollectible. This policy also generally applies to lease financing except that there is no pre-determined amount under which leases will not be placed on non-accrual status.

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

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

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

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

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

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

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

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

2 FOREIGN CURRENCY TRANSLATION

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

The effect of this change was to increase income before income taxes and securities transactions and net income by $3.4 million and $2.5 million, respectively, for the year ended December 31, 1981. The net income per share was increased by $.11 for the year ended December 31, 1981.

The equity adjustment from foreign currency translation, net of tax, reduced stockholders' equity by $2.3 million in both 1982 and 1981. This 1982 translation adjustment is net of $1.0 million (net of tax) of deferred translation losses transferred to other income as a result of the sale of certain investments.

3 SECURITIES

The table on page 66 provides the major components of the consolidated investment securities balance and a comparison of book and market values at December 31.

Book value represents the purchase price of the security, adjusted by the amortization of premium or the accretion of discount. The accretion of discount reflected in interest on investment securities amounted to $2.7 million, $8.6 million, and $9.3 million in 1982, 1981 and 1980, respectively.

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

(In thousands)	1982 Book value	1982 Market value	1982 Market value Percent of book value	1981 Book value	1981 Market value	1981 Market value Percent of book value	1980 Book value	1980 Market value	1980 Market value Percent of book value
U.S. Treasury securities	**$ 97,542**	**$ 96,843**	**99.3%**	$ 308,869	$ 296,713	96.1%	$ 512,329	$ 491,264	95.9%
Securities of other U.S. government agencies and corporations	**152,457**	**147,974**	**97.1**	252,592	226,035	89.5	292,893	263,642	90.0
Obligations of states and political subdivisions	**326,047**	**279,797**	**85.8**	596,872	487,558	81.7	812,264	704,650	86.8
Other securities	**27,811**	**29,505**	**106.1**	52,173	51,914	99.5	54,618	53,231	97.5
Total investment securities	**$603,857**	**$554,119**	**91.8**	$1,210,506	$1,062,220	87.8	$1,672,104	$1,512,787	90.5

The book value of investment securities pledged to secure public deposits and for other purposes as required or permitted by law aggregated $406 million at December 31, 1982, and $720 million at December 31, 1981.

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

(In thousands)	1982 Book value	1982 Market value	1981 Book value	1981 Market value	1980 Book value	1980 Market value
Municipalities within California	**$114,185**	**$97,523**	$155,265	$121,944	$292,930	$261,044
State of California	**$ 43,971**	**$30,522**	$ 66,693	$ 43,069	$ 68,055	$ 48,160

4 PREMISES AND EQUIPMENT

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

(In thousands)	Cost	Accumulated depreciation and amortization	Net
AT DECEMBER 31, 1982			
Land	**$ 37,701**	**$ —**	**$ 37,701**
Premises	**283,579**	**75,252**	**208,327**
Furniture and equipment	**239,593**	**100,955**	**138,638**
Leasehold improvements	**87,907**	**26,956**	**60,951**
Total	**$648,780**	**$203,163**	**$445,617**
AT DECEMBER 31, 1981			
Land	$ 38,351	$ —	$ 38,351
Premises	247,872	77,235	170,637
Furniture and equipment	200,998	80,343	120,655
Leasehold improvements	58,480	20,470	38,010
Total	$545,701	$178,048	$367,653

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

Depreciation and amortization expense was approximately $42.6 million, $31.7 million and $24.7 million for years ended December 31, 1982, 1981 and 1980, respectively.

Approximately $2.5 million, $3.9 million and $3.2 million of interest related to construction projects was capitalized in 1982, 1981 and 1980, respectively in accordance with FASB Statement No. 34.

5 LOANS AND LEASES & ALLOWANCE FOR LOAN AND LEASE LOSSES

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

(In thousands)	Year ended December 31, 1982	1981	1980
Allowance at beginning of year	**$153,113**	$141,839	$130,329
Provision charged to expense	**115,417**	63,428	77,008
DEDUCTIONS			
Net charge-offs:			
Gross loan charge-offs	**96,001**	71,028	83,457
Recoveries on loan charge-offs	**(24,892)**	(23,644)	(23,414)
Net lease charge-offs	**6,408**	4,770	5,455
Net loan and lease charge-offs	**77,517**	52,154	65,498
Translation adjustment	**(475)**	—	—
Allowance at end of year	**$190,538**	$153,113	$141,839

The components of lease financing at December 31, 1982 and 1981 are as follows:

(In thousands)	December 31, 1982	1981
Direct lease financing minimum lease payments receivable	**$ 914,109**	$ 879,277
Direct lease financing unguaranteed residual value	**295,632**	272,288
Leveraged leases	**4,783**	3,632
Equipment pending lease placement	**592**	8,346
Gross investment in lease financing	**1,215,116**	1,163,543
Allowance for losses	**(8,004)**	(6,285)
Unearned income	**(287,216)**	(270,359)
Net investment in financing leases	**$ 919,896**	$ 886,899

The Company recognized $4.0 million, $4.8 million and $3.0 million of unearned income in 1982, 1981 and 1980, respectively, to offset initial direct costs of acquiring leases. The Bank does not recognize unearned income to offset initial direct costs of acquiring leases.

At December 31, 1982, direct lease receivables were due in installments to 1998. Installments mature as follows:

(In thousands)	
Year Ended December 31,	
1983	$216,008
1984	183,102
1985	158,623
1986	123,520
1987	71,317
Thereafter	161,539
Total	$914,109

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

(In thousands)	December 31, 1982	1981
Non-accrual and renegotiated loans and leases	$561,066	$438,038
Partially earning loans	90,000	—
Total non-accrual, renegotiated and partially earning loans and leases	$651,066	$438,038
Income which would have been recorded under original terms	$ 93,111	$ 55,401
Gross interest recorded	$ 37,941	$ 15,542
Commitments to lend additional funds	$ 30,361	$ 28,812

6 DEPOSITS

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

(In thousands)	Year ended December 31, 1982	1981	1980
Savings deposits	$ 195,309	$ 182,302	$ 167,489
Market rate savings deposits	31,143	—	—
Savings certificates	744,094	712,011	430,995
Certificates of deposit	143,250	207,778	207,560
Other time deposits	144,131	166,433	128,286
Deposits in foreign offices	302,421	428,585	360,727
Total	$1,560,348	$1,697,109	$1,295,057

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

(In thousands)	Year ended December 31, 1982	1981	1980
Interest expense	$ 403,438	$ 487,307	$ 376,395
Year-end balances for time deposits of $100,000 or more:			
Certificates of deposit	$1,814,085	$2,479,660	$2,420,200
Other time deposits	719,434	592,206	536,929
Total	$2,533,519	$3,071,866	$2,957,129

7 BORROWINGS

Commercial paper and other money market notes represent obligations primarily of the Parent with original maturities not to exceed 270 days. Demand notes are payable by the Parent, primarily to various bank trust departments, and are included with other borrowings in the consolidated balance sheet. (Included in other borrowings are notes of the Parent with original maturities of one year or less.) Outstanding amounts and maturities of selected borrowings were as follows:

(Dollars in thousands)	Year ended December 31, 1982	1981
FEDERAL FUNDS BORROWED (Consolidated)		
Average amount outstanding	$ 964,000	$ 696,000
Daily average rate	12.32%	16.53%
Highest month-end balance	$1,399,000	$1,161,000
Rate on outstandings at year end	9.11%	12.55%
SECURITY REPURCHASE AGREEMENTS (Consolidated)		
Average amount outstanding	$ 257,000	$ 455,000
Daily average rate	11.92%	15.82%
Highest month-end balance	$ 310,000	$ 473,000
Rate on outstandings at year end	8.41%	11.27%
COMMERCIAL PAPER (Consolidated)		
Average amount outstanding	$2,421,000	$1,952,000
Daily average rate	12.48%	16.54%
Highest month-end balance	$2,548,000	$2,446,000
Rate on outstandings at year end	9.13%	12.78%
MONEY MARKET NOTES (Parent)		
Average amount outstanding	$ 12,000	$ 74,000
Daily average rate	12.82%	17.23%
Highest month-end balance	$ 18,000	$ 117,000
Rate on outstandings at year end	9.09%	12.70%
DEMAND NOTES (Parent)		
Average amount outstanding	$ 9,000	$ 19,000
Daily average rate	12.84%	15.77%
Highest month-end balance	$ 12,000	$ 29,000
Rate on outstandings at year end	—	13.09%

The Parent had available lines of credit totaling $790.0 million at December 31, 1982: $780.0 million with non-affiliated banks and $10.0 million with the Bank. Lines of credit at December 31, 1981 totaled $510.0 million: $500.0 million with non-affiliated banks and $10.0 million with the Bank. The lines of credit with non-affiliated banks require commitment fees or compensating balances. Compensating balance requirements were $.6 million at both December 31, 1982 and December 31, 1981. Commitment fees were not significant to operations for both 1982 and 1981.

8 INTERMEDIATE-TERM AND LONG-TERM DEBT

Intermediate-term debt has an original maturity of more than one year and not more than ten years. Long-term debt has an original maturity of more than ten years. The Company's intermediate and long-term debt is detailed on page 70.

(In thousands)	December 31, 1982	1981
INTERMEDIATE-TERM DEBT		
Of Wells Fargo & Company (Parent)		
11.55% Notes due 1983	**$ 150,000**	$ 150,000
12¼% Notes due 1983	**100,000**	100,000
9.55% Notes due 1985	**150,000**	150,000
10⅝% Notes due 1985	**99,814**(1)	99,763(1)
13¼% Notes due 1987	**100,000**	—
12¼% Notes due 1989	**74,724**(1)	—
14½% Notes due 1991	**98,803**(1)	98,734(1)
Other notes due in varying amounts to 1985	**31,563**(1)	29,717(1)
Of Wells Fargo International Financing Corporation N.V.		
15½% Guaranteed Notes due 1984	**49,867**(1)	49,790(1)
15% Guaranteed Notes due 1985	**74,449**(1)	74,472(1)
15% Guaranteed Notes due 1987	**75,000**	—
Zero Coupon Guaranteed Notes due February, 1988	**62,763**(1)	—
Zero Coupon Guaranteed Notes due September, 1988	**17,921**(1)	—
Of Wells Fargo Bank, N.A.		
Other intermediate-term debt	**5,304**	—
Of Wells Fargo Leasing Corporation		
9½%–10½% Senior Notes due in varying amounts to 1983	**6,250**	12,932
Of Wells Fargo Realty Advisors		
12% Mortgage Notes due 1984	**23**	23
Total intermediate-term debt	**$1,096,481**	$ 765,431
LONG-TERM DEBT		
Of Wells Fargo & Company (Parent)		
3¼% Convertible Capital Notes due 1989	**$ 765**	$ 815
7⅞% Sinking Fund Debentures due 1997	**39,922**	39,922
8⅝% Notes due 1998	**37,500**	37,500
8.60% Debentures due 2002	**27,309**	27,309
Of Wells Fargo Bank, N.A.		
6½% Euro Deutsche Mark Debentures due 1988 of Wells Fargo International Investment Corporation	**7,134**	7,916
4½% Capital Notes due 1989	**38,777**	38,777
4¼%–4½% Collateral Trust and Mortgage Bonds due to 1993 of ATC Building Company and other mortgages on premises	**10,282**	11,307
Of Wells Fargo Leasing Corporation		
8% Senior Notes due 1988	**9,000**	10,500
Of Wells Fargo Realty Advisors		
9¾% Mortgage Note due 2003	**68**	68
Total long-term debt	**$ 170,757**	$ 174,114

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

(In thousands) 1983	1984	1985	1986	1987	After 1988	Total
$261,882	$75,107	$346,976	$7,171	$182,174	$484,273	$1,357,583(1)

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

10⅝% Notes due 1985	$100,000
12¼% Notes due 1989	$ 75,000
14½% Notes due 1991	$100,000
Other notes due to 1985	$ 36,000
15½% Guaranteed Notes due 1984	$ 50,000
15% Guaranteed Notes due 1985	$ 75,000
Zero Coupon Guaranteed Notes due February, 1988	$125,000
Zero Coupon Guaranteed Notes due September, 1988	$ 39,249

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

The 9.55% notes may be redeemed, in whole or in part, at par, at the Company's option beginning July 1, 1983. The 10⅝% notes may be redeemed, in whole or in part, at par, at the Company's option beginning June 15, 1984. The 13¼% notes may be redeemed, in whole or in part, at par, at the Company's option beginning October 1, 1986. The 12¼% notes may be redeemed, in whole or in part, at par, at the Company's option beginning October 15, 1986. The 14½% notes may be redeemed, in whole or in part, at par, at the Company's option beginning June 1, 1988.

Other notes of the Parent due in varying amounts to 1985 include three privately placed notes, each of which were issued at a discount. As stated above, the face amount of these notes totaled $36.0 million: $10.0 million 7% Note due June 30, 1984; $10.0 million 7% Note due August 1, 1984; and $16.0 million 9.325% Note due July 29, 1985.

All five issues of guaranteed notes, issued by Wells Fargo International Financing Corporation N.V. (WFIFC N.V.) and guaranteed by Parent, are redeemable in whole at any time in the event withholding taxes in the United States or the Netherlands Antilles are imposed. The 15% Guaranteed Notes due 1987 may be redeemed, in whole or in part, at par, at the option of WFIFC N.V. or the Parent, beginning March 15, 1986. None of the other four issues of guaranteed notes are redeemable prior to maturity except in the event mentioned above.

The 15% Guaranteed Notes due 1985 were issued with 150,000 warrants to purchase $150 million Zero Coupon Guranteed Notes due September 1988 at a discounted price to produce an annual yield-to-maturity of 14.75%. The warrants expired on September 10, 1982. Prior to expiration, 39,249 of the total 150,000 warrants were exercised on various dates from March 10, 1982 through September 10, 1982, resulting in the issuance of $39.2 million Zero Coupon Guaranteed Notes due September 10, 1988 at a discounted price of $17.9 million.

Other intermediate-term debt of the Bank includes $4.8 million payable in 60 monthly installments through 1987 at varying interest rates and $.5 million payable in monthly installments through 1983 at varying interest rates. These amounts are not guaranteed by the Parent.

The $6.3 million senior notes of Wells Fargo Leasing Corporation with interest at 9½% to 10½% may be prepaid under certain circumstances. The Parent has not guaranteed these notes; however, if the net worth of Wells Fargo Leasing Corporation falls below a certain level the Parent may be asked to purchase these notes.

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

The 3¼% Convertible Capital Notes originally issued by the Bank may be currently redeemed at the option of the Company at .3250 percent premium and at decreasing premiums in the future. These notes are convertible into common stock of the Company at $29.00 per share. The Parent has assumed joint and several liability for all payments of principal and interest on the convertible capital notes.

The 7⅞% Sinking Fund Debentures require an annual sinking fund payment of $3.1 million beginning November 15, 1982. Beginning November 15, 1982, the Company has the non-cumulative right at its option to increase its sinking fund payment in any year by an additional amount not exceeding $3.1 million. The Company satisfied its sinking fund payment on November 15, 1982 by delivering debentures to the trustee with a principal amount totaling $3.1 million. In addition, the Company has delivered debentures with a principal amount totaling $32.0 million to the trustee for use in satisfying future principal payments. In addition to sinking fund redemptions at par the Company may redeem debentures at a premium of 3.69 percent and at decreasing premiums after November 1983.

The 8⅝% notes require a mandatory annual principal payment of $1.7 million beginning November 1, 1983. At its option, beginning November 1, 1983, the Company has the non-cumulative right to increase principal payments by $1.7 million a year, of which it intends to prepay at least $.4 million a year (included above in the payment schedule). Beginning on November 1, 1983, the Company may prepay principal at a premium of 4.063 percent and at decreasing premiums thereafter. The Company currently holds $12.5 million of the notes.

The 8.60% Sinking Fund Debentures require an annual sinking fund payment of $3.0 million beginning April 1, 1987. Beginning April 1, 1987, the Company may at its option, at any time, redeem all or any part of the debentures prior to maturity at a premium of 4.30 percent and at decreasing premiums thereafter. The Company had delivered $22.7 million of the debentures to the trustee which it may use to satisfy future sinking fund payments.

The Euro Deutsche Mark Debentures require annual sinking fund payments of DM 5.0 million. The Company currently holds DM 12.9 million of the Debentures available for future sinking fund payments. Gains on repurchases of DM .9 million of these Debentures acquired in 1982 and DM 5.1 million acquired in 1981 are included in other income for 1982 and 1981, respectively. In addition to required sinking fund payments, redemptions can be made at a 2 percent premium and at decreasing premiums until maturity. Payment of principal and interest on the Euro Deutsche Mark Debentures has been guaranteed by the Parent.

The 4½% Capital Notes of the Bank may be currently redeemed at the option of the Bank at .45 percent premium and at decreasing premiums through 1983 and thereafter at par. The Parent has not guaranteed these notes.

The 4¼%–4½% Collateral Trust and Mortgage Bonds are payable in annual installments of $1.0 million until 1988 and then $.5 million until 1993. The Bonds are secured by deeds of trust on $39.2 million of Bank premises, at cost. The bonds can presently be redeemed at .780 percent premium for the 4¼% bonds and at

1.555 percent premium for the 4½% bonds. The other mortgages on premises comprising this category were secured by deeds of trust on $3.1 million of Bank premises at December 31, 1982. The Parent has not assumed or guaranteed the 4¼%–4½% collateral trust and mortgage bonds of ATC Building Company nor the other mortgages on Bank premises.

The 8% Senior Notes of Wells Fargo Leasing Corporation may be currently prepaid at a .8 percent premium until June 1, 1983, when the notes may be redeemed at par. The Parent has not guaranteed these notes.

The capital and convertible capital notes indentures contain provisions which, among other things, restrict the payment of dividends by the Bank and specify the maintenance of minimum amounts of the Bank's capital funds. The notes are subordinated to general obligations, to depositors and certain other creditors of the Bank.

The borrowing agreements for the Debentures, notes and mortgages include provisions which restrict the disposition of assets, the creation of property liens, the sale or issuance of the capital stock of the subsidiaries of the Company and the payment of cash dividends. See note 12 for discussion of restrictions as to payment of cash dividends. The Company was in compliance with the provisions of the borrowing agreements at December 31, 1982.

9 COMMON STOCK AND EMPLOYEE STOCK PLANS

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

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

In 1982, 211,000 options were granted for the purchase of common stock at an option price of $18.88 and 27,000 options were cancelled. Additionally, 37,400 tentative share rights were granted and 400 tentative share rights were cancelled under the restricted share rights portion of the plan. At December 31, 1982, none of the options granted in 1982 were exercisable and 529,000 remained available for grant.

Existing Plans In conjunction with the adoption of the EIP, the Existing Plans have been amended such that no additional awards or grants will be issued. In addition, existing shares may be converted to incentive stock option status in accordance with current tax laws. Loans, at the discretion of the Company, may be made to assist the participants in the purchase of shares under option.

Transactions involving the Existing Plans are summarized as follows:

	Number of Shares	
	1982	1981
Options outstanding at beginning of year	**587,000**	727,200
Granted	**—**	—
Cancelled	**(16,000)**	(12,500)
Forfeited (as defined below)	**(81,500)**	(127,700)
Outstanding at end of year	**489,500**	587,000
Exercisable at end of year	**489,500**	360,500
Options available for grant at end of year	**—**	140,316
Price range of options:		
Outstanding	**$20.25–$28.13**	$20.25–$28.13
Forfeited (as defined below)	**$20.25–$28.13**	$20.25–$28.13

As of December 31, 1982, the Existing Plans had 72,950 tentative share rights outstanding to 77 employees. The tentative share rights convert into final share rights during the second quarter of 1984 based on the Company's performance in 1981, 1982 and 1983. The holders of the share rights are entitled to the number of shares of common stock represented by the final share rights held by each person on January 1, 1986.

The terms of the EIP and the Existing 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. Compensation expense is accrued for the forfeiture component for both the EIP and the Existing Plans. The amount of expense accrued in 1982 was $.6 million for the EIP and $1.8 million for the Existing Plans. The expense was reduced in 1981 by $1.0 million for the Existing Plans, due to a decline in year-end stock prices. The expense accrued in 1980 for the Existing Plans was $1.6 million.

Employee Stock Purchase Plan Employees of the Company with over one year of service are eligible to participate in the Company's stock purchase plan. The plan provides for an option price of the lower of market value at grant date or 90 percent of fair market value at the end of the option period, twelve months after the date of the grant. In 1982, approximately 82,000 shares were issued under the plan, and, at December 31, 1982, options for approximately 142,000 shares, based on their value at the date of grant, were outstanding. Additional options for 442,000 shares at December 31, 1982 were available for grant through 1983. The plan is non-compensatory and results in no expense to the Company.

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

	Number of Shares	
	1982	1981
Options outstanding at beginning of year	**106,365**	123,452
Granted	**148,732**	115,281
Cancelled	**(30,940)**	(21,494)
Exercised ($18.97 in 1982 and $25.98 in 1981)	**(82,183)**	(110,874)
Outstanding at end of year	**141,974**	106,365
Options available for grant at end of year	**442,000**	535,000

COMMON STOCK The following table summarizes common stock reserved, available for issue, and issued and outstanding as of December 31, 1982:

	Number of shares
3¼% Convertible capital notes	26,376
Warrants	399,960
Employee stock purchase plan	557,823
Employee stock ownership plan	65,564
Dividend reinvestment plan	1,270,893
Incentive and savings plan	206,273
Stock option plan	317,665
Restricted share rights plan	400,000
Stock option and appreciation plan	400,000
Equity incentive plan	750,000
Total shares reserved	4,394,554
Shares available for issue	21,998,725
Shares issued and outstanding	23,606,721
Total shares authorized	50,000,000

Warrants to purchase a total of 399,960 shares of common stock of the Company at a price of $24.63 per share, attached to Euro Deutsche Mark Debentures, are currently detachable and expire on October 1, 1988.

10 EMPLOYEE BENEFITS

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

	Year ended December 31,		
(In thousands)	**1982**	1981	1980
Retirement plans	**$14,233**	$11,688	$11,061
Profit sharing plans	**$ 7,711**	$ 6,360	$ 6,197

RETIREMENT PLAN The Company has a non-contributory, defined benefit retirement plan which covers substantially all employees. Current service costs are funded as accrued. Past service costs are amortized and funded over periods ranging from 15 to 40 years from the date such costs were established. In 1981, the Company identified the portion of the plan liability attributable to participants who retired before December 31, 1981. The Plan established a dedicated bond portfolio with plan assets which was designed to produce a yield of 13.7 percent at the time of dedication. The effect of an improved return in the dedicated portion of the plan results in an actuarial gain. The actuarial gain is being amortized equally over 15 years and is expected to result in a reduction in the provision of approximately $2.3 million annually which started in 1981. Also in 1981, the mortality assumption was changed to anticipate longer life expectancy, resulting in an addition in the provision of approximately $1 million starting in 1981. Effective January of each year the plan was amended to redetermine pension credits based on the five-year average salary through December 31 of the previous year for service to that date. This results in an addition to the provision of approximately $.4 million starting in 1982 and $.3 million starting in 1981. Also, the plan has been amended to permit certain early retirements during a window period that ended December 31, 1982.

The following plan benefit and asset information is presented for plan years which ended on December 31, on an estimated basis for 1982 and with final amounts for 1981.

ACTUARIAL PRESENT VALUE OF ACCUMULATED BENEFITS

	December 31,	
(In thousands)	1982	1981
Vested	**$137,000**	$104,000
Nonvested	**11,400**	21,000
Total	**$148,400**	$125,000
Net assets available for benefits	**$152,100**	$117,100

For those participants who retired before December 31, 1981, the value of the plan benefits is set equal to the market value of the dedicated assets. Starting in 1982 the assumed rate of return used in determining the actuarial present value of accumulated plan benefits for other participants was 10 percent, a market rate of interest which approximates Pension Benefit Guaranty Corporation rates. Previously a rate of 7¼ percent was used. The present value of 1981 benefits has not been restated to reflect this change in method of selecting the rate. The effect of this change was to reduce the total present value of accumulated benefits at December 31, 1982 by approximately $34.5 million.

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

Under the employee stock ownership plan, the Company is allowed to make certain reductions in its federal income tax payments if the savings are passed on to employees in the form of stock ownership through the plan. All salaried employees of participating Wells Fargo companies who have worked for three continuous years and are not participants in a stock option plan are eligible to participate.

The Company has made a contribution to the Plan of $1.8 million as a result of utilizing the 1980 plan years' tax credits on its 1981 tax return. The Company has postponed the decision as to whether the 1981 and 1982 plan years' tax credits will be utilized as reductions of the Company's federal tax liability. No employee benefits expense for the employee stock ownership plan was accrued during 1982. If such credits are utilized in future tax years, plan participants will receive their portion of the contribution.

11 INCOME TAXES

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

	Year ended December 31,		
(In thousands)	1982	1981	1980
PARENT			
Current:			
Federal	**$(21,140)**	$ (8,721)	$ (3,234)
State and local	**(3,956)**	(2,150)	(2,048)
	(25,096)	(10,871)	(5,282)
Deferred:			
Federal	**9,730**	(6,075)	(3,791)
State and local	**669**	(1,699)	501
	10,399	(7,774)	(3,290)
Total	**$(14,697)**	$(18,645)	$ (8,572)
CONSOLIDATED			
Current:			
Federal	**$ 2,435**	$ 5,799	$ 1,140
State and local	**17,499**	16,688	12,376
Foreign	**24,683**	13,646	12,134
	44,617	36,133	25,650
Deferred:			
Federal	**(22,860)**	(3,772)	24,307
State and local	**(2,040)**	(4,876)	418
Foreign	**5,447**	3,889	1,014
	(19,453)	(4,759)	25,739
Total	**$ 25,164**	$ 31,374	$51,389

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

	Year ended December 31,		
(In thousands)	1982	1981	1980
PARENT			
Cash basis accounting for tax purposes	**$ 10,489**	$ (7,829)	$ (2,423)
Other	**(90)**	55	(867)
Total	**$ 10,399**	$ (7,774)	$ (3,290)
CONSOLIDATED			
Cash basis accounting for tax purposes	**$(38,012)**	$(16,641)	$(16,294)
Deferred income on lease financing	**52,904**	10,088	38,927
Greater (lesser) loan loss deduction for income tax purposes	**(14,968)**	1,722	2,275
Deferred gains for book purposes on sales of real property	**(16,141)**	—	—
Realization of losses on sales of equity investments	**5,280**	—	—
Other	**(8,516)**	72	831
Total	**$(19,453)**	$ (4,759)	$ 25,739

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

The reconciliation on page 76 of the statutory federal income tax rate to the effective tax rate is based on income before securities transactions.

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

The Company had deferred income taxes payable of $124.6 million, $145.4 million and $134.1 million at December 31, 1982, 1981 and 1980, respectively. It had current income taxes payable of $2.3 million and $6.9 million at December 31, 1982 and 1981, respectively. At December 31, 1980, the Company had a current income tax refund receivable of $.1 million.

For financial statement purposes, the Company had deferred investment tax credits for property purchased for lease to customers of $38.1 million at December 31, 1982, $44.3 million at December 31, 1981 and $33.3 million at December 31, 1980.

Investment tax credits of $13.1 million generated by the Company in 1982 will be carried to future years' tax returns. Investment tax credits of $16.1 million generated in 1980 were carried to 1981 and $18.2 million generated in 1981 were carried to 1982. These credit carryforwards expire 15 years after the year in which the credit originated.

The Company has not provided federal taxes on $52.9 million of undistributed earnings of foreign subsidiaries and an affiliate since these earnings are indefinitely reinvested in those corporations. If these earnings were distributed back to the Parent, federal taxes, on the undistributed eanrings, less credit for foreign taxes, would be provided at that time.

The Company's income before taxes and securities transactions includes approximately $116 million, $93 million and $63 million from its foreign subsidiaries and branches for 1982, 1981 and 1980, respectively.

	Year ended December 31,		
	1982	1981	1980
PARENT			
Statutory federal income tax rate	**46.0 %**	46.0 %	46.0 %
Increase (decrease) in tax rate resulting from:			
Dividends from and undistributed earnings of subsidiaries	**(53.8)**	(53.4)	(48.3)
Gain on redemption of debt	**—**	(4.9)	(2.7)
State and local taxes on income, net of federal income tax benefit	**(1.1)**	1.7	.7
Other	**.3**	(4.5)	(3.3)
Effective tax rate	**(8.6)%**	(15.1)%	(7.6)%
CONSOLIDATED			
Statutory federal income tax rate	**46.0 %**	46.0 %	46.0 %
Increase (decrease) in tax rate resulting from:			
Tax exempt interest income	**(9.8)**	(14.4)	(11.9)
State and local taxes on income, net of federal income tax benefit	**4.6**	4.1	4.5
Gain on redemption of debt	**—**	(4.1)	(2.8)
Amortization of investment tax credit	**(3.9)**	(2.6)	(1.2)
Investment tax credit on furniture and equipment	**(3.3)**	(4.3)	(1.6)
Capital gain rate difference	**(5.4)**	(3.2)	(.5)
Indefinitely reinvested earnings of foreign subsidiaries and an affiliate	**(8.6)**	(1.0)	—
Adjustment of prior years' deferred tax accruals	**(4.5)**	—	—
Other	**1.7**	.5	(2.8)
Effective tax rate	**16.8 %**	21.0 %	29.7 %

12 DIVIDENDS & UNDIVIDED PROFITS

Dividends payable by the Parent to its shareholders are restricted by certain debt covenants. Under the most restrictive of these, as of December 31,1982, the Parent could have declared additional dividends of approximately $564 million.

Dividends payable by the Bank to the Parent without the express approval of the Comptroller of the Currency are limited to the Bank's net profits (as defined) for the current year combined with its retained net profits for the preceding two years. Under this formula, as of December 31,1982, the Bank could have declared additional dividends of approximately $208 million.

As a member of the Federal Reserve System, the Bank is subject to certain restrictions under the Federal Reserve Act, including restrictions on any extension of credit to its affiliates. In particular, the Parent and its nonbanking subsidiaries are prohibited from borrowing from the Bank unless the loans are secured by specified obligations. Such secured loans and other regulated investments by the Bank to the Parent or to any such subsidiary are limited in amount to 10 percent of the Bank's capital and surplus and in the aggregate to 20 percent of the Bank's capital and surplus. At December 31, 1982, the Bank had no loans outstanding to the Parent.

Net assets of the consolidated and unconsolidated subsidiaries are restricted from distribution to the Parent as described above. At December 31, 1982, such restrictions on net assets totaled $803.2 million, and total net assets of these subsidiaries were $1.2 billion.

The retained earnings of the Parent included $569.5 million, $477.7 million and $404.9 million of undistributed earnings of subsidiaries at December 31, 1982, 1981 and 1980, respectively.

13 FOREIGN ACTIVITIES

(In millions)	December 31, **1982**	1981
ASSETS		
Interest-bearing deposits	**$ 843**	$ 846
Acceptances	**580**	346
Loans (1):		
Government sector:		
Loans to or guaranteed by central governments and central banks	**561**	384
Loans to other government entities	**497**	305
Private sector:		
Loans to commercial banks	**731**	463
Loans to other private entities for commercial and industrial purposes	**986**	937
Total loans	**2,775**	2,089
Total assets	**$4,198**	$3,281
LIABILITIES		
Deposits of banks located in foreign countries:		
Interest-bearing	**$ 895**	$ 555
Non-interest-bearing	**73**	104
Total	**968**	659
Deposits of foreign governments and institutions	**404**	57
Other deposits:		
Interest-bearing	**1,010**	1,455
Non-interest-bearing	**48**	41
Total	**1,058**	1,496
Total deposits (2)	**2,430**	2,212
Acceptances	**580**	346
Total liabilities	**$3,010**	$2,558

(1) The Company's foreign activities as a lessor were not significant.

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

The excess of assets over liabilities above represents funds transferred from domestic operations to foreign operations. Such transfers are made at market rates.

The allowance for loan losses related to foreign activities for 1982, 1981 and 1980 has changed as follows:

(In thousands)	**1982**	1981	1980
Balance at January 1	**$13,054**	$14,883	$12,040
Provision charged to expense	**14,577**	2,325	(1,846)
Other	**(475)**	(1,733)	1,753
Recoveries of amounts charged off	**138**	884	3,080
Loans charged to the allowance	**(3,194)**	(3,305)	(144)
Balance at December 31	**$24,100**	$13,054	$14,883

Total operating revenue, net income and identifiable assets by geographic area at December 31, 1982, 1981 and 1980 or for the years then ended were as follows:

1982

(In millions)	Domestic operations	Foreign activities: Canada	Europe	Latin America and Mexico	Asia and Pacific Basin	Middle East and Africa	**Total**
Total operating revenue	$ 2,650.9	$ 33.2	$ 187.9	$ 245.7	$145.3	$ 27.3	**$ 3,290.3**
Income before income taxes and securities transactions	$ 75.4	$ 4.9	$ 27.9	$ 36.5	$ 21.6	$ 4.0	**$ 170.3**
Net income	$ 89.3	$ 2.5	$ 14.5	$ 19.0	$ 11.2	$ 2.1	**$ 138.6**
Identifiable assets:							
Net loans and leases	$16,800.6	$ 80.8	$ 572.5	$1,585.0	$379.7	$157.0	**$19,575.6**
Acceptances	206.5	—	147.3	161.3	247.4	23.5	**786.0**
Interest-bearing deposits	147.3	137.4	277.4	75.8	341.6	11.0	**990.5**
Other	3,461.9	—	—	—	—	—	**3,461.9**
Total identifiable assets	$20,616.3	$218.2	$ 997.2	$1,822.1	$968.7	$191.5	**$24,814.0**

1981

(In millions)	Domestic operations	Foreign activities: Canada	Europe	Latin America and Mexico	Asia and Pacific Basin	Middle East and Africa	Total
Total operating revenue	$ 2,690.9	$ 14.2	$ 213.0	$ 237.7	$117.1	$ 33.5	$ 3,306.4
Income before income taxes and securities transactions	$ 109.0	$ 1.1	$ 17.4	$ 19.6	$ 9.6	$ 2.7	$ 159.4
Net income	$ 97.8	$ .6	$ 9.1	$ 10.1	$ 5.0	$ 1.4	$ 124.0
Identifiable assets:							
Net loans and leases	$15,734.7	$ 31.3	$ 475.3	$1,147.2	$303.0	$131.9	$ 17,823.4
Acceptances	94.9	—	104.7	149.4	75.7	16.7	441.4
Interest-bearing deposits	12.5	34.0	443.1	70.2	286.5	12.3	858.6
Other	4,095.8	—	—	—	—	—	4,095.8
Total identifiable assets	$19,937.9	$ 65.3	$1,023.1	$1,366.8	$665.2	$160.9	$ 23,219.2

1980

(In millions)	Domestic operations	Foreign activities: Canada	Europe	Latin America and Mexico	Asia and Pacific Basin	Middle East and Africa	Total
Total operating revenue	$ 2,167.3	$ 6.5	$ 88.9	$ 162.9	$ 82.5	$ 37.4	$ 2,545.5
Income before income taxes and securities transactions	$ 126.9	$ .8	$ 5.6	$ 26.7	$ 9.0	$ 4.1	$ 173.1
Net income	$ 98.9	$ .4	$ 2.8	$ 13.3	$ 4.5	$ 2.0	$ 121.9
Identifiable assets:							
Net loans and leases	$14,773.3	$ 37.3	$ 338.1	$ 977.2	$ 365.5	$201.0	$ 16.692.4
Acceptances	35.2	—	80.2	266.3	542.8	19.6	944.1
Interest-bearing deposits	63.9	40.0	873.0	248.8	210.4	2.0	1,438.1
Other	4,563.5	—	—	—	—	—	4,563.5
Total identifiable assets	$19,435.9	$ 77.3	$1,291.3	$1,492.3	$1,118.7	$222.6	$ 23,638.1

A condensed income statement for foreign activities follows:

(In thousands)	**1982**	Year ended December 31, 1981	1980
Interest income	**$593,282**	$577,904	$357,177
Interest expense	**472,084**	502,264	288,135
Net interest income	**121,198**	75,640	69,042
Provision for loan losses	**14,577**	2,325	(1,846)
Net interest income after provision for loan losses	**106,621**	73,315	70,888
Other income	**46,662**	37,638	21,081
Other expense	**58,383**	60,593	45,851
Income before income taxes	**$ 94,900**	$ 50,360	$ 46,118
Net income (1)	**$ 49,348**	$ 26,187	$ 23,059

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

The net consolidated gains arising out of foreign currency transactions during the year and included in the determination of net income were $14.2 million in 1982, $17.3 million in 1981 and $4.4 million in 1980. In 1982, a pretax translation adjustment of $1.1 million was charged directly to retained earnings and in 1981, a cumulative pretax translation adjustment of $3.2 million was charged directly to retained earnings as a result of the adoption of Financial Accounting Standards Board Statement No. 52, "Foreign Currency Translation." In prior years, comparable amounts had been included in the determination of net income.

14 LEASE COMMITMENTS

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

(In thousands)	Cost	Accumulated amortization	Net
AT DECEMBER 31, 1982			
Premises	**$128,488**	**$37,377**	**$91,111**
Furniture and equipment	**13**	**5**	**8**
Total	**$128,501**	**$37,382**	**$91,119**
AT DECEMBER 31, 1981			
Premises	$ 89,374	$ 36,404	$52,970
Furniture and equipment	13	3	10
Total	$ 89,387	$ 36,407	$52,980

In addition to capital leases, the Company is obligated under a number of non-cancelable operating leases for premises and equipment with terms ranging from one to 35 years, many of which provide for periodic adjustment of rentals based on changes in various economic indicators. Future minimum payments under capital leases and non-cancelable operating leases with terms in excess of one year as of December 31, 1982 are as follows:

(In thousands)	Capital leases	Operating leases
Year ended December 31,		
1983	$ 17,843	$ 33,308
1984	17,620	29,569
1985	17,407	21,363
1986	17,330	14,552
1987	17,225	13,576
Thereafter	289,682	67,497
Total minimum lease payments	377,107	$179,865
Executory costs	(62,564)	
Amounts representing interest	(207,775)	
Present value of net minimum lease payments	$106,768	

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

	Year ended December 31,		
(In thousands)	1982	1981	1980
Consolidated	$55,630	$40,416	$28,914

15 INTEREST RATE FUTURES

The Company has accounted for interest rate futures in accordance with the rules proposed by a special task force of the American Institute of Certified Public Accountants in an issues paper submitted to the FASB. Interest rate futures contracts are purchased to protect net interest spreads. The Company had long positions in interest rate futures contracts of $507 million at December 31, 1982 and $475 million at December 31, 1981. There were also deferred gains on closed positions of $2.4 million at December 31, 1982 and $1.2 million at December 31, 1981.

16 PARENT COMPANY FINANCING

Notes with original maturities greater than one year receivable by the Parent from its subsidiaries are on page 81.
Short-term advances are made by the Parent under credit agreements with the subsidiaries. The rate charged is approximately equal to the cost incurred by the Parent in acquiring the funds advanced to the subsidiaries.

			December 31,	
	1982		1981	
(In thousands)	Intermediate-term	Long-term	Intermediate-term	Long-term
WELLS FARGO BANK, N.A.				
8¼% Subordinated capital note due 1998	$ —	$25,000	$ —	$25,000
FINANCE SUBSIDIARIES				
Wells Fargo Credit Corporation:				
11.85% Note due 1983	10,000		10,000	
12.55% Note due 1983	35,000		35,000	
15.05% Note due 1984	8,102		8,102	
15.70% Note due 1984	7,968		7,968	
16.05% Note due 1984	15,000			
14.00% Note due 1985			34,000	
12.56% Note due 1985			40,000	
18.50% Note due 1985	21,000			
15.58% Note due 1985	25,000			
10.84% Note due 1985	17,490			
15.10% Note due 1987	15,000			
13.50% Note due 1987	51,100			
17.71% Note due 1988	16,600			
14.45% Note due 1988	8,800			
12.50% Note due 1989	38,200			
14.95% Note due 1991			33,500	
19.32% Note due 1991	22,500			
8¾% Note due 2002		7,200		7,200
Wells Fargo Leasing Corporation:				
11.85% Note due 1983	10,000		10,000	
12.55% Note due 1983	25,000		25,000	
16.05% Note due 1984	10,000			
15.58% Note due 1985	32,000			
9¾% Note due 1985	25,000		25,000	
10.95% Note due 1985	25,000		25,000	
15.82% Note due 1985	12,860		12,860	
15.10% Note due 1987	15,000			
15.00% Note due 1988	21,600			
14.95% Note due 1991	41,500		41,500	
7½% Subordinated debenture due 1997		15,000		15,000
8¾% Note due 2002		25,000		25,000
Wells Fargo Mortgage Company:				
12.55% Note due 1983	5,000		5,000	
9¾% Note due 1985	10,000		10,000	
10.95% Note due 1985	5,000		5,000	
15.10% Note due 1987	5,000			
15.00% Note due 1988	5,000			
8¼% Subordinated debenture due 1998		6,800		6,800
Wells Fargo Ag Credit:				
16.05% Note due 1984	8,500			
Wells Fargo Realty Advisors:				
11.85% Note due 1983	5,000		5,000	
12.55% Note due 1983	5,000		5,000	
16.05% Note due 1984	5,000			
13.81% Note due 1985	12,000			
9¾% Note due 1985			25,000	
10.95% Note due 1985	15,000		15,000	
15.10% Note due 1987	15,000			
13.50% Note due 1987	4,700			
15.00% Note due 1988	5,000			
14.45% Note due 1988	800			
12.50% Note due 1989	3,500			
14.95% Note due 1991	5,000		5,000	
7½% Subordinated debenture due 1997		2,800		2,800
8¼% Subordinated debenture due 1998		7,200		7,200
8¾% Note due 2002		10,000		10,000
Total Finance Subsidiaries	624,220	74,000	382,930	74,000
OTHER SUBSIDIARIES				
Wells Fargo Financing Corporation:				
11.00% Note due 1986	94,000		50,000	
Total	$718,220	$99,000	$432,930	$99,000

17 INTER-COMPANY TRANSACTIONS

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

Under an agreement with the Bank, Wells Fargo Mortgage Company (WFMC) receives a brokerage fee for loans recommended to and accepted by the Bank. WFMC received brokerage fees totaling $.1 million in 1982, $.9 million in 1981, and $1.9 million in 1980. WFMC also services real estate loans for the Bank and for Wells Fargo Credit Corporation (WFCC), another affiliate. Fees received under this program were $2.7 million in 1982, $2.1 million in 1981, and $1.5 million in 1980. WFMC may purchase up to 90 percent participation in certain construction loans and intermediate-term real estate loans with the Bank and with Wells Fargo Realty Advisors (WFRA), another affiliate. WFMC's participation in such loans was $57.4 million at December 31, 1982, $36.4 million at December 31, 1981 and $33.1 million at December 31, 1980. WFMC also markets loans on behalf of the Bank for a fee. Fee income relating to this service was $.3 million in 1982, $.2 million in 1981 and $.3 million in 1980. In 1982, WFMC received $.7 million in fees from the Bank for arranging the sale of two major real estate holdings.

Wells Fargo Leasing Corporation (WFLC) provides servicing for lease financing of the Bank and leases certain assets to the Bank. The fees received for these services and WFLC's share of the gain on sale of assets involved in the Bank's equipment leasing program were $.4 million in 1982, $1.2 million in 1981 and $.3 million in 1980.

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

WFRA is involved in participation agreements with the Bank and with WFMC. At December 31, 1982, the Bank participated $60.8 million loans with WFRA and WFMC participated $29.8 million loans with WFRA.

Wells Fargo International Financing Corporation N.V. (WFIFC) raises intermediate-term funds in eurodollar markets and makes loans to the Parent. At December 31, 1982, WFIFC had $273.3 million receivable from the Parent. At December 31, 1981, WFIFC had $30.7 million receivable from the Parent and $95.5 million from the nonbank subsidiaries. WFIFC also makes demand loans to the nonbank subsidiaries. At December 31, 1982, WFIFC had $102.5 million receivable from WFCC and $13.0 million receivable from WFRA. At December 31, 1981, WFIFC had $51.0 million receivable from WFCC.

See note 16 for Parent company financing of the subsidiaries.

18 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 1982 and 1981. Substantially all such loans were made by the Bank in the ordinary course of business at the Bank's normal credit terms, including interest rate and collateralization, and none represent more than a normal risk of collection. Such loans at December 31, 1982 and 1981 amounted to approximately 5 percent of total stockholders' equity and approximately one quarter of 1 percent of total assets.

19 COMMITMENTS & CONTINGENT LIABILITIES

In the normal course of business there are various commitments outstanding and contingent liabilities, such as foreign exchange contracts, letters of credit and commitments to extend credit, which are not reflected in the accompanying financial statements. The Bank had outstanding commitments under stand-by letters of credit at December 31, 1982 totaling $824 million. 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.

20 FINANCIAL REPORTING AND CHANGING PRICES (unaudited)

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

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

BASIS OF SUPPLEMENTARY PRESENTATION The financial data set forth below were calculated by adjusting certain historical cost information by the average Consumer Price Index for All Urban Consumers (CPI) to reflect changes in the general purchasing power of the dollar. The resulting numbers are generally referred to as historical cost/constant dollar amounts and are intended to eliminate financial statement distortions caused by general inflation. Such distortions generally include overstatement of reported earnings and understatement of reported effective rates of taxation.

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

The principal difference between 1982 income from continuing operations as determined on the historical cost/constant dollar basis and net income as reported in the financial statements is additional depreciation expense in the historical cost/constant dollar presentation caused by increasing the value of premises and equipment before computing depreciation expense thereon. It should be noted that the accounting principles involved do not change under historical cost/constant dollar assumptions; only the unit of measure changes under this concept. Restatement based on current cost data has been omitted because there is no material difference from constant dollar data.

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

The Company believes that comparisons of price level adjusted data are most meaningful when interpreted in terms of trends and relationships among the periods. Management believes that these effects are more appropriately measured through careful analysis of interest-rate sensitivity and liquidity management as discussed in Management's Analysis of Financial Operations on pages 38 through 41. Management does not believe that the restatement of financial data based on changes in the CPI is necessarily indicative of the effects of inflation on financial institutions. The nature of the Company's operations is such that there will always be an excess of monetary assets over monetary liabilities. Therefore, this calculation will always show a loss of purchasing power in periods of price increases. However, this is not necessarily the most meaningful way to assess the impact of inflation on a financial institution.

STATEMENT OF INCOME FROM CONTINUING OPERATIONS ADJUSTED FOR CHANGING PRICES

(In thousands) (Average 1982 dollars)	Year ended December 31, 1982
Reported income after securities transactions but before taxes	$163,802
Less tax provision and tax effect of securities transactions	25,164
Historical net income	138,638
Adjustment to restate costs for the effect of general inflation	
Depreciation and amortization expenses	(39,313)
Income from continuing operations	$ 99,325
Loss from decline in purchasing power of net amounts of monetary assets held (not tax effected)	$ 21,295

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

SUPPLEMENTARY FIVE-YEAR COMPARISON OF SELECTED FINANCIAL DATA ADJUSTED FOR THE EFFECTS OF CHANGING PRICES

(In thousands, except per share amounts) (Dollars expressed in average 1982 dollars)				Year ended December 31,	
Historical cost information adjusted for general inflation	**1982**	1981	1980	1979	1978
Net interest income (after provision for possible loan and lease losses)*	**$ 706,480**	$ 708,465	$ 703,574	$ 831,978	$809,959
Income before gains/losses on securities transactions	**$ 102,447**	$ 114,650	$ 123,690	$ 171,119	
Income from continuing operations	**$ 99,325**	$ 112,582	$ 123,839	$ 162,099	
Per common share:					Information
Income before gains/losses from securities transactions	**$4.29**	$4.92	$5.41	$7.55	not
Net income	**$4.16**	$4.84	$5.41	$7.15	
Purchasing power loss on net monetary assets held during the year	**$ 21,295**	$ 51,369	$ 76,735	$ 87,750	required
Net assets at year end	**$1,612,655**	$1,565,671	$1,410,364	$1,387,163	
Other information:					
Cash dividends declared per common share	**$1.92**	$2.04	$2.25	$2.29	$2.07
Market price per common share at year end	**$26⅞**	$ 27	33⅜	35¾	40⅛
Average consumer price index	**289.1**	272.4	246.8	217.5	195.4

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

ACCOUNTANTS' REPORT

The Board of Directors and Stockholders of Wells Fargo & Company

We have examined the balance sheets of Wells Fargo & Company (Parent) as of December 31, 1982 and 1981 and the related statements of income, stockholders' equity, and changes in financial position for each of the years in the three-year period ended December 31, 1982; and the consolidated balance sheets of Wells Fargo & Company and Subsidiaries as of December 31, 1982 and 1981 and the related consolidated statements of income, stockholders' equity, and changes in financial position for each of the years in the three-year period ended December 31, 1982. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of Wells Fargo & Company (Parent), and the consolidated financial position of Wells Fargo & Company and Subsidiaries at December 31, 1982 and 1981, 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, 1982, all in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell + Co.

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

San Francisco, California
January 17, 1983

DIRECTORS

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

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

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

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

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

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

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

Robert L. Kemper
Vice Chairman of the Board

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

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

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

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

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

Arjay Miller
Emeritus Dean, Graduate School of Business, Stanford University

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

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

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

B. Regnar Paulsen
Retired Chairman of the Board, Rice Growers Association of California

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

Carl E. Reichardt
Chairman, President 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. (communications consultants)

Henry F. Trione
Chairman of the Board, Geyser Peak Winery

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

DIRECTORS EMERITUS

Wells Fargo Bank, N.A.

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

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

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

MANAGEMENT

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

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

*Vice Chairman of the Board
Robert L. Kemper

*Vice Chairman
Paul Hazen

*Vice Chairman
Richard M. Rosenberg

Executive Vice Presidents
Richard J. Borda
Thomas H. Boughey
Lewis W. Coleman
R. Thomas Decker
Ronald E. Eadie
Gordon S. Grout
John F. Grundhofer
E. Alan Holroyde
Robert L. Joss
Richard Oppenheimer
Jesun Paik
David M. Petrone
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
Orion A. Hill, Jr.

Senior Vice President and Treasurer
Alan J. Pabst

Vice President and Controller
David L. Rice

Vice President and Director of Investor Relations
Timothy Shahen

*Member of the Executive Office

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

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

*Vice Chairman of the Board
Robert L. Kemper

*Vice Chairman
Paul Hazen

*Vice Chairman
Richard M. Rosenberg

Commercial Banking Group
John F. Grundhofer
Executive Vice President

Corporate Banking Group
R. Thomas Decker
Executive Vice President

Domestic Correspondent Banking
Richard J. Borda
Executive Vice President and Manager

Credit Policy Group
Gordon S. Grout
Executive Vice President

Finance Group
Frank N. Newman
Executive Vice President

Funding Group
Thomas H. Boughey
Executive Vice President

International Banking Group
Lewis W. Coleman
Executive Vice President

Jesun Paik
Executive Vice President and Deputy Manager

Marketing and Communications Group
Douglas M. Brown
Senior Vice President

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

Northern Area
James C. Flood
Executive Vice President

Southern Area
David D. Brown
Executive Vice President

Strategy and Systems Group
Jack L. Hancock
Senior Vice President

Trust and Investment Group
Robert L. Joss
Executive Vice President

Wells Fargo Bank Global Facilities

Subsidiaries

Wells Fargo Asia Limited:
Singapore and Hong Kong

Wells Fargo Bank Canada:
Calgary and Toronto

Wells Fargo Bank International:
New York and Miami

Wells Fargo Corporate Services, Inc.:
San Francisco

Wells Fargo Latin American Bank Cayman Islands Limited:
Grand Cayman

Wells Fargo Limited:
London

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

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

Major Affiliates

Dubai Bank Limited
Dubai

Ecuatoriana de Financiamientos, S.A.
Guayaquil, Ecuador

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

Shanghai Commercial Bank Limited
Hong Kong

Wells Fargo Commercial Nonbank Subsidiaries

Richard Oppenheimer
Executive Vice President

Wells Fargo Ag Credit
Englewood, Colorado
Ralph E. Peters, 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
Robert Crudo, Senior Vice President

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

Wells Fargo Realty Services, Inc.
Pasadena, California
James V. Marmorstone, President

Wells Fargo Securities Clearance Corporation
New York, New York
William W. Jahnke, President

Wells Fargo Real Estate Nonbank Subsidiaries

David M. Petrone
Executive Vice President

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

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

The International Advisory Council

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

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

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

Edward Carlson
Chairman of the Executive Committee, UAL, Incorporated
Chicago, Illinois

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

Göran Ennerfelt
President,
Axel Johnson and Company
Stockholm, Sweden

Sir Campbell Fraser
Chairman,
Dunlop Holdings, Limited
London, England

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

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

Ahmed Juffali
Juffali & Brothers
Jedda, Saudi Arabia

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

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

Jonkheer H. Kraijenhoff
Akzo-nv
Arnhem, The Netherlands

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

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

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

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

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

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

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

Stock Exchange Listings

New York Stock Exchange
Pacific Stock Exchange
London Stock Exchange
Frankfurter Börse

Transfer Agents

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

Registrars of Stock

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

Notice to Shareholders

The annual meeting of Wells Fargo & Company will be held at 2 p.m. on Tuesday, April 19, 1983, at 420 Montgomery St., San Francisco, California.

WFC0383B