WELLS FARGO & CO/MN
Form 10-Q
November 07, 2002

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

ý **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2002

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-2979

WELLS FARGO & COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**41-0449260**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

420 Montgomery Street, San Francisco, California 94163

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **1-800-411-4932**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ý No o

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

	Shares Outstanding October 31, 2002
Common stock, $1 2/3 par value	1,691,889,476

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The information furnished in these interim statements reflects all adjustments that are, in the opinion of management, necessary for a fair statement of the results for such periods. Such adjustments are of a normal recurring nature, unless otherwise disclosed in this Form 10-Q. The results of operations in the interim statements are not necessarily indicative of the results that may be expected for the full year. The interim financial information should be read in conjunction with Wells Fargo & Company's 2001 Annual Report on Form 10-K.

PART I FINANCIAL INFORMATION

WELLS FARGO & COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME

(in millions, except per share amounts)	Quarter ended Sept. 30, 2002	Quarter ended Sept. 30, 2001	Nine months ended Sept. 30, 2002	Nine months ended Sept. 30, 2001
INTEREST INCOME				
Securities available for sale	**$ 582**	$ 669	**$ 1,893**	$ 1,885
Mortgages held for sale	**591**	425	**1,622**	1,055
Loans held for sale	**52**	69	**194**	251
Loans	**3,400**	3,583	**10,072**	11,094
Other interest income	**74**	70	**225**	227
Total interest income	**4,699**	4,816	**14,006**	14,512
INTEREST EXPENSE				
Deposits	**483**	845	**1,459**	2,949
Short-term borrowings	**124**	316	**429**	1,037
Long-term debt	**367**	431	**1,041**	1,439
Guaranteed preferred beneficial interests in Company's subordinated debentures	**30**	23	**88**	59
Total interest expense	**1,004**	1,615	**3,017**	5,484
NET INTEREST INCOME	**3,695**	3,201	**10,989**	9,028
Provision for loan losses	**395**	455	**1,295**	1,243
Net interest income after provision for loan losses	**3,300**	2,746	**9,694**	7,785
NONINTEREST INCOME				
Service charges on deposit accounts	**560**	470	**1,612**	1,370
Trust and investment fees	**439**	424	**1,330**	1,256
Credit card fees	**242**	203	**666**	579
Other fees	**372**	303	**1,009**	921
Mortgage banking	**426**	369	**1,198**	1,277
Insurance	**234**	196	**766**	524
Net gains on debt securities available for sale	**121**	97	**202**	166
Loss from equity investments	**(152)**	(58)	**(230)**	(1,477)
Other	**103**	279	**471**	627
Total noninterest income	**2,345**	2,283	**7,024**	5,243
NONINTEREST EXPENSE				
Salaries	**1,110**	1,020	**3,292**	3,015
Incentive compensation	**446**	315	**1,165**	784
Employee benefits	**304**	223	**997**	737
Equipment	**232**	217	**697**	672
Net occupancy	**278**	240	**821**	716
Goodwill		156		452
Core deposit intangibles	**38**	41	**118**	125
Net (gains) losses on dispositions of premises and equipment		(2)	**26**	(21)
Other	**999**	977	**3,023**	2,958
Total noninterest expense	**3,407**	3,187	**10,139**	9,438

INCOME BEFORE INCOME TAX EXPENSE AND EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	**2,238**	1,842	**6,579**	3,590
Income tax expense	**794**	678	**2,335**	1,348
NET INCOME BEFORE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	**1,444**	1,164	**4,244**	2,242
Cumulative effect of change in accounting principle			**(276)**	
NET INCOME	**$ 1,444**	$ 1,164	**$ 3,968**	$ 2,242
NET INCOME APPLICABLE TO COMMON STOCK	**$ 1,443**	$ 1,160	**$ 3,965**	$ 2,229
EARNINGS PER COMMON SHARE BEFORE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE				
Earnings per common share	**$ .85**	$ .68	**$ 2.49**	$ 1.30
Diluted earnings per common share	**$ .84**	$ .67	**$ 2.46**	$ 1.29
EARNINGS PER COMMON SHARE				
Earnings per common share	**$ .85**	$ .68	**$ 2.33**	$ 1.30
Diluted earnings per common share	**$ .84**	$ .67	**$ 2.30**	$ 1.29
DIVIDENDS DECLARED PER COMMON SHARE	**$ .28**	$ .26	**$ .82**	$ .74
Average common shares outstanding	**1,700.7**	1,710.6	**1,704.7**	1,713.8
Diluted average common shares outstanding	**1,717.8**	1,726.9	**1,722.6**	1,732.9

WELLS FARGO & COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

(in millions, except shares)	**Sept. 30, 2002**	**Dec. 31, 2001**	**Sept. 30, 2001**
ASSETS			
Cash and due from banks	**$ 15,813**	$ 16,968	$ 15,791
Federal funds sold and securities purchased under resale agreements	**4,047**	2,530	3,241
Securities available for sale	**32,974**	40,308	40,749
Mortgages held for sale	**42,339**	30,405	23,154
Loans held for sale	**5,522**	4,745	4,982
Loans	**186,310**	172,499	168,866
Allowance for loan losses	**3,861**	3,761	3,761
Net loans	**182,449**	168,738	165,105

Mortgage servicing rights	**4,415**	6,241	5,404
Premises and equipment, net	**3,664**	3,549	3,534
Core deposit intangibles	**905**	1,013	1,053
Goodwill	**9,744**	9,527	9,604
Interest receivable and other assets	**32,378**	23,545	25,483
Total assets	**$ 334,250**	$ 307,569	$ 298,100
LIABILITIES			
Noninterest-bearing deposits	**$ 69,382**	$ 65,362	$ 56,271
Interest-bearing deposits	**136,374**	121,904	120,491
Total deposits	**205,756**	187,266	176,762
Short-term borrowings	**30,370**	37,782	40,196
Accrued expenses and other liabilities	**19,341**	16,777	17,454
Long-term debt	**45,824**	36,095	34,131
Guaranteed preferred beneficial interests in Company's subordinated debentures	**2,885**	2,435	2,235
STOCKHOLDERS' EQUITY			
Preferred stock	**294**	218	447
Unearned ESOP shares	**(236)**	(154)	(185)
Total preferred stock	**58**	64	262
Common stock $1 2/3 par value, authorized 6,000,000,000 shares; issued 1,736,381,025 shares	**2,894**	2,894	2,894
Additional paid-in capital	**9,499**	9,436	9,438
Retained earnings	**18,441**	16,005	15,281
Cumulative other comprehensive income	**1,070**	752	969
Treasury stock 37,900,563 shares, 40,886,028 shares and 30,498,100 shares	**(1,888)**	(1,937)	(1,522)
Total stockholders' equity	**30,074**	27,214	27,322
Total liabilities and stockholders' equity	**$ 334,250**	$ 307,569	$ 298,100

WELLS FARGO & COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME

(in millions, except shares)	Number of shares	Preferred stock	Unearned ESOP shares	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Cumulative other comprehensive income	Total stockholders' equity
BALANCE DECEMBER 31, 2000		$ 385	$ (118)	$ 2,894	$ 9,337	$ 14,541	$ (1,075)	$ 524	$ 26,488
Comprehensive income:									
Net income						2,242			2,242

Other comprehensive income, net of tax:									
Translation adjustments								(3)	(3)
Net unrealized gains on securities available for sale, net of reclassification of $455 million of net losses included in net income								324	324
Cumulative effect of the change in accounting principle for derivatives and hedging activities								71	71
Net unrealized gains on derivatives and hedging activities, net of reclassification of $27 million of net gains on cash flow hedges included in net income								53	53
Total comprehensive income									2,687
Common stock issued	14,349,572				92	(221)	643		514
Common stock issued for acquisitions	428,343				1	1	20		22
Common stock repurchased	26,312,895						(1,225)		(1,225)
Preferred stock (192,000) issued to ESOP		192	(207)		15				
Preferred stock released to ESOP			140		(10)				130
Preferred stock (130,225) converted to common shares	2,772,062	(130)			3		127		
Preferred stock dividends						(13)			(13)
Common stock dividends						(1,269)			(1,269)
Change in Rabbi trust assets (classified as treasury stock)							(12)		(12)
Net change		62	(67)		101	740	(447)	445	834
BALANCE SEPTEMBER 30, 2001		$ 447	$ (185)	$ 2,894	$ 9,438	$ 15,281	$ (1,522)	$ 969	$ 27,322
BALANCE DECEMBER 31, 2001		**$ 218**	**$ (154)**	**$ 2,894**	**$ 9,436**	**$ 16,005**	**$ (1,937)**	**$ 752**	**$ 27,214**
Comprehensive income:									
Net income						**3,968**			**3,968**
Other comprehensive income, net of tax:									
Net unrealized gains on securities available for sale and other retained interests, net of reclassification of $236 million of net losses included in net income								**514**	**514**
Net unrealized losses on derivatives and hedging activities, net of reclassification of $163 million of net losses on cash flow hedges included in net income								**(196)**	**(196)**
Total comprehensive income									**4,286**
Common stock issued	**12,884,012**				**41**	**(130)**	**570**		**481**
Common stock issued for acquisitions	**12,017,193**				**4**		**531**		**535**
Common stock repurchased	**25,217,058**						**(1,206)**		**(1,206)**
Preferred stock (238,000) issued to ESOP		**239**	**(256)**		**17**				
Preferred stock released to ESOP			**174**		**(11)**				**163**
Preferred stock (162,687) converted to common shares	**3,301,318**	**(163)**			**12**		**151**		
Preferred stock dividends						**(3)**			**(3)**
Common stock dividends						**(1,399)**			**(1,399)**
Change in Rabbi trust assets and similar arrangements (classified as							**3**		**3**

treasury stock)								
Net change	**76**	**(82)**		**63**	**2,436**	**49**	**318**	**2,860**
BALANCE SEPTEMBER 30, 2002	**$ 294**	**$ (236)**	**$ 2,894**	**$ 9,499**	**$ 18,441**	**$ (1,888)**	**$ 1,070**	**$ 30,074**

WELLS FARGO & COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine months ended September 30,	
(in millions)	**2002**	**2001**
Cash flows from operating activities:		
Net income	**$ 3,968**	$ 2,242
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	**1,295**	1,243
Depreciation and amortization	**1,777**	2,011
Net (gains) losses on securities available for sale	**(116)**	732
Net gains on mortgage loan originations/sales activities	**(519)**	(420)
Net gains on sales of loans	**(15)**	(10)
Net losses (gains) on dispositions of premises and equipment	**26**	(21)
Net losses (gains) on dispositions of operations	**6**	(104)
Release of preferred shares to ESOP	**163**	130
Net increase in trading assets	**(1,598)**	(2,447)
Net increase (decrease) in deferred income taxes	**155**	(192)
Net decrease in accrued interest receivable	**49**	86
Net increase (decrease) in accrued interest payable	**36**	(128)
Originations of mortgages held for sale	**(190,320)**	(110,238)
Proceeds from sales of mortgages held for sale	**178,228**	97,824
Principal collected on mortgages held for sale	**1,257**	837
Net increase in loans held for sale	**(777)**	(443)
Other assets, net	**(2,245)**	1,605
Other accrued expenses and liabilities, net	**2,922**	4,106
Net cash used by operating activities	**(5,708)**	(3,187)
Cash flows from investing activities:		
Securities available for sale:		
Proceeds from sales	**14,566**	16,262
Proceeds from prepayments and maturities	**6,496**	4,564
Purchases	**(11,459)**	(23,392)
Net cash paid for acquisitions	**(574)**	(383)
Net increase in banking subsidiaries' loans resulting from originations and collections	**(8,129)**	(5,080)

Proceeds from sales (including participations) of banking subsidiaries loans	**877**	1,731
Purchases (including participations) of loans by banking subsidiaries	**(1,950)**	(300)
Principal collected on nonbank subsidiaries' loans	**8,441**	7,409
Nonbank subsidiaries' loans originated	**(10,610)**	(14,698)
Proceeds from dispositions of operations	**42**	1,190
Proceeds from sales of foreclosed assets	**339**	183
Net increase in federal funds sold and securities purchased under resale agreements	**(1,348)**	(1,643)
Net increase in mortgage servicing rights	**(76)**	(1,615)
Other, net	**(5,252)**	(1,939)
Net cash used by investing activities	**(8,637)**	(17,711)
Cash flows from financing activities:		
Net increase in deposits	**13,890**	7,203
Net (decrease) increase in short-term borrowings	**(8,300)**	11,207
Proceeds from issuance of long-term debt	**16,792**	11,074
Repayment of long-term debt	**(7,492)**	(9,048)
Proceeds from issuance of guaranteed preferred beneficial interests in Company's subordinated debentures	**450**	1,300
Proceeds from issuance of common stock	**412**	423
Repurchase of common stock	**(1,206)**	(1,225)
Payment of cash dividends on preferred and common stock	**(1,402)**	(1,282)
Other, net	**46**	59
Net cash provided by financing activities	**13,190**	19,711
Net change in cash and due from banks	**(1,155)**	(1,187)
Cash and due from banks at beginning of period	**16,968**	16,978
Cash and due from banks at end of period	**$ 15,813**	$ 15,791
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	**$ 3,053**	$ 5,356
Income taxes	**$ 1,881**	$ 1,654
Noncash investing and financing activities:		
Transfers from loans to foreclosed assets	**$ 352**	$ 231
Net transfers between mortgages held for sale and loans	**$ 224**	$ 1,825

WELLS FARGO & COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

1. *Summary of Significant Accounting Policies*

Descriptions of the significant accounting policies of Wells Fargo & Company and Subsidiaries (the Company) are included in Note 1 (Summary of Significant Accounting Policies) to the audited consolidated financial statements included in the Company's 2001 Annual Report on Form 10-K. There have been no significant changes to these policies except for accounting policies related to goodwill discussed below.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations under the purchase method of accounting. On July 1, 2001, the Company adopted Financial Accounting Standards Board (FASB) Statement No. 142 (FAS 142), *Goodwill and Other Intangible Assets*. FAS 142 eliminates amortization of goodwill associated with business combinations completed after June 30, 2001. During the transition period from July 1, 2001 through December 31, 2001, the Company's goodwill associated with business combinations completed prior to July 1, 2001 continued to be amortized over periods of up to 25 years. Effective January 1, 2002, all goodwill amortization was discontinued.

Effective January 1, 2002, goodwill will be assessed at least annually for impairment on a reporting unit level by applying a fair-value-based test using discounted estimated future net cash flows. In the first quarter of 2002, the Company completed its initial goodwill impairment assessment and recorded a transitional impairment charge as a cumulative effect of a change in accounting principle in the Consolidated Statement of Income. Impairment that may result from subsequent assessments will be recognized as a charge to noninterest expense unless related to discontinued operations.

Core deposit intangibles are amortized on an accelerated basis based on useful lives of up to 15 years. Certain identifiable intangible assets that are included in other assets are generally amortized using an accelerated method over useful lives of up to 15 years.

The Company reviews other intangible assets for impairment annually (except mortgage servicing rights, which are reviewed monthly), or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For those intangible assets subject to amortization, impairment is indicated if the sum of undiscounted estimated future net cash flows is less than the carrying value of the asset. Impairment is recognized by writing down the asset to the extent that the carrying value exceeds the estimated fair value.

2. *Business Combinations*

The Company regularly explores opportunities to acquire financial institutions and related financial services businesses. Generally, management of the Company does not make a public announcement about an acquisition opportunity until a definitive agreement has been signed.

Transactions completed in the nine months ended September 30, 2002 include:

(in millions)	**Date**	**Assets**
Risk Management Services, Inc., Morristown, Tennessee	January 1	$ 2
Alcalay, Cohen, Inc. d/b/a General Insurance Consultants, Tarzana, California	February 1	6
Texas Financial Bancorporation, Inc., Minneapolis, Minnesota	February 1	2,957
Five affiliated banks and related entities of Marquette Bancshares, Inc. located in Minnesota, Wisconsin, Illinois, Iowa and South Dakota	February 1	3,086
SIFE, Walnut Creek, California	February 22	25
Rediscount business of Washington Mutual Bank, FA, Philadelphia, Pennsylvania	March 28	281
Tejas Bancshares, Inc., Amarillo, Texas	April 26	374
FAS Holdings, Inc., San Diego, California	July 22	48
		$ 6,779

3. *Preferred Stock*

The Company is authorized to issue 20 million shares of preferred stock and 4 million shares of preference stock, both without par value. All preferred shares outstanding rank senior to common shares both as to dividends and liquidation preference but have no general voting rights. No preference shares have been issued under this authorization.

The table below is a summary of the Company's preferred stock. A detailed description of the Company's preferred stock is provided in Note 11 (Preferred Stock) to the audited consolidated financial statements included in the Company's 2001 Annual Report on Form 10-K.

	Shares issued and outstanding			Carrying amount (in millions)			Adjustable dividends rate	
	Sept. 30, 2002	**Dec. 31, 2001**	**Sept. 30, 2001**	**Sept. 30, 2002**	**Dec. 31, 2001**	**Sept. 30, 2001**	**Minimum**	**Maximum**
Adjustable-Rate Cumulative, Series B (1)	**1,460,000**	1,460,000	1,468,400	**$ 73**	$ 73	$ 73	5.50%	10.50%
6.59%/Adjustable-Rate Noncumulative Preferred Stock, Series H (1)(2)			4,000,000			200	7.00	13.00
2002 ESOP Cumulative Convertible (3)	**85,727**			**86**			10.50	11.50
2001 ESOP Cumulative Convertible (3)	**56,826**	61,800	74,792	**57**	62	75	10.50	11.50
2000 ESOP Cumulative Convertible (3)	**38,242**	39,962	43,762	**38**	40	44	11.50	12.50
1999 ESOP Cumulative Convertible (3)	**14,722**	15,552	17,652	**14**	15	18	10.30	11.30
1998 ESOP Cumulative Convertible (3)	**5,745**	6,145	7,395	**6**	6	7	10.75	11.75
1997 ESOP Cumulative Convertible (3)	**7,076**	7,576	9,276	**7**	8	9	9.50	10.50
1996 ESOP Cumulative Convertible (3)	**6,907**	7,707	9,957	**7**	8	10	8.50	9.50
1995 ESOP Cumulative Convertible (3)	**4,743**	5,543	8,143	**5**	5	8	10.00	10.00
ESOP Cumulative Convertible (3)	**612**	1,002	2,602	**1**	1	3	9.00	9.00
Unearned ESOP shares (4)				**(236)**	(154)	(185)		
Total	**1,680,600**	1,605,287	5,641,979	**$ 58**	$ 64	$ 262		

(1) Liquidation preference $50.

(2) On October 1, 2001 all shares were redeemed at the stated liquidation price plus accrued dividends.

(3) Liquidation preference $1,000.

(4) In accordance with the American Institute of Certified Public Accountants (AICPA) Statement of Position 93-6, *Employers' Accounting for Employee Stock Ownership Plans*, the Company recorded a corresponding charge to unearned ESOP shares in connection with the issuance of the ESOP Preferred Stock. The unearned ESOP shares are reduced as shares of the ESOP Preferred Stock are committed to be released.

4. *Earnings Per Common Share*

The table below shows dual presentation of earnings per common share and diluted earnings per common share and a reconciliation of the numerator and denominator of both earnings per common share calculations.

(in millions, except per share amounts)	Quarter ended Sept. 30, 2002	Quarter ended Sept. 30, 2001	Nine months ended Sept. 30, 2002	Nine months ended Sept. 30, 2001
Net income before effect of change in accounting principle	**$ 1,444**	$ 1,164	**$ 4,244**	$ 2,242
Less: Preferred stock dividends	**1**	4	**3**	13
Net income applicable to common stock before effect of change in accounting principle (numerator)	**1,443**	1,160	**4,241**	2,229
Cumulative effect of change in accounting principle (numerator)			**(276)**	
Net income applicable to common stock (numerator)	**$ 1,443**	$ 1,160	**$ 3,965**	$ 2,229
EARNINGS PER COMMON SHARE				
Average common shares outstanding (denominator)	**1,700.7**	1,710.6	**1,704.7**	1,713.8
Per share before effect of change in accounting principle	**$ .85**	$ .68	**$ 2.49**	$ 1.30
Per share effect of change in accounting principle			**(.16)**	
Per share	**$ .85**	$ .68	**$ 2.33**	$ 1.30
DILUTED EARNINGS PER COMMON SHARE				
Average common shares outstanding	**1,700.7**	1,710.6	**1,704.7**	1,713.8
Add: Stock options	**16.8**	15.7	**17.6**	18.4
Restricted share rights	**.3**	.6	**.3**	.7
Diluted average common shares outstanding (denominator)	**1,717.8**	1,726.9	**1,722.6**	1,732.9
Per share before effect of change in accounting principle	**$ ..84**	$ ..67	**$ 2.46**	$ 1.29
Per share effect of change in accounting principle			**(.16)**	
Per share	**$ .84**	$ .67	**$ 2.30**	$ 1.29

In accordance with FAS 123, *Accounting for Stock-Based Compensation*, the Company follows the provisions of Accounting Principles Board Opinion No. 25 (APB 25), *Accounting for Stock Issued to Employees*, in accounting for its stock option plans for directors and employees. Under APB 25, compensation expense for stock options is generally not recognized in net income. Assuming that all in-the-money options were exercised on the measurement date and assuming that the spread between the exercise price and market price (after tax) were issued in common shares, the shares that would have been issued for the quarter and nine months ended September 30, 2002 were 17.1 million and 17.9 million, respectively. The effect of the shares that would have been issued results in a decrease to earnings per share, costing the Company one cent and three cents of dilution to earnings per share for the quarter and nine months ended September 30, 2002, respectively. For further information see Note 12 (Common Stock and Stock Plans) to the audited consolidated financial statements included in the Company's 2001 Annual Report on Form 10-K.

5. *"Adjusted" Earnings FAS 142 Transitional Disclosure*

Under FAS 142, effective January 1, 2002 amortization of goodwill was discontinued. For comparability, the table below reconciles the Company's reported earnings to "adjusted" earnings, which exclude goodwill amortization.

	September 30, 2001	
(in millions, except per share amounts)	**Quarter ended**	**Nine months ended**
NET INCOME		
Reported net income	$ 1,164	$ 2,242
Goodwill amortization, net of tax	146	424
Adjusted net income	$ 1,310	$ 2,666
EARNINGS PER COMMON SHARE		
Reported earnings per common share	$ .68	$ 1.30
Goodwill amortization, net of tax	.08	.25
Adjusted earnings per common share	$ .76	$ 1.55
DILUTED EARNINGS PER COMMON SHARE		
Reported diluted earnings per common share	$ .67	$ 1.29
Goodwill amortization, net of tax	.08	.24
Adjusted diluted earnings per common share	$ .75	$ 1.53

6. *Operating Segments*

The Company has three lines of business for management reporting: Community Banking, Wholesale Banking and Wells Fargo Financial. The results for these lines of business are based on the Company's management accounting process, which assigns balance sheet and income statement items to each responsible operating segment. This process is dynamic and, unlike financial accounting, there is no comprehensive, authoritative guidance for management accounting equivalent to generally accepted accounting principles. The management accounting process measures the performance of the operating segments based on the Company's management structure and is not necessarily comparable with similar information for other financial services companies. The Company's operating segments are defined by product type and customer segments. Changes in management structure and/or the allocation process may result in changes in allocations, transfers and assignments. In that case, results for prior periods would be (and have been) restated for comparability. Results for 2001 have been restated to eliminate goodwill amortization from the operating segments and to reflect changes in transfer pricing methodology applied in first quarter 2002.

The Community Banking Group offers a complete line of diversified financial products and services to individual consumers and small businesses with annual sales predominantly up to $10 million in which the owner is also the principal financial decision maker. Community Banking also offers investment management and other services to retail customers and high net worth individuals, as well as insurance and securities brokerage through affiliates. These products and services include *Wells Fargo Funds*®, a family of mutual funds, as well as personal trust, employee benefit trust and agency assets. Loan products include lines of credit, equity lines and loans, equipment and transportation (auto, recreational vehicle and marine) loans, education loans, origination and purchase of residential mortgage loans for sale to investors and servicing of mortgage loans. Other credit products and financial services available to small businesses and their owners include receivables and inventory financing, equipment leases, real estate financing, Small Business Administration financing, cash management, payroll services, retirement

plans, medical savings accounts and credit and debit card processing. Consumer and business deposit products include checking accounts, savings deposits, market rate accounts, Individual Retirement Accounts (IRAs) and time deposits.

Community Banking provides access to customers through a wide range of channels, which encompass a network of traditional banking stores, banking centers, in-store banking centers, business centers and ATMs. Additionally, 24-hour telephone service is provided by *PhoneBank*SM centers and the National Business Banking Center. Online banking services include single sign-on to online banking, bill pay and brokerage, as well as online banking for small business.

The Wholesale Banking Group serves businesses across the United States predominantly with annual sales in excess of $10 million. Wholesale Banking provides a complete line of commercial, corporate and real estate banking products and services. These include traditional commercial loans and lines of credit, letters of credit, asset-based lending, equipment leasing, mezzanine financing, high yield debt, international trade facilities, foreign exchange services, treasury management, investment management, institutional fixed income and equity sales,

online/electronic products, insurance and insurance brokerage services, and investment banking services. Wholesale Banking includes the majority ownership interest in the Wells Fargo HSBC Trade Bank, which provides trade financing, letters of credit and collection services and is sometimes supported by the Export-Import Bank of the United States (a public agency of the United States offering export finance support for American-made products). Wholesale Banking also supports the commercial real estate market with products and services such as construction loans for commercial and residential development, land acquisition and development loans, secured and unsecured lines of credit, interim financing arrangements for completed structures, rehabilitation loans, affordable housing loans and letters of credit, permanent loans for securitization, commercial real estate loan servicing and real estate and mortgage brokerage services.

Wells Fargo Financial includes consumer finance and auto finance operations. Consumer finance operations make direct loans to consumers and purchase sales finance contracts from retail merchants from offices throughout the United States, Canada and in the Caribbean. Automobile finance operations specialize in purchasing sales finance contracts directly from automobile dealers and making loans secured by automobiles in the United States and Puerto Rico. Wells Fargo Financial also provides credit cards, and lease and other commercial financing.

The Reconciliation Column includes all amortization of goodwill for 2001, the net impact of transfer pricing loan and deposit balances, the cost of external debt, and any residual effects of unallocated systems and other support groups. It also includes the impact of asset/liability strategies the Company has put in place to manage interest rate sensitivity at the consolidated level.

The following table provides the results for the Company's three major operating segments.

(income/expense in millions, average balances in billions)	**Community Banking**		**Wholesale Banking**		**Wells Fargo Financial**		**Reconciliation column(4)**		**Consolidated Company**	
Quarter ended September 30,	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**
Net interest income (1)	**$ 2,645**	$ 2,240	**$ 576**	$ 551	**$ 477**	$ 429	**$ (3)**	$ (19)	**$ 3,695**	$ 3,201
Provision for loan losses	**180**	266	**60**	62	**155**	127			**395**	455
Noninterest income	**1,717**	1,623	**538**	548	**96**	100	**(6)**	12	**2,345**	2,283
Noninterest expense	**2,534**	2,185	**604**	574	**269**	266		162	**3,407**	3,187
Income (loss) before income tax expense (benefit)	**1,648**	1,412	**450**	463	**149**	136	**(9)**	(169)	**2,238**	1,842
Income tax expense (benefit) (2)	**580**	482	**160**	165	**57**	51	**(3)**	(20)	**794**	678
Net income (loss)	**$ 1,068**	$ 930	**$ 290**	$ 298	**$ 92**	$ 85	**$ (6)**	$ (149)	**$ 1,444**	$ 1,164
Average loans	**$ 117**	$ 101	**$ 49**	$ 50	**$ 16**	$ 13	**$**	$	**$ 182**	$ 164
Average assets	**226**	202	**72**	66	**17**	15	**6**	6	**321**	289

Average core deposits	**166**	155	**18**	16					**184**	171
Nine months ended September 30,										
Net interest income (1)	**$ 7,940**	$ 6,230	**$ 1,705**	$ 1,628	**$ 1,370**	$ 1,229	**$ (26)**	$ (59)	**$ 10,989**	$ 9,028
Provision for loan losses	**648**	728	**218**	172	**429**	343			**1,295**	1,243
Noninterest income	**4,849**	3,403	**1,891**	1,531	**274**	273	**10**	36	**7,024**	5,243
Noninterest expense	**7,406**	6,485	**1,920**	1,722	**811**	763	**2**	468	**10,139**	9,438
Income (loss) before income tax expense (benefit) and effect of change in accounting principle	**4,735**	2,420	**1,458**	1,265	**404**	396	**(18)**	(491)	**6,579**	3,590
Income tax expense (benefit) (2)	**1,686**	802	**519**	454	**153**	147	**(23)**	(55)	**2,335**	1,348
Net income (loss) before effect of change in accounting principle	**3,049**	1,618	**939**	811	**251**	249	**5**	(436)	**4,244**	2,242
Cumulative effect of change in accounting principle			**(98)**		**(178)**				**(276)**	
Less: Impairment and other special charges (after tax) (3)		(1,089)		(62)				(6)		(1,157)
Net income (loss) excluding impairment and other special charges	**$ 3,049**	$ 2,707	**$ 841**	$ 873	**$ 73**	$ 249	**$ 5**	$ (430)	**$ 3,968**	$ 3,399
Average loans	**$ 114**	$ 99	**$ 49**	$ 50	**$ 15**	$ 13	**$**	$	**$ 178**	$ 162
Average assets	**222**	193	**71**	65	**17**	15	**6**	6	**316**	279
Average core deposits	**163**	149	**18**	16					**181**	165

(1) Net interest income is the difference between interest earned on assets and the cost of liabilities to fund those assets. Interest earned includes actual interest earned on segment assets and, if the segment has excess liabilities, interest credits for providing funding to other segments. The cost of liabilities includes actual interest expense on segment liabilities and, if the segment does not have enough liabilities to fund its assets, a funding charge based on the cost of excess liabilities from another segment. In general, Community Banking has excess liabilities and receives interest credits for the funding it provides the other segments.

(2) Taxes vary by geographic concentration of revenue generation. Taxes as presented may differ from the consolidated Company's effective tax rate as a result of taxable-equivalent adjustments that primarily relate to income on certain loans and securities that is exempt from federal and applicable state income taxes. The offsets for these adjustments are found in the reconciliation column.

(3) Impairment and other special charges in the second quarter of 2001, which are included in noninterest income, mainly related to impairment of publicly traded and private equity securities, primarily in the venture capital portfolio.

(4) The material items in the reconciliation column related to revenue (i.e., net interest income plus noninterest income) and net income consist of Treasury activities and unallocated items. Revenue includes Treasury activities of $(9) million and $7 million for the third quarter of 2002 and 2001, respectively; and unallocated items of $(14) million for the third quarter of 2001. Revenue includes Treasury activities of $8 million and $50 million; and unallocated items of $(24) million and $(73) million for the first nine months of 2002 and 2001, respectively. Net income includes Treasury activities of $(6) million and $3 million for the third quarter of 2002 and 2001, respectively; and unallocated items of $(152) million for the third quarter of 2001. Net income includes Treasury activities of $3 million and $30 million; and unallocated items of $2 million and $(466) million for the first nine months of 2002 and 2001, respectively. The material item in the reconciliation column related to noninterest expense is amortization of goodwill of $156 million for the third quarter of 2001 and $452 million for the first nine months of 2001. The material item in the reconciliation column related to average assets is unallocated goodwill of $6 billion for all periods presented. Results for 2001 have been restated to reclassify goodwill amortization from the three operating segments to the reconciliation column for comparability.

7. *Mortgage Banking Activities*

Mortgage banking activities, included in the Community Banking and Wholesale Banking operating segments, comprise residential and commercial mortgage originations and servicing.

The components of mortgage banking noninterest income are presented below:

(in millions)	Quarter ended Sept. 30, 2002	Quarter ended Sept. 30, 2001	Nine months ended Sept. 30, 2002	Nine months ended Sept. 30, 2001
Origination and other closing fees	**$ 271**	$ 179	**$ 696**	$ 490
Servicing fees, net of amortization and impairment	**(158)**	(127)	**(279)**	(21)
Net gains on securities available for sale		2		134
Net gains on mortgage loan originations/ sales activities	**226**	223	**519**	420
All other	**87**	92	**262**	254
Total mortgage banking	**$ 426**	$ 369	**$ 1,198**	$ 1,277

The managed servicing portfolio totaled $583 billion at September 30, 2002, $514 billion at December 31, 2001 and $499 billion at September 30, 2001, which included loans subserviced for others of $45 billion, $63 billion and $71 billion, respectively.

Net of valuation allowance, capitalized mortgage servicing rights totaled $4.4 billion (.89% of the total servicing portfolio) at September 30, 2002, compared with $5.4 billion (1.33% of the total servicing portfolio) at September 30, 2001. The Company periodically evaluates its capitalized mortgage servicing rights to determine if the carrying value before the application of the valuation allowance is recoverable. In the third quarter of 2002, the Company determined that a portion of the asset was not recoverable and reduced both the asset and the previously designated valuation allowance by $887 million reflecting the write-down.

The following table summarizes the changes in capitalized mortgage loan servicing rights:

(in millions)	Quarter ended Sept. 30, 2002	Quarter ended Sept. 30, 2001	Nine months ended Sept. 30, 2002	Nine months ended Sept. 30, 2001
Balance, beginning of period	**$ 7,865**	$ 6,351	**$ 7,365**	$ 5,609
Originations (1)	**492**	440	**1,615**	1,269
Purchases (1)	**268**	218	**984**	630
Amortization	**(534)**	(223)	**(1,271)**	(595)
Write-down	**(887)**		**(887)**	
Other (includes changes in mortgage servicing rights due to hedging)	**(1,030)**	(567)	**(1,632)**	(694)
Balance before valuation allowance	**6,174**	6,219	**6,174**	6,219
Less: Valuation allowance	**1,759**	815	**1,759**	815
Balance, end of period	**$ 4,415**	$ 5,404	**$ 4,415**	$ 5,404

(1)

Based on September 30, 2002 assumptions, the weighted-average amortization period for mortgage servicing rights added during the third quarter of 2002 and the first nine months of 2002 was 3.2 years and 2.9 years, respectively.

To the extent that capitalized mortgage servicing rights exceed fair value, a valuation allowance is recorded. The following table summarizes the changes in the valuation allowance for capitalized mortgage servicing rights:

	Quarter ended Sept. 30,		Nine months ended Sept. 30,	
(in millions)	**2002**	**2001**	**2002**	**2001**
Balance, beginning of period	**$ 1,909**	$ 275	**$ 1,124**	$
Provision for capitalized mortgage servicing rights in excess of fair value	**737**	540	**1,522**	815
Write-down of capitalized mortgage servicing rights	**(887)**		**(887)**	
Balance, end of period	**$ 1,759**	$ 815	**$ 1,759**	$ 815

8. *Intangible Assets*

The gross carrying amount of intangible assets and the associated accumulated amortization at September 30, 2002 is presented in the following table.

	September 30, 2002	
(in millions)	**Gross carrying amount**	**Accumulated amortization**
Amortized intangible assets:		
Mortgage servicing rights, before valuation allowance	$ 10,342	$ 4,168
Core deposit intangibles	2,415	1,510
Other	373	249
Total	$ 13,130	$ 5,927
Unamortized intangible asset (trademark)	$ 14	

The projections of amortization expense shown below for mortgage servicing rights are based on asset balances and the interest rate environment as of September 30, 2002. Future amortization expense may be significantly different depending upon changes in the mortgage servicing portfolio, mortgage interest rates and market conditions.

The following table shows the current period and estimated future amortization expense for amortized intangible assets:

(in millions)	Mortgage servicing rights	Core deposit intangibles	Other	Total
Nine months ended September 30, 2002 (actual)	$ 1,271	$ 118	$ 24	$ 1,413
Three months ended December 31, 2002 (estimate)	621	38	6	665
Estimate for year ended December 31,				
2003	1,954	142	22	2,118
2004	1,306	131	19	1,456
2005	834	120	15	969
2006	528	108	12	648
2007	337	99	10	446

9. *Goodwill*

The following table summarizes the changes in the first nine months of 2002 in the carrying amount of goodwill as allocated to the Company's operating segments for the purpose of goodwill impairment analysis.

(in millions)	Community Banking	Wholesale Banking	Wells Fargo Financial	Consolidated Company
Balance December 31, 2001	$ 6,265	$ 2,655	$ 607	$ 9,527
Goodwill from business combinations	627	18	6	651
Transitional goodwill impairment charge		(133)	(271)	(404)
Goodwill written off related to divested businesses	(30)			(30)
Balance September 30, 2002	$ 6,862	$ 2,540	$ 342	$ 9,744

During the first quarter of 2002, the Company completed its initial goodwill impairment testing. All reporting units were evaluated using discounted estimated future net cash flows. The process resulted in a $276 million (after tax), $404 million (before tax), transitional impairment charge reported as a cumulative effect of a change in accounting principle. The transitional impairment resulted from a change in the method of testing for goodwill impairment under FAS 142, as well as a change in business strategies, reflecting the economic outlook, for certain reporting units in Wholesale Banking and Wells Fargo Financial, primarily Island Finance, a Puerto Rico based consumer finance company acquired in 1995.

Goodwill amounts allocated to the operating segments for goodwill impairment analysis differ from amounts allocated to the Company's operating segments for management reporting discussed in Note 6 (Operating Segments) to Financial Statements. At September 30, 2002, for management reporting, the balance of goodwill for Community Banking, Wholesale Banking and Wells Fargo Financial was $2.88 billion, $590 million and $342 million, respectively, with $5.93 billion recorded at the enterprise level.

10. *Derivative Instruments and Hedging Activities*

Fair Value Hedges

The Company uses derivative contracts to manage the risk associated with changes in the fair value of mortgage servicing rights and other retained interests. The change in value of these derivative contracts is included in current period earnings in their entirety. The Company evaluates hedge effectiveness excluding the impacts of changes in value associated with the passage of time (time value), representing the spread between spot and forward rates priced into these derivative contracts. The time value recorded in earnings amounted to a net gain of $432 million and $910 million for the third quarter and first nine months of 2002, respectively. Also, the Company recognized net gains related to ineffectiveness in these hedging relationships in the amount of $338 million and $934 million in the third quarter and first nine months of 2002, respectively, compared with a net gain of $320 million and $311 million in the third quarter and first nine months of 2001, respectively. The gain in 2002 primarily resulted from increased interest rate volatility. The gains were more than offset by higher impairment charges and amortization expense on mortgage servicing rights and other retained interests, amounting to $1,396 million and $3,512 million in the third quarter and first nine months of 2002, respectively. The gain on the derivative contracts, impairment charges and amortization expense are included in "Servicing fees, net of impairment and amortization" in Note 7 (Mortgage Banking Activities) to Financial Statements.

The Company also enters into interest rate swaps, designated as fair value hedges, to convert certain of its fixed-rate long-term debt to floating-rate debt. The ineffective portion of these fair value hedges was negligible for the third quarter of 2002 and was a net gain of $1 million for the first nine months of 2002, compared with a net gain of $5 million and $13 million for the third quarter and first nine months of 2001, respectively, recorded as an offset to interest expense. For long-term debt, all components of each derivative instrument's gain or loss are included in the assessment of hedge effectiveness. As of September 30, 2002, all designated fair value hedges continued to qualify as fair value hedges.

Cash Flow Hedges

The Company enters into derivative contracts to convert floating-rate loans to fixed rates and to hedge forecasted sales of its mortgage loans. The Company recognized a net loss of $81 million and $250 million in the third quarter and first nine months of 2002, respectively, which represents the total ineffectiveness of cash flow hedges, compared with a net loss of $54 million and $44 million in the third quarter and first nine months of 2001, respectively. The change was primarily due to growth in mortgages held for sale and increased interest rate volatility. Gains and losses on derivative contracts that are reclassified from cumulative other comprehensive income to current period earnings are included in the line item in which the hedged item's effect in earnings is recorded. All components of each derivative instrument's gain or loss are included in the assessment of hedge effectiveness, except for derivative instruments hedging commercial loans indexed to LIBOR, where only the benchmark interest rate is included in the assessment of hedge effectiveness. As of September 30, 2002, all designated cash flow hedges continued to qualify as cash flow hedges.

At September 30, 2002, $102 million of deferred net losses on derivative instruments included in other comprehensive income are expected to be reclassified as earnings during the next twelve months, compared with $78 million of deferred net gains at September 30, 2001. The maximum term for which the Company is hedging its exposure to the variability of future cash flows for all forecasted transactions is three years for hedges converting floating-rate loans to fixed and one year for hedges of forecasted sales of mortgage loans.

Derivative Financial Instruments Summary Information

The following table summarizes the credit risk amount and estimated net fair value for the Company's derivative financial instruments at September 30, 2002 and December 31, 2001.

	September 30, 2002		December 31, 2001	
(in millions)	**Credit risk amount (2)**	**Estimated net fair value (3)**	**Credit risk amount (2)**	**Estimated net fair value (3)**
ASSET/LIABILITY MANAGEMENT HEDGES (1)				
Interest rate contracts	**$ 4,938**	**$ 3,469**	$ 2,197	$ 1,507

CUSTOMER ACCOMMODATIONS AND TRADING (1)				
Interest rate contracts	**3,517**	**68**	2,363	232
Commodity contracts	**19**	**(2)**	18	1
Equity contracts	**54**	**(19)**	33	5
Credit contracts	**94**	**(11)**	13	(2)
Foreign exchange contracts	**254**	**48**	245	66

(1) The Company anticipates performance by substantially all of the counterparties for these contracts or the underlying financial instruments.

(2) Credit risk amounts reflect the replacement cost for contracts in a gain position in the event of nonperformance by counterparties.

(3) Estimated net fair value reflects the net gain or loss position of all contracts.

11. *Guaranteed Preferred Beneficial Interests in Company's Subordinated Debentures*

In March 2002, Wells Fargo Capital VI (the Trust), a business trust established by the Company, issued $450 million in trust preferred securities in the form of 6.95% Capital Securities to the public and issued $14 million of trust common securities to the Company. The Trust used the proceeds to purchase $464 million of the Company's 6.95% junior subordinated debentures (the Debentures). The Debentures are the sole assets of the Trust and are subordinate to all of the Company's existing and future obligations for borrowed or purchased money, obligations under letters of credit and certain derivative contracts, and any guarantees of any of such obligations. The Company also issued a guarantee related to the trust securities for the benefit of the holders.

The Company treats the trust preferred securities as Tier 1 capital. The Debentures, the common securities issued by the Trust, and the related income effects are eliminated within the Company's consolidated financial statements. The Company's obligations under the Debentures, the related indenture, the trust agreement relating to the trust securities, and the guarantee constitute a full and unconditional guarantee by the Company of the obligations of the Trust under the trust preferred securities.

The stated maturity date of the Debentures is April 15, 2032, which may be accelerated under limited circumstances or extended to no later than April 15, 2052. Also, the Company may redeem the Debentures, with regulatory approval, in whole or in part on or after April 15, 2007. The Company can also redeem the Debentures in whole, but not in part, within 90 days after the occurrence of certain events that either would have a negative tax effect on the Trust or the Company, would cause the trust preferred securities to no longer qualify as Tier 1 capital, or would result in the Trust being treated as an investment company. When the Debentures are repaid or redeemed, the Trust will use the proceeds to redeem an equivalent amount of outstanding trust preferred securities and trust common securities.

FINANCIAL REVIEW

SUMMARY FINANCIAL DATA

	Quarter ended			% Change Sept. 30, 2002 from		Nine months ended		
(in millions, except per share amounts)	**Sept. 30, 2002**	**June 30, 2002**	**Sept. 30, 2001**	**June 30, 2002**	**Sept. 30, 2001**	**Sept. 30, 2002**	**Sept. 30, 2001**	**% Change**

For the Period								
Before effect of change in accounting principle and excluding goodwill amortization (1)								
Net income	**$ 1,444**	$ 1,420	$ 1,310	2%	10%	**$ 4,244**	$ 2,666	59%
Diluted earnings per common share	**.84**	.82	.75	2	12	**2.46**	1.53	61
Profitability ratios (annualized)								
Net income to average total assets (ROA)	**1.78%**	1.83%	1.80%	(3)	(1)	**1.80%**	1.28%	41
Net income applicable to common stock to average common stockholders' equity (ROE)	**19.38**	19.72	19.27	(2)	1	**19.69**	13.38	47
Efficiency ratio (2)	**56.4**	56.6	55.3		2	**56.3**	63.0	(11)
After effect of change in accounting principle								
Net income	**$ 1,444**	$ 1,420	$ 1,164	2	24	**$ 3,968**	$ 2,242	77
Diluted earnings per common share	**.84**	.82	.67	2	25	**2.30**	1.29	78
Profitability ratios (annualized)								
ROA	**1.78%**	1.83%	1.59%	(3)	12	**1.68%**	1.07%	57
ROE	**19.38**	19.72	17.11	(2)	13	**18.41**	11.24	64
Efficiency ratio (2)	**56.4**	56.6	58.1		(3)	**56.3**	66.1	(15)
Dividends declared per common share	**$ .28**	$ .28	$ .26		8	**$ .82**	$ .74	11
Average common shares outstanding	**1,700.7**	1,710.4	1,710.6	(1)	(1)	**1,704.7**	1,713.8	(1)
Diluted average common shares outstanding	**1,717.8**	1,730.8	1,726.9	(1)	(1)	**1,722.6**	1,732.9	(1)
Total revenue	**$ 6,040**	$ 6,017	$ 5,484		10	**$ 18,013**	$ 14,271	26
Average loans	**$ 181,782**	$ 179,232	$ 164,046	1	11	**$ 177,749**	$ 161,750	10
Average assets	**321,217**	311,075	289,461	3	11	**315,568**	279,184	13
Average core deposits	**184,448**	179,394	170,710	3	8	**180,521**	165,315	9
Net interest margin	**5.52%**	5.66%	5.40%	(2)	2	**5.62%**	5.31%	6
At Period End								
Securities available for sale	**$ 32,974**	$ 37,132	$ 40,749	(11)	(19)	**$ 32,974**	$ 40,749	(19)
Loans	**186,310**	185,001	168,866	1	10	**186,310**	168,866	10
Allowance for loan losses	**3,861**	3,883	3,761	(1)	3	**3,861**	3,761	3
Goodwill	**9,744**	9,724	9,604		1	**9,744**	9,604	1
Assets	**334,250**	314,802	298,100	6	12	**334,250**	298,100	12
Core deposits	**190,606**	181,807	171,303	5	11	**190,606**	171,303	11
Common stockholders' equity	**30,016**	29,473	27,060	2	11	**30,016**	27,060	11
Stockholders' equity	**30,074**	29,527	27,322	2	10	**30,074**	27,322	10
Tier 1 capital (3)	**21,026**	20,564	17,752	2	18	**21,026**	17,752	18
Total capital (3)	**30,547**	29,270	26,430	4	16	**30,547**	26,430	16
Capital ratios								

Common stockholders' equity to assets	**8.98%**	9.36%	9.08%	(4)	(1)	**8.98%**	9.08%	(1)
Stockholders' equity to assets	**9.00**	9.38	9.17	(4)	(2)	**9.00**	9.17	(2)
Risk-based capital (3)								
Tier 1 capital	**7.84**	7.95	7.40	(1)	6	**7.84**	7.40	6
Total capital	**11.39**	11.32	11.02	1	3	**11.39**	11.02	3
Leverage (3)	**6.83**	6.89	6.40	(1)	7	**6.83**	6.40	7
Book value per common share	**$ 17.67**	$ 17.24	$ 15.86	2	11	**$ 17.67**	$ 15.86	11
Staff (active, full-time equivalent)	**125,700**	123,500	116,300	2	8	**125,700**	116,300	8
Common Stock Price								
High	**$ 52.99**	$ 53.44	$ 48.30	(1)	10	**$ 53.44**	$ 54.81	(2)
Low	**41.52**	48.12	40.50	(14)	3	**41.52**	40.50	3
Period end	**48.16**	50.06	44.45	(4)	8	**48.16**	44.45	8

(1) Change in accounting principle relates to transitional goodwill impairment charge recorded in first quarter 2002 related to the adoption of FAS 142.

(2) The efficiency ratio is defined as noninterest expense divided by the total revenue (net interest income and noninterest income).

(3) See the Capital Adequacy/Ratios section for additional information.

This report, including the Notes to Financial Statements and the information in response to Items 2, 3 and 4 of Form 10-Q, contains forward-looking statements about the Company. Broadly speaking, forward-looking statements include forecasts of future financial results and condition, expectations for future operations and business, and any assumptions underlying those forecasts and expectations. Actual outcomes and results may differ significantly from forecasts and expectations. Please refer to "Factors that May Affect Future Results" for a list of some of the forward-looking statements in this report and a discussion of some of the factors that may cause results to differ.

OVERVIEW

Wells Fargo & Company is a $334 billion diversified financial services company providing banking, insurance, investments, mortgage banking and consumer finance through banking branches, the internet and other distribution channels to consumers, commercial businesses and financial institutions in all 50 states of the U.S. and in other countries. It ranked fourth in assets and third in market capitalization among U.S. bank holding companies at September 30, 2002. In this quarterly report on Form 10-Q, Wells Fargo & Company and Subsidiaries (consolidated) is referred to as the Company and Wells Fargo & Company alone is referred to as the Parent.

Certain amounts in the financial review for prior quarters have been reclassified to conform with the current financial statement presentation.

Net income for the third quarter of 2002 was $1.44 billion, compared with $1.16 billion for the third quarter of 2001. Excluding goodwill amortization, net income for the third quarter of 2001 would have been $1.31 billion. Diluted earnings per common share for the third quarter of 2002 were $.84, compared with $.75 (excluding goodwill amortization) for the third quarter of 2001. Return on average assets (ROA) was 1.78% for the third quarter of 2002, compared with 1.80% (excluding goodwill amortization) for the third quarter of 2001. Return on average common equity (ROE) was 19.38% for the third quarter of 2002, compared with 19.27% (excluding goodwill amortization) for the third quarter of 2001.

Net income for the first nine months of 2002, before the effect of a first quarter accounting change related to FAS 142, *Goodwill and Other Intangible Assets*, was $4.24 billion, or $2.46 per share, compared with $2.24 billion, or $1.29 per share, and $2.67 billion, or $1.53 per share (excluding goodwill amortization), for the first nine months of 2001. ROA was 1.80% for the first nine months of 2002, compared with 1.28% (excluding goodwill amortization) for the same period of 2001. ROE was 19.69% in the first nine months of 2002, compared with 13.38% (excluding goodwill amortization) for the first nine months of 2001. Results for the first nine months of 2001 include the second quarter 2001

loss due to impairment and other special charges of $1.16 billion (after tax), or $.67 per share, predominantly related to other-than-temporary impairment of publicly traded and private equity securities, primarily in the venture capital portfolio.

Net interest income on a taxable-equivalent basis was $3.72 billion for the third quarter of 2002 and $11.07 billion for the first nine months of 2002 compared with $3.22 billion and $9.09 billion for the same periods of 2001. The Company's net interest margin was 5.52% and

5.62% for the third quarter and first nine months of 2002, respectively, compared with 5.40% and 5.31% for the same periods of 2001.

Noninterest income was $2.35 billion and $7.02 billion for the third quarter and first nine months of 2002, respectively, compared with $2.28 billion and $5.24 billion for the same periods of 2001. Excluding the impairment and other special charges recorded in second quarter 2001, noninterest income would have been $7.09 billion for the first nine months of 2001.

Noninterest expense totaled $3.41 billion and $10.14 billion for the third quarter and first nine months of 2002, respectively, compared with $3.19 billion and $9.44 billion for the same periods of 2001.

The provision for loan losses was $395 million and $1,295 million in the third quarter and first nine months of 2002, respectively, compared with $455 million and $1,243 million in the same periods of 2001. During the third quarter of 2002, net charge-offs were $415 million, or .91% of average total loans (annualized), compared with $454 million, or 1.10%, in the third quarter of 2001. Third quarter 2002 charge-offs included $21 million of charges already provided for in the second quarter of 2002 due to the adoption of a new delinquency and loss recognition policy in the consumer finance business. Excluding these charges, third quarter and first nine months 2002 credit losses approximated the third quarter and year-to-date provision. The allowance for loan losses was $3.86 billion, or 2.07% of total loans, at September 30, 2002, compared with $3.76 billion, or 2.18%, at December 31, 2001 and $3.76 billion, or 2.23%, at September 30, 2001.

At September 30, 2002, total nonaccrual loans were $1.55 billion, or .8% of total loans, compared with $1.64 billion, or 1.0%, at December 31, 2001 and $1.62 billion, or 1.0%, at September 30, 2001. Foreclosed assets amounted to $186 million at September 30, 2002, $171 million at December 31, 2001 and $166 million at September 30, 2001.

At September 30, 2002, the ratio of common stockholders' equity to total assets was 8.98%, compared with 9.08% at September 30, 2001. The Company's total risk-based capital (RBC) ratio at September 30, 2002 was 11.39% and its Tier 1 RBC ratio was 7.84%, exceeding the minimum regulatory guidelines of 8% and 4%, respectively, for bank holding companies. The Company's ratios at September 30, 2001 were 11.02% and 7.40%, respectively. The Company's leverage ratio was 6.83% at September 30, 2002 and 6.40% at September 30, 2001, exceeding the minimum regulatory guideline of 3% for bank holding companies.

Recent Accounting Standards

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement No. 141 (FAS 141), *Business Combinations,* and Statement No. 142 (FAS 142)*, Goodwill and Other Intangible Assets*. The significant changes to the Company's accounting policies related to these Statements are presented in Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this report. The Company completed its initial goodwill impairment assessment under FAS 142 and recorded a transitional impairment charge of $276 million (after tax) in first quarter 2002.

In June 2001, the FASB issued Statement No. 143 (FAS 143), *Accounting for Asset Retirement Obligations*, which addresses the recognition and measurement of obligations associated with the retirement of tangible long-lived assets. FAS 143 is effective January 1, 2003, with early adoption permitted. The Company plans to adopt FAS 143 effective January 1, 2003 and does not expect the adoption of the statement to have a material effect on the financial statements.

In June 2002, the FASB issued Statement No. 146 (FAS 146), *Accounting for Costs Associated with Exit or Disposal Activities*, which addresses financial accounting and reporting for costs associated with exit or disposal activities. Under FAS 146, such costs will be recognized when the liability is incurred, rather than at the date of commitment to an exit plan. FAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002, with early application permitted. The Company does not expect the adoption of FAS 146 to have a material effect on the financial statements.

In October 2002, the FASB issued Statement No. 147 (FAS 147), *Acquisitions of Certain Financial Institutions*, which no longer requires the separate recognition and subsequent amortization of goodwill that was originally required by Statement No. 72 (FAS 72), *Accounting for Certain Acquisitions of Banking or Thrift Institutions*. Instead, FAS 72 goodwill will be accounted for in accordance with Statement No. 142 (FAS 142), *Goodwill and Other Intangible Assets* and will be subject to an annual impairment test. FAS 147 also amends Statement No. 144 (FAS 144), *Accounting for the Impairment or Disposal of Long-Lived Assets*, to include in its scope long-term customer-relationship intangible assets (such as core deposit intangibles). Those intangible assets are now subject to the same recoverability and impairment loss recognition provisions that FAS 144 requires for other long-lived assets. The adoption of FAS 147 will not have a material effect on the financial statements.

EARNINGS PERFORMANCE

NET INTEREST INCOME

Net interest income on a taxable equivalent basis was $3.72 billion in third quarter 2002, up 15% from third quarter of last year, largely due to growth in loans and mortgages held for sale and increases in net interest margin from 5.40% a year ago to 5.52% in third quarter 2002.

Individual components of net interest income and the net interest margin are presented in the rate/yield table on the following page.

Earning assets increased $30.3 billion in the third quarter from the same period last year due to increases in average loans and mortgages held for sale. Loans averaged $181.8 billion in the third quarter of 2002 compared with $164.0 billion in the third quarter of 2001. The increase was largely due to increased originations of home equity and home mortgage products. Average mortgages held for sale increased to $38.4 billion in third quarter 2002 from $25.0 billion in the third quarter of 2001 and increased to $34.0 billion in the first nine months of 2002 from $20.2 billion in the first nine months of 2001. The increase for both periods was due to increased originations including refinancing activity. These increases were partially offset by a slowdown in commercial loan demand consistent with conditions in the current U.S. economy. Debt securities available for sale averaged $34.9 billion in the third quarter of 2002 compared with $39.0 billion in the third quarter of 2001. The decrease was largely due to prepayments of mortgage-backed securities held and the sale of certain longer-maturity mortgage-backed securities subject to prepayment risk.

The net interest margin increased to 5.52% in third quarter 2002 from 5.40% in third quarter 2001, principally due to a decline in deposit and borrowing costs and a larger proportion of higher yielding consumer loans in the total loan mix.

An important contributor to the growth in net interest income and net interest margin from third quarter 2001 was an 8% increase in average core deposits, the Company's low cost source of funding. Average core deposits were $184.4 billion and $170.7 billion and funded 57% and 59% of the Company's average total assets in the third quarter of 2002 and 2001, respectively. While savings certificates of deposits declined on average from $28.8 billion to $23.8 billion, noninterest-bearing checking accounts and other core deposit categories increased on average from $141.9 billion in third quarter 2001 to $160.6 billion in third quarter 2002 reflecting a combination of growth in mortgage escrow deposits due to higher mortgage payoffs resulting from lower mortgage interest rates and growth in primary account relationships. Total average interest-bearing deposits increased to $134.1 billion in third quarter 2002 from $122.3 billion a year ago. For the same period, total average noninterest-bearing deposits increased to $63.4 billion from $55.3 billion.

AVERAGE BALANCES, YIELDS AND RATES PAID (TAXABLE-EQUIVALENT BASIS)(1)(2)

	Quarter ended Sept. 30,					
	2002			2001		
(in millions)	Average balance	Yields/ rates	Interest income/ expense	Average balance	Yields/ rates	Interest income/ expense

EARNING ASSETS						
Federal funds sold and securities purchased under resale agreements	**$ 2,641**	**1.72%**	**$ 11**	$ 2,683	3.44%	$ 23
Debt securities available for sale (3):						
Securities of U.S. Treasury and federal agencies	**1,719**	**5.48**	**23**	2,113	6.28	32
Securities of U.S. states and political subdivisions	**2,123**	**8.21**	**41**	2,018	8.02	39
Mortgage-backed securities:						
Federal agencies	**26,037**	**7.20**	**445**	29,292	7.19	512
Private collateralized mortgage obligations	**2,119**	**7.20**	**37**	1,801	9.00	40
Total mortgage-backed securities	**28,156**	**7.20**	**482**	31,093	7.29	552
Other debt securities (4)	**2,883**	**7.87**	**58**	3,797	8.06	65
Total debt securities available for sale (4)	**34,881**	**7.23**	**604**	39,021	7.34	688
Mortgages held for sale (3)	**38,384**	**6.15**	**591**	24,958	6.79	425
Loans held for sale (3)	**5,302**	**3.92**	**52**	4,771	5.74	69
Loans:						
Commercial	**46,323**	**6.76**	**789**	48,501	7.77	950
Real estate 1-4 family first mortgage	**27,833**	**6.07**	**422**	20,227	7.05	356
Other real estate mortgage	**25,389**	**6.09**	**389**	24,300	7.86	481
Real estate construction	**7,843**	**5.74**	**114**	8,113	7.80	160
Consumer:						
Real estate 1-4 family junior lien mortgage	**32,725**	**7.41**	**611**	21,729	9.18	500
Credit card	**6,898**	**12.35**	**213**	6,208	13.44	208
Other revolving credit and monthly payment	**24,251**	**10.24**	**625**	23,558	11.19	660
Total consumer	**63,874**	**9.02**	**1,449**	51,495	10.61	1,368
Lease financing	**8,678**	**7.03**	**153**	9,770	7.60	186
Foreign	**1,842**	**18.79**	**87**	1,640	20.56	84
Total loans (5)	**181,782**	**7.44**	**3,403**	164,046	8.71	3,585
Other	**6,814**	**3.65**	**63**	3,981	4.67	47
Total earning assets	**$ 269,804**	**7.01**	**4,724**	$ 239,460	8.10	4,837
FUNDING SOURCES						
Deposits:						
Interest-bearing checking	**$ 2,464**	**.44**	**3**	$ 1,946	1.12	5
Market rate and other savings	**94,768**	**1.00**	**238**	84,633	1.97	421
Savings certificates	**23,813**	**3.05**	**183**	28,810	4.89	355
Other time deposits	**9,068**	**1.88**	**43**	1,108	4.58	13
Deposits in foreign offices	**3,949**	**1.62**	**16**	5,827	3.49	51
Total interest-bearing deposits	**134,062**	**1.43**	**483**	122,324	2.74	845
Short-term borrowings	**29,558**	**1.66**	**124**	35,582	3.52	316
Long-term debt	**43,568**	**3.36**	**367**	34,730	4.96	431
Guaranteed preferred beneficial interests in Company's subordinated debentures	**2,885**	**4.17**	**30**	1,401	6.40	23
Total interest-bearing liabilities	**210,073**	**1.90**	**1,004**	194,037	3.31	1,615
Portion of noninterest-bearing funding sources	**59,731**			45,423		
Total funding sources	**$ 269,804**	**1.49**	**1,004**	$ 239,460	2.70	1,615

Net interest margin and net interest income on a taxable-equivalent basis (6)		**5.52%**	**$ 3,720**		5.40%	$ 3,222
NONINTEREST-EARNING ASSETS						
Cash and due from banks	**$ 13,128**			$ 14,237		
Goodwill	**9,741**			9,682		
Other	**28,544**			26,082		
Total noninterest-earning assets	**$ 51,413**			$ 50,001		
NONINTEREST-BEARING FUNDING SOURCES						
Deposits	**$ 63,403**			$ 55,321		
Other liabilities	**18,137**			12,962		
Preferred stockholders' equity	**54**			259		
Common stockholders' equity	**29,550**			26,882		
Noninterest-bearing funding sources used to fund earning assets	**(59,731)**			(45,423)		
Net noninterest-bearing funding sources	**$ 51,413**			$ 50,001		
TOTAL ASSETS	**$ 321,217**			$ 289,461		

(1) The average prime rate of the Company was 4.75% and 6.57% for the quarters ended September 30, 2002 and 2001, respectively, and 4.75% and 7.50% for the nine months ended September 30, 2002 and 2001, respectively. The average three-month London Interbank Offered Rate (LIBOR) was 1.81% and 3.45% for the quarters ended September 30, 2002 and 2001, respectively, and 1.88% and 4.33% for the nine months ended September 30, 2002 and 2001, respectively.

(2) Interest rates and amounts include the effects of hedge and risk management activities associated with the respective asset and liability categories.

(3) Yields are based on amortized cost balances computed on a settlement date basis.

(4) Includes certain preferred securities.

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

(6) Includes taxable-equivalent adjustments that primarily relate to income on certain loans and securities that is exempt from federal and applicable state income taxes. The federal statutory tax rate was 35% for all periods presented.

	Nine months ended Sept. 30,					
	2002			**2001**		
(in millions)	**Average balance**	**Yields/ rates**	**Interest income/ expense**	**Average balance**	**Yields/ rates**	**Interest income/ expense**
EARNING ASSETS						
Federal funds sold and securities purchased under resale agreements	**$ 2,615**	**1.72%**	**$ 34**	$ 2,672	4.13%	$ 83
Debt securities available for sale (3):						

Securities of U.S. Treasury and federal agencies	**1,852**	**5.67**	**76**	2,192	6.74	107
Securities of U.S. states and political subdivisions	**2,117**	**8.27**	**125**	2,016	7.94	115
Mortgage-backed securities:						
Federal agencies	**28,338**	**7.10**	**1,460**	26,763	7.18	1,405
Private collateralized mortgage obligations	**2,456**	**7.13**	**128**	1,641	9.12	110
Total mortgage-backed securities	**30,794**	**7.10**	**1,588**	28,404	7.29	1,515
Other debt securities (4)	**3,020**	**7.73**	**172**	3,388	7.86	195
Total debt securities available for sale (4)	**37,783**	**7.15**	**1,961**	36,000	7.34	1,932
Mortgages held for sale (3)	**34,036**	**6.34**	**1,622**	20,234	6.93	1,055
Loans held for sale (3)	**5,236**	**4.96**	**194**	4,802	6.98	251
Loans:						
Commercial	**46,539**	**6.91**	**2,406**	49,120	8.38	3,078
Real estate 1-4 family first mortgage	**26,932**	**6.29**	**1,271**	18,870	7.33	1,038
Other real estate mortgage	**25,462**	**6.25**	**1,191**	24,093	8.30	1,496
Real estate construction	**7,936**	**5.76**	**342**	8,080	8.59	519
Consumer:						
Real estate 1-4 family junior lien mortgage	**29,607**	**7.54**	**1,669**	20,047	9.64	1,448
Credit card	**6,696**	**12.32**	**619**	6,229	13.65	638
Other revolving credit and monthly payment	**23,818**	**10.37**	**1,848**	23,646	11.56	2,048
Total consumer	**60,121**	**9.19**	**4,136**	49,922	11.05	4,134
Lease financing	**9,034**	**7.17**	**485**	10,062	7.76	586
Foreign	**1,725**	**19.19**	**248**	1,603	20.89	251
Total loans (5)	**177,749**	**7.57**	**10,079**	161,750	9.17	11,102
Other	**6,529**	**3.94**	**193**	3,760	5.18	146
Total earning assets	**$ 263,948**	**7.15**	**14,083**	$ 229,218	8.52	14,569
FUNDING SOURCES						
Deposits:						
Interest-bearing checking	**$ 2,519**	**.60**	**11**	$ 2,237	1.85	31
Market rate and other savings	**92,545**	**.97**	**672**	78,256	2.39	1,400
Savings certificates	**24,785**	**3.32**	**615**	30,926	5.37	1,243
Other time deposits	**6,672**	**1.95**	**97**	1,470	5.21	57
Deposits in foreign offices	**5,204**	**1.65**	**64**	6,422	4.53	218
Total interest-bearing deposits	**131,725**	**1.48**	**1,459**	119,311	3.30	2,949
Short-term borrowings	**34,324**	**1.67**	**429**	31,273	4.44	1,037
Long-term debt	**40,843**	**3.40**	**1,041**	34,460	5.57	1,439
Guaranteed preferred beneficial interests in Company's subordinated debentures	**2,745**	**4.29**	**88**	1,091	7.12	59
Total interest-bearing liabilities	**209,637**	**1.92**	**3,017**	186,135	3.94	5,484
Portion of noninterest-bearing funding sources	**54,311**			43,083		
Total funding sources	**$ 263,948**	**1.53**	**3,017**	$ 229,218	3.21	5,484
Net interest margin and net interest income on a taxable-equivalent basis (6)		**5.62%**	**$ 11,066**		5.31%	$ 9,085

NONINTEREST-EARNING ASSETS		
Cash and due from banks	**$ 13,696**	$ 14,506
Goodwill	**9,731**	9,491
Other	**28,193**	25,969
Total noninterest-earning assets	**$ 51,620**	$ 49,966
NONINTEREST-BEARING FUNDING SOURCES		
Deposits	**$ 60,672**	$ 53,896
Other liabilities	**16,418**	12,387
Preferred stockholders' equity	**55**	260
Common stockholders' equity	**28,786**	26,506
Noninterest-bearing funding sources used to fund earning assets	**(54,311)**	(43,083)
Net noninterest-bearing funding sources	**$ 51,620**	$ 49,966
TOTAL ASSETS	**$ 315,568**	$ 279,184

NONINTEREST INCOME

	Quarter ended Sept. 30,			Nine months ended Sept. 30,		
(in millions)	**2002**	**2001**	**% Change**	**2002**	**2001**	**% Change**
Service charges on deposit accounts	**$ 560**	$ 470	19%	**$ 1,612**	$ 1,370	18%
Trust and investment fees:						
Asset management and custody fees	**173**	181	(4)	**537**	551	(3)
Mutual fund and commission fees	**204**	181	13	**600**	596	1
All other	**62**	62		**193**	109	77
Total trust and investment fees	**439**	424	4	**1,330**	1,256	6
Credit card fees	**242**	203	19	**666**	579	15
Other fees:						
Cash network fees	**47**	54	(13)	**139**	153	(9)
Charges and fees on loans	**160**	103	55	**432**	316	37
All other	**165**	146	13	**438**	452	(3)
Total other fees	**372**	303	23	**1,009**	921	10
Mortgage banking:						
Origination and other closing fees	**271**	179	51	**696**	490	42
Servicing fees, net of amortization and impairment	**(158)**	(127)	24	**(279)**	(21)	
Net gains on securities available for sale		2	(100)		134	(100)
Net gains on mortgage loan originations/sales activities	**226**	223	1	**519**	420	24
All other	**87**	92	(5)	**262**	254	3

Total mortgage banking	**426**	369	15	**1,198**	1,277	(6)
Insurance	**234**	196	19	**766**	524	46
Net gains on debt securities available for sale	**121**	97	25	**202**	166	22
Net loss from equity investments	**(152)**	(58)	162	**(230)**	(1,477)	(84)
Net gains on sales of loans	**7**	11	(36)	**15**	10	50
Net (losses) gains on dispositions of operations	**(9)**	1		**(6)**	104	
All other	**105**	267	(61)	**462**	513	(10)
Total	**$ 2,345**	$ 2,283	3%	**$ 7,024**	$ 5,243	34%

Deposit service fees increased 19% in the third quarter of 2002 compared with 2001 due to continued growth in primary accounts and increased activity.

The increase in trust and investment fees for the third quarter of 2002, compared with the third quarter of 2001, was due to an increase in brokerage commission fees due to the acquisition of FAS Holdings, Inc. in the third quarter 2002. The increase for the first nine months of 2002 was predominantly due to an increase in "all other" fees primarily due to the acquisition of H.D. Vest, a financial planning services company. The Company managed mutual funds with $73 billion of assets at September 30, 2002, compared with $70 billion at September 30, 2001. The Company also administered personal trust, employee benefit trust and agency assets of approximately $419 billion and $388 billion at September 30, 2002 and 2001, respectively, and actively managed personal trust, employee benefit trust and agency assets of approximately $98 billion and $97 billion at September 30, 2002 and 2001, respectively.

Credit card fees increased 19% and 15% for the third quarter and first nine months of 2002, respectively, compared with the same periods of 2001, primarily due to an increase in merchant fees on debit and credit cards.

Mortgage banking fee income was higher for the quarter and lower for the first nine months of 2002, compared with the same periods of 2001. In both periods, servicing fees were lower predominantly due to increased amortization and impairment of mortgage servicing rights and other retained interests resulting from lower interest rates. Impairment of mortgage servicing rights and other retained interests was $737 million and $59 million, respectively, in the third quarter of 2002 and $1.5 billion and $496 million, respectively, for the first nine months of 2002. The increase in amortization and impairment was substantially offset by gains representing the ineffective and the excluded portion of fair value hedges of mortgage servicing rights and an increase in mortgage servicing fees resulting from growth of the servicing portfolio. Origination and other closing fees and net gains on mortgage originations/sales activities were higher in the third quarter and first nine months of 2002 due to higher mortgage origination volume and lower interest rates. Originations for the third quarter and first nine months of 2002 grew to $89 billion and $221 billion, respectively, from $50 billion and $128 billion for the same periods of 2001.

Insurance income for the first nine months of 2002 increased from the prior year predominantly due to the second quarter 2001 acquisition of ACO Brokerage Holdings Corporation, the Acordia group of insurance agencies, a commercial insurance broker.

Net loss from equity investments for the first nine months of 2002 was $230 million, reflecting other-than-temporary impairment in the valuation of publicly traded and private equity securities. Net loss from equity investments for the same period in 2001 included approximately $1.5 billion of impairment write-downs recognized in the second quarter of 2001.

The Company routinely reviews its venture capital portfolios for impairment. Such write-downs were based on issuer specific factors and results, as well as general economic and market conditions, including those events occurring in the technology and telecommunications industries and adverse changes impacting the availability of venture capital financing. While the determination of impairment is based on all of the information available at the time of the assessment, new information or economic developments in the future could lead to additional impairment.

Net gains on disposition of operations for the first nine months of 2001 included a $96 million gain from the divestiture of 39 stores in Idaho, New Mexico, Nevada and Utah as a condition to completing the First Security Corporation merger.

NONINTEREST EXPENSE

(in millions)	Quarter ended Sept. 30, 2002	Quarter ended Sept. 30, 2001	% Change	Nine months ended Sept. 30, 2002	Nine months ended Sept. 30, 2001	% Change
Salaries	**$ 1,110**	$ 1,020	9%	**$ 3,292**	$ 3,015	9%
Incentive compensation	**446**	315	42	**1,165**	784	49
Employee benefits	**304**	223	36	**997**	737	35
Equipment	**232**	217	7	**697**	672	4
Net occupancy	**278**	240	16	**821**	716	15
Goodwill		156	(100)		452	(100)
Core deposit intangibles	**38**	41	(7)	**118**	125	(6)
Net (gains) losses on dispositions of premises and equipment		(2)	(100)	**26**	(21)	
Outside professional services	**130**	104	25	**376**	335	12
Contract services	**92**	108	(15)	**261**	366	(29)
Telecommunications	**94**	91	3	**263**	260	1
Outside data processing	**91**	84	8	**262**	238	10
Travel and entertainment	**85**	67	27	**243**	209	16
Advertising and promotion	**85**	66	29	**229**	190	21
Postage	**65**	56	16	**189**	179	6
Stationery and supplies	**51**	58	(12)	**164**	181	(9)
Operating losses	**40**	50	(20)	**115**	149	(23)
Insurance	**29**	30	(3)	**141**	145	(3)
Security	**41**	39	5	**121**	115	5
All other	**196**	224	(13)	**659**	591	12
Total	**$ 3,407**	$ 3,187	7%	**$ 10,139**	$ 9,438	7%

The increase in salaries in the third quarter and first nine months of 2002 resulted from additional active, full-time equivalent staff, a major portion of which was due to acquisitions and increased employment related to the growth in the mortgage and home equity business. Incentive compensation increased predominantly due to mortgage commission expense resulting from higher origination volume. The increase in employee benefits for the first nine months of 2002 includes net pension cost of approximately $107 million in 2002, due to the impact of a weaker stock market on plan asset returns, compared with net pension income of approximately $31 million in 2001.

Under FAS 142, effective January 1, 2002, all goodwill amortization was discontinued.

Contract services decreased partly due to the higher use of team members instead of outside contractors for systems projects.

The Company undertook numerous initiatives in 2002 to reduce operating losses, which declined 20% from a year ago.

OPERATING SEGMENT RESULTS

Community Banking's net income increased 15% to $1,068 million in the third quarter of 2002 from $930 million in the prior year. Net income increased 13% to $3,049 million for the first nine months of 2002 from $2,707 million, excluding impairment and other special charges of $1,089 million (after tax), for the first nine months of 2001. Net interest income increased to $2,645 million in the third quarter of 2002 from $2,240 million in the third quarter of 2001. Average loans grew 16% and average core deposits grew 7% from third quarter 2001. The provision

for loan losses decreased by $86 million for the third quarter of 2002 due to the improved credit quality in the loan portfolio. Noninterest income for the third quarter of 2002 increased by $94 million over the same period in 2001 primarily due to an increase in mortgage banking income. Noninterest expense increased by $349 million in the third quarter of 2002 over the same period in 2001 due primarily to increased expense associated with strong mortgage origination activity.

Wholesale Banking's net income was $290 million in the third quarter of 2002, compared with $298 million in the third quarter of 2001. Net income, before the effect of change in accounting principle, was $939 million for the first nine months of 2002, compared with $873 million, excluding impairment and other special charges of $62 million (after tax), in the first nine months of 2001, an increase of 8%. Net interest income increased 5% in both the third quarter and the first nine months of 2002, compared with the same periods in 2001. The provision for loan losses decreased by $2 million to $60 million in the third quarter of 2002 compared with the third quarter of 2001. Noninterest income was $538 million in the third quarter 2002 and decreased $10 million compared with the third quarter of 2001. On a year-to-date basis, noninterest income increased $261 million to $1,891 million in 2002 compared with the same period in 2001 which excluded impairment and other special charges of $99 million (before tax). The increase of noninterest income for the first nine months over the prior year was primarily due to higher insurance revenue predominantly from the Acordia acquisition, higher service fees on deposits, external fees and commissions and investment income. Noninterest expense increased to $604 million in the third quarter of 2002 and $1,920 million for the first nine months of 2002 from $574 and $1,722 million for the same periods in the prior year. The higher expenses in 2002 for the first nine months compared with 2001 was primarily the result of the Acordia acquisition along with the increased personnel and occupancy expenses.

In first quarter 2002, under FAS 142, a transitional goodwill impairment charge of $98 million (after tax) was recognized in certain reporting units.

Wells Fargo Financial's net income was $92 million in the third quarter of 2002 and $85 million for the same period in 2001. Net income, before the effect of change in accounting principle, was $251 million for the first nine months of 2002 and $249 million for the same period in 2001. Net interest income increased 11% in the third quarter and the first nine months of 2002, compared with the same periods in 2001. The provision for loan losses increased by $28 million and $86 million in the third quarter and first nine months of 2002, respectively, compared with the same periods in the prior year.

In first quarter 2002, under FAS 142, a transitional goodwill impairment charge of $178 million (after tax) was recognized in certain international reporting units, substantially related to Island Finance, a Puerto Rico based consumer finance company acquired in 1995.

BALANCE SHEET ANALYSIS

SECURITIES AVAILABLE FOR SALE

The following table provides the cost and fair value for the major components of securities available for sale carried at fair value. There were no securities classified as held to maturity at the end of the periods presented.

	September 30, 2002		**December 31, 2001**		**September 30, 2001**	
(in millions)	**Cost**	**Estimated fair value**	**Cost**	**Estimated fair value**	**Cost**	**Estimated fair value**
Securities of U.S. Treasury and federal agencies	**$ 1,592**	**$ 1,665**	$ 1,983	$ 2,047	$ 2,014	$ 2,105
Securities of U.S. states and political subdivisions	**2,291**	**2,458**	2,146	2,223	2,198	2,306
Mortgage-backed securities:						
Federal agencies	**21,958**	**23,380**	29,280	29,721	29,818	30,963
Private collateralized mortgage obligations (1)	**2,057**	**2,187**	2,628	2,658	1,900	1,959

Total mortgage-backed securities	**24,015**	**25,567**	31,908	32,379	31,718	32,922
Other	**2,786**	**2,805**	2,625	2,668	2,620	2,642
Total debt securities	**30,684**	**32,495**	38,662	39,317	38,550	39,975
Marketable equity securities	**578**	**479**	815	991	856	774
Total	**$ 31,262**	**$ 32,974**	$ 39,477	$ 40,308	$ 39,406	$ 40,749

(1) Substantially all private collateralized mortgage obligations are AAA-rated bonds collateralized by 1-4 family residential first mortgages.

The decrease in mortgage-backed securities was largely due to prepayments of mortgage-backed securities held and the sale of certain longer-maturity mortgage-backed securities subject to prepayment risk.

The following table provides the components of the estimated unrealized net gain on securities available for sale. The estimated unrealized net gain or loss on securities available for sale is reported on an after-tax basis as a component of cumulative other comprehensive income.

(in millions)	**Sept. 30, 2002**	**Dec. 31, 2001**	**Sept. 30, 2001**
Estimated unrealized gross gains	**$ 1,974**	$ 1,004	$ 1,711
Estimated unrealized gross losses	**(262)**	(173)	(368)
Estimated unrealized net gain	**$ 1,712**	$ 831	$ 1,343

The following table provides the components of the realized net gains (losses) on the sales of securities from the securities available for sale portfolio, composed of debt securities, including those related to mortgage banking, and marketable equity securities.

	Quarter ended Sept. 30,		**Nine months ended Sept. 30,**	
(in millions)	**2002**	**2001**	**2002**	**2001**
Realized gross gains	**$ 196**	$ 230	**$ 478**	$ 753
Realized gross losses (1)	**(155)**	(111)	**(362)**	(1,485)
Realized net gains (losses)	**$ 41**	$ 119	**$ 116**	$ (732)

(1) Includes other-than-temporary impairments.

The weighted average expected remaining maturity of the debt securities portion of the securities available for sale portfolio was 3 years and 2 months at September 30, 2002. Expected remaining maturities will differ from contractual maturities because obligations may be prepaid.

The effect of a 200 basis point increase and a 200 basis point decrease on the fair value and the expected remaining maturity of the mortgage-backed securities available for sale portfolio is indicated below.

(in billions)	Fair value	Net unrealized gain (loss)	Remaining maturity
At September 30, 2002	$ 25.6	$ 1.6	2 yrs., 5 mos.
At September 30, 2002, assuming a 200 basis point:			
Increase in interest rates	24.0		5 yrs., 3 mos.
Decrease in interest rates	26.0	2.0	1 yr., 1 mo.

LOAN PORTFOLIO

(in millions)	Sept. 30, 2002	Dec. 31, 2001	Sept. 30, 2001	% Change Sept. 30, 2002 from Dec. 31, 2001	% Change Sept. 30, 2002 from Sept. 30, 2001
Commercial (1)	**$ 46,827**	$ 47,547	$ 48,444	(2)%	(3)%
Real estate 1-4 family first mortgage	**29,896**	25,588	23,308	17	28
Other real estate mortgage (2)	**25,233**	24,808	24,311	2	4
Real estate construction	**7,887**	7,806	8,028	1	(2)
Consumer:					
Real estate 1-4 family junior lien mortgage	**34,070**	25,530	23,901	33	43
Credit card	**7,033**	6,700	6,333	5	11
Other revolving credit and monthly payment	**24,912**	23,502	23,232	6	7
Total consumer	**66,015**	55,732	53,466	18	23
Lease financing	**8,593**	9,420	9,696	(9)	(11)
Foreign	**1,859**	1,598	1,613	16	15
Total loans (net of unearned income, including net deferred loan fees, of $4,308, $4,143 and $4,188)	**$ 186,310**	$ 172,499	$ 168,866	8%	10%

(1) Includes agricultural loans (loans to finance agricultural production and other loans to farmers) of $3,973 million, $4,345 million and $3,969 million at September 30, 2002, December 31, 2001 and September 30, 2001, respectively.

(2)

Includes agricultural loans that are secured by real estate of $1,179 million, $1,254 million and $1,244 million at September 30, 2002, December 31, 2001 and September 30, 2001, respectively.

NONACCRUAL LOANS AND OTHER ASSETS

The table below presents comparative data for nonaccrual loans and other assets. Management's classification of a loan as nonaccrual does not necessarily indicate that the principal of the loan is uncollectible in whole or in part. The table below excludes loans that are 90 days or more past due and still accruing, but are both well-secured and in the process of collection or are real estate 1-4 family first mortgage loans or consumer loans that are exempt under regulatory rules from being classified as nonaccrual, which are presented in the table on page 37. However, real estate 1-4 family loans (first and junior liens) are placed on nonaccrual within 120 days of becoming past due and are shown in the table below.

(in millions)	**Sept. 30, 2002**	**Dec. 31, 2001**	**Sept. 30, 2001**
Nonaccrual loans:			
Commercial (1)	**$ 840**	$ 827	$ 863
Real estate 1-4 family first mortgage	**212**	203	197
Other real estate mortgage (2)	**198**	210	231
Real estate construction	**112**	145	113
Consumer:			
Real estate 1-4 family junior lien mortgage	**42**	24	18
Other revolving credit and monthly payment	**55**	59	42
Total consumer	**97**	83	60
Lease financing	**85**	163	146
Foreign	**5**	9	8
Total nonaccrual loans (3)	**1,549**	1,640	1,618
As a percentage of total loans	**.8%**	1.0%	1.0%
Foreclosed assets	**186**	171	166
Real estate investments (4)	**2**	2	2
Total nonaccrual loans and other assets	**$ 1,737**	$ 1,813	$ 1,786

(1) Includes commercial agricultural loans of $55 million, $68 million and $67 million at September 30, 2002, December 31, 2001 and September 30, 2001, respectively.

(2) Includes agricultural loans secured by real estate of $24 million, $43 million and $48 million at September 30, 2002, December 31, 2001 and September 30, 2001, respectively.

(3) Includes impaired loans of $970 million, $995 million and $1,031 million at September 30, 2002, December 31, 2001 and September 30, 2001, respectively.

(4) Represents the amount of real estate investments (contingent interest loans accounted for as investments) that would be classified as nonaccrual if such assets were recorded as loans. Real estate investments totaled $11 million, $24 million and $25 million at September 30, 2002, December 31, 2001 and September 30, 2001, respectively.

The Company generally identifies loans to be evaluated for impairment under FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan*, when such loans are on nonaccrual. However, not all nonaccrual loans are impaired. Generally, a loan is placed on nonaccrual status upon becoming 90 days past due as to interest or principal (unless both well-secured and in the process of collection), when the full timely collection of interest or principal becomes uncertain or when a portion of the principal balance has been charged off. Real estate 1-4 family loans (first and junior liens) are placed on nonaccrual status within 120 days of becoming past due as to interest or principal, regardless of security. In contrast, loans are considered impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement, including scheduled interest payments.

For loans covered under FAS 114, the Company makes an assessment for impairment when such loans are on nonaccrual. When a loan with unique risk characteristics is identified as impaired, the Company estimates the amount of impairment using discounted cash flows, except when the sole (remaining) source of repayment for the loan is the operation or liquidation of the underlying collateral. In such cases, the current fair value of the collateral, reduced by costs to sell, is used in place of discounted cash flows. Additionally, impaired loans with commitments of less than $1 million are aggregated to estimate impairment using historical loss factors, which approximates the discounted cash flow method.

If the measurement of the impaired loan results in a value that is less than the recorded investment in the loan (including accrued interest, net deferred loan fees or costs and unamortized premium or discount), an impairment is recognized as a charge to the allowance for loan losses. FAS 114 does not change the timing of charge-offs of loans to reflect the amount ultimately expected to be collected.

In accordance with FAS 114, the table below shows the recorded investment in impaired loans and the related methodology used to measure impairment for the periods presented:

(in millions)	**Sept. 30, 2002**	**Dec. 31, 2001**	**Sept. 30, 2001**
Impairment measurement based on:			
Collateral value method	**$ 319**	$ 485	$ 416
Discounted cash flow method	**305**	338	369
Historical loss factors	**346**	172	246
Total (1)	**$ 970**	$ 995	$ 1,031

(1) Includes $476 million, $529 million and $624 million of impaired loans with a related FAS 114 allowance of $59 million, $91 million and $122 million at September 30, 2002, December 31, 2001 and September 30, 2001, respectively.

The average recorded investment in impaired loans was $1,030 million and $955 million during the third quarter of 2002 and 2001, respectively, and $1,018 million and $893 million during the first nine months of 2002 and 2001, respectively. Total interest income recognized on impaired loans was $7 million and $4 million during the third quarter of 2002 and 2001, respectively, and $17 million and $12 million during the first nine months of 2002 and 2001, respectively, which was predominantly recorded using the cost recovery method. Under the cost recovery method, all

payments received are applied to principal. This method is used when the ultimate collectibility of the total principal is in doubt.

Loans 90 Days or More Past Due and Still Accruing

The following table shows loans contractually past due 90 days or more as to interest or principal, but not included in the nonaccrual loans. All loans in this category are both well-secured and in the process of collection or are real estate 1-4 family first mortgage loans or consumer loans that are exempt under regulatory rules from being classified as nonaccrual. However, real estate 1-4 family loans (first and junior liens) are placed on nonaccrual within 120 days of becoming past due and are excluded from the following table.

(in millions)	Sept. 30, 2002	Dec. 31, 2001	Sept. 30, 2001
Commercial	**$ 91**	$ 60	$ 97
Real estate 1-4 family first mortgage	**63**	107(1)	86(1)
Other real estate mortgage	**47**	22	52
Real estate construction	**26**	47	65
Consumer:			
Real estate 1-4 family junior lien mortgage	**67**	56	59
Credit card	**111**	117	117
Other revolving credit and monthly payment	**266**	289	295
Total consumer	**444**	462	471
Total	**$ 671**	$ 698	$ 771

(1) Prior period(s) have been restated to exclude certain government guaranteed loans.

ALLOWANCE FOR LOAN LOSSES

(in millions)	Quarter ended Sept. 30, 2002	Quarter ended Sept. 30, 2001	Nine months ended Sept. 30, 2002	Nine months ended Sept. 30, 2001
Balance, beginning of period	**$ 3,883**	$ 3,760	**$ 3,761**	$ 3,719
Allowances related to business combinations/other	**(2)**		**93**	41
Provision for loan losses	**395**	455	**1,295**	1,243
Loan charge-offs:				
Commercial	**(159)**	(178)	**(534)**	(460)
Real estate 1-4 family first mortgage	**(3)**	(14)	**(18)**	(20)
Other real estate mortgage	**(2)**	(3)	**(14)**	(12)
Real estate construction	**(9)**	(7)	**(34)**	(10)

Consumer:				
Real estate 1-4 family junior lien mortgage	**(14)**	(11)	**(43)**	(33)
Credit card	**(99)**	(100)	**(307)**	(320)
Other revolving credit and monthly payment	**(212)**	(195)	**(595)**	(563)
Total consumer	**(325)**	(306)	**(945)**	(916)
Lease financing	**(21)**	(23)	**(68)**	(67)
Foreign	**(19)**	(20)	**(63)**	(56)
Total loan charge-offs	**(538)**	(551)	**(1,676)**	(1,541)
Loan recoveries:				
Commercial	**36**	19	**120**	57
Real estate 1-4 family first mortgage	**1**	1	**4**	3
Other real estate mortgage	**3**	4	**12**	12
Real estate construction	**10**		**19**	2
Consumer:				
Real estate 1-4 family junior lien mortgage	**4**	2	**12**	8
Credit card	**12**	10	**36**	32
Other revolving credit and monthly payment	**49**	50	**158**	151
Total consumer	**65**	62	**206**	191
Lease financing	**4**	7	**16**	20
Foreign	**4**	4	**11**	14
Total loan recoveries	**123**	97	**388**	299
Net loan charge-offs	**(415)**	(454)	**(1,288)**	(1,242)
Balance, end of period	**$ 3,861**	$ 3,761	**$ 3,861**	$ 3,761
Net loan charge-offs (annualized) as a percentage of average total loans	**.91%**	1.10%	**.97%**	1.03%
Allowance as a percentage of total loans	**2.07%**	2.23%	**2.07%**	2.23%

The Company considers the allowance for loan losses of $3.86 billion adequate to cover losses inherent in loans, loan commitments and standby and other letters of credit at September 30, 2002. The Company's determination of the level of the allowance for loan losses rests upon various judgments and assumptions, including general economic conditions, loan portfolio composition, prior loan loss experience, evaluation of credit risk related to certain individual borrowers and the Company's ongoing examination process and that of its regulators.

INTEREST RECEIVABLE AND OTHER ASSETS

(in millions)	**Sept. 30, 2002**	**Dec. 31, 2001**	**Sept. 30, 2001**

Trading assets	**$ 7,906**	$ 4,996	$ 6,224
Nonmarketable equity investments:			
Private equity investments	**1,651**	1,696	1,711
Federal bank stock	**1,511**	1,295	1,254
All other	**1,387**	1,071	879
Total nonmarketable equity investments	**4,549**	4,062	3,844
Government National Mortgage Association (GNMA) pool buy outs	**2,378**	2,815	2,601
Interest receivable	**1,235**	1,284	1,430
Interest-earning deposits	**2,006**	206	330
Foreclosed assets	**186**	171	166
Certain identifiable intangible assets	**119**	119	192
Due from customers on acceptances	**102**	104	110
Other	**13,897**	9,788	10,586
Total interest receivable and other assets	**$ 32,378**	$ 23,545	$ 25,483

Trading assets consist largely of securities, including corporate debt, U.S. government agency obligations, and the fair value of derivative instruments held for customer accommodation purposes. Interest income from trading assets was $43 million in the third quarter of 2002 and $27 million in the third quarter of 2001, and $135 million and $87 million in the first nine months of 2002 and 2001, respectively. Noninterest income from trading assets was $10 million and $94 million in the third quarter of 2002 and 2001, respectively, and $212 million and $298 million in the first nine months of 2002 and 2001, respectively.

GNMA pool buy outs are advances made to GNMA mortgage pools that are guaranteed by the Federal Housing Administration or by the Department of Veterans Affairs (collectively, "the guarantors"). These advances are made to buy out government agency-guaranteed delinquent loans, pursuant to the Company's servicing agreements. The Company undertakes the collection and foreclosure process on behalf of the guarantors. After the foreclosure process is complete, the Company is reimbursed for substantially all costs incurred, including the advances.

The increase in "other" at September 30, 2002 compared with a year ago was due largely to an increase in funding advances as a result of an increase in mortgage loan origination volume and mark-to-market of loan commitments and derivative contracts used to hedge mortgage servicing rights and the forecasted sales of mortgage loans.

DEPOSITS

The following table shows comparative detail of deposits.

(in millions)	**Sept. 30, 2002**	**Dec. 31, 2001**	**Sept. 30, 2001**
Noninterest-bearing	**$ 69,382**	$ 65,362	$ 56,271
Interest-bearing checking	**2,258**	2,228	1,700
Market rate and other savings	**95,597**	89,251	85,331
Savings certificates	**23,369**	25,454	28,001
Core deposits	**190,606**	182,295	171,303
Other time deposits	**12,793**	839	1,082
Deposits in foreign offices	**2,357**	4,132	4,377

Total deposits	**$ 205,756**	$ 187,266	$ 176,762

The increase in other time deposits was primarily due to an increase in certificates of deposit greater than $100,000 sold to institutional customers.

CAPITAL ADEQUACY/RATIOS

The Company and each of the subsidiary banks are subject to various regulatory capital adequacy requirements administered by the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency. Risk-based capital (RBC) guidelines establish a risk-adjusted ratio relating capital to different categories of assets and off-balance sheet exposures.

	Actual		**For capital adequacy purposes**		**To be well capitalized under the FDICIA prompt corrective action provisions**	
(in billions)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of September 30, 2002:						
Total capital (to risk-weighted assets)						
Wells Fargo & Company	$ 30.5	11.39%	≥ $ 21.4	≥ 8.00%		
Wells Fargo Bank, N.A.	16.9	11.96	≥ 11.3	≥ 8.00	≥ $ 14.1	≥ 10.00%
Wells Fargo Bank Minnesota, N.A.	3.9	13.14	≥ 2.4	≥ 8.00	≥ 3.0	≥ 10.00
Tier 1 capital (to risk-weighted assets)						
Wells Fargo & Company	$ 21.0	7.84%	≥ $ 10.7	≥ 4.00%		
Wells Fargo Bank, N.A.	10.7	7.59	≥ 5.7	≥ 4.00	≥ $ 8.5	≥ 6.00%
Wells Fargo Bank Minnesota, N.A.	3.6	12.19	≥ 1.2	≥ 4.00	≥ 1.8	≥ 6.00
Tier 1 capital (to average assets)						
(Leverage ratio)						
Wells Fargo & Company	$ 21.0	6.83%	≥ $ 12.3	≥ 4.00%(1)		
Wells Fargo Bank, N.A.	10.7	7.23	≥ 5.9	≥ 4.00 (1)	≥ $ 7.4	≥ 5.00%
Wells Fargo Bank Minnesota, N.A.	3.6	5.85	≥ 2.5	≥ 4.00 (1)	≥ 3.1	≥ 5.00

(1) The leverage ratio consists of Tier 1 capital divided by quarterly average total assets, excluding goodwill and certain other items. The minimum leverage ratio guideline is 3% for banking organizations that do not anticipate significant growth and that have well-diversified risk, excellent asset quality, high liquidity, good earnings, effective management and monitoring of market risk and, in general, are considered top-rated, strong banking organizations.

To remain a seller/servicer in good standing, the Company's mortgage banking affiliate must maintain specified levels of shareholders' equity as required by the United States Department of Housing and Urban Development, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association. The equity requirements are generally based on the size of the loan portfolio being serviced for each investor. At September 30, 2002, the equity requirements for these agencies ranged from $1 million to $198 million. The mortgage banking affiliate had agency capital levels in excess of these requirements.

OFF-BALANCE SHEET TRANSACTIONS

OFF-BALANCE SHEET ARRANGEMENTS

The Company generally consolidates entities in which it owns a majority interest. For entities in which it owns at least 20% but less than a majority, the Company generally accounts for its interest under the equity method of accounting. For entities in which it owns less than 20%, the Company generally carries its ownership interest at cost. The Company routinely originates, securitizes and sells into the secondary market mortgage loans, and from time to time, other financial assets, including student loans, commercial mortgages and auto receivables. The Company also structures investment vehicles, typically in the form of collateralized debt obligations, to provide investors with specialized investments to meet their specific needs. These securitizations are structured without recourse to the Company and without restrictions on the retained interest. In general, because the Company no longer maintains legal ownership of, nor controls the loans transferred, the transfers are accounted for as sales with related gain or loss recognized in income. In most securitizations, the Company retains the servicing rights related to the transferred loans so that customers that borrow from the Company benefit from continuity of service, and the Company may retain other beneficial interests from these sales. The Company does not dispose of troubled loans or problem assets by means of unconsolidated special purpose entities.

For more information, see "Off-Balance Sheet Transactions Off-Balance Sheet Arrangements" in the Company's 2001 Annual Report on Form 10-K.

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

Through the normal course of operations, the Company has entered into certain contractual obligations and other commitments. Such obligations generally relate to funding of operations through debt issuances as well as leases for premises and equipment. As a financial services provider, the Company routinely enters into commitments to extend credit, including loan commitments, standby letters of credit and financial guarantees. While contractual obligations represent future cash requirements of the Company, a significant portion of commitments to extend credit are likely to expire without being drawn upon. Such commitments are subject to the same credit policies and approval processes accorded to loans made by the Company. In the merchant banking business, the Company makes commitments to fund equity investments to investment funds and to specific private companies. The timing of future cash requirements to fund such commitments is generally dependent upon the venture capital investment cycle. This

cycle, the period over which privately-held companies are funded by venture capitalists and ultimately taken public through an initial offering, can vary based on overall market conditions as well as the nature and type of industry in which the companies operate. It is anticipated that many private equity investments and investments in funds would be repaid, would become liquid or would become public before the balance of unfunded equity commitments is utilized. Other commitments include investments in low-income housing and other community development activities undertaken by the Company. For more information, see "Off-Balance Sheet Transactions Contractual Obligations and Other Commitments" in the Company's 2001 Annual Report on Form 10-K.

ASSET/LIABILITY AND MARKET RISK MANAGEMENT

Asset/liability management comprises the evaluation, monitoring, and management of the Company's interest rate risk, market risk and liquidity and funding. The Company's Corporate Asset/Liability Management Committee (Corporate ALCO) maintains oversight of these risks. Corporate ALCO is comprised of senior financial and senior business executives. Each of the Company's principal business groups Community Banking, Mortgage Banking and Wholesale Banking have individual asset/liability management committees and processes that are linked to the Corporate ALCO process.

INTEREST RATE RISK

Interest rate risk, one of the more prominent risks in terms of potential earnings impact, is an inevitable part of being a financial intermediary. For more information, see "Asset/Liability and Market Risk Management Interest Rate Risk" in the Company's 2001 Annual Report on Form 10-K. The principal tool used to evaluate Company interest rate risk is a simulation of net income under multiple economic and interest rate scenarios.

The Company simulates its future net income under multiple interest rate scenarios that differ in the direction of interest rate changes, the degree of change over time, the speed of change, and the projected shape of the yield curve. As of September 30, 2002, under scenarios of much higher short-term interest rates accompanied by higher but less pronounced increases in long-term rates, the Company's earnings would tend to decrease from most likely expectations. As an example, a 1.50% increase in the federal funds rate accompanied by a 1.30% increase in the

10 year constant maturity treasury rate from levels prevailing at September 30, 2002 would reduce estimated net income by 2.0% relative to the Company's most likely earnings plan over a twelve month horizon. The principal source of net income risk in that particular scenario is a modeled slowdown in mortgage origination activity and narrower new business spreads associated with a flatter yield curve. Simulation estimates are highly dependent on and will change with the size and mix of the actual and projected balance sheet at the time each simulation is done.

The Company uses exchange-traded and over-the-counter interest rate derivatives to hedge its interest rate exposures. The credit risk amount and estimated net fair values of these derivatives as of September 30, 2002 and December 31, 2001 are indicated in Note 10 (Derivative Instruments and Hedging Activities) to Financial Statements. Derivatives are used for asset/liability management in four ways: (a) most of the Company's long-term fixed-rate debt is converted to floating-rate payments by entering into received-fixed swaps at issuance, (b) the cash flows from selected asset and/or liability instruments/portfolios are converted from fixed to floating payments or vice versa, (c) the Company actively uses swaptions, futures, forwards and rate options to hedge its funded mortgage loans and mortgage servicing rights asset, and (d) the Company uses free standing derivative contracts as undesignated derivatives to manage interest rate risk exposure in its mortgage pipeline and commercial mortgage loans held for sale portfolio.

MORTGAGE BANKING INTEREST RATE RISK

The Company originates, funds and services mortgage loans. These activities subject the Company to a number of risks, including credit, liquidity and interest rate risks. For more information, see "Asset/Liability and Market Risk Management Mortgage Banking Interest Rate Risk" in the Company's 2001 Annual Report on Form 10-K.

The Company manages credit and liquidity risk by selling or securitizing the loans it originates. Changes in interest rates, however, may have a potentially large impact on Mortgage Banking earnings in any calendar quarter and over time. The Company manages both the risk to net income over time from all sources as well as the risk to an immediate reduction in the fair value of its mortgage servicing rights. The Company relies on mortgage loans held on its balance sheet and derivative instruments to maintain these risks within Corporate ALCO parameters.

At September 30, 2002, the Company had capitalized mortgage servicing rights of $4.42 billion. The value of its servicing rights portfolio is influenced by prepayment speed assumptions affecting the duration of the mortgage loans to which the servicing rights relate. Changes in long-term interest rates affect these prepayment speed assumptions. For example, a decrease in long-term rates would accelerate prepayment speed assumptions as borrowers refinance their existing mortgage loans. Under generally accepted accounting principles (GAAP), impairment to the Company's servicing rights, due to a decrease in long-term rates or other reasons, would be reflected as a charge to earnings. The Company mitigates this risk in two ways. First, a substantial portion of the mortgage servicing rights asset is hedged with derivative contracts. The principal source of risk in this hedging process is the risk that changes in the value of the hedging contracts may not match changes in the value of the hedged portion of the mortgage servicing rights for any given change in long-term interest rates. Second, a portion of the potential reduction in the value of the mortgage servicing rights asset for a given decline in interest rates is offset by estimated increases in origination and servicing fees over a twelve month period from new mortgage activity or refinancing associated with that decline in interest rates. In a scenario of much lower long-term interest rates, the decline in the value of the mortgage servicing rights and its impact on net income would be immediate whereas the additional fee income accrues over time. Net of impairment reserves, the capitalized mortgage servicing rights asset is valued at

.89% of the total servicing portfolio at September 30, 2002, down from 1.33% of the servicing portfolio at September 30, 2001.

MARKET RISK TRADING ACTIVITIES

The Company incurs interest rate risk, foreign exchange risk and commodity price risk in several trading businesses managed under limits set by Corporate ALCO. The primary purpose of these businesses is to accommodate customers in the management of their market price risks. All securities, loans, foreign exchange transactions, commodity transactions and derivatives transacted with customers or used to hedge capital market transactions done with customers are carried at fair value. Counterparty risk limits are established and monitored by the Institutional Risk Committee. Open "at risk" positions for all trading business are monitored by Corporate ALCO.

MARKET RISK EQUITY MARKETS

Equity markets impact the Company in both direct and indirect ways. For more information, see "Asset/Liability and Market Risk Management Market Risk Equity Markets" in the Company's 2001 Annual Report on Form 10-K. The Company makes and manages direct equity investments in start up businesses, emerging growth companies, management buy-outs, acquisitions and corporate recapitalizations. The Company also invests in non-affiliated funds that make similar private equity investments. These private equity investments are made within capital allocations approved by the Company's management and its Board of Directors. Management reviews these investments at least quarterly and assesses for possible other-than-temporary impairment. For nonmarketable investments, the analysis is based on facts and circumstances of each individual investment and the expectations for that investment's cash flows and capital needs, the viability of its business model and the Company's exit strategy. Private equity investments totaled $1,651 million at September 30, 2002 and $1,696 million at December 31, 2001.

The Company has marketable equity securities in its securities available for sale investment portfolio, including shares distributed from the Company's venture capital activities. These securities are managed within capital risk limits approved by management and the Board of Directors and monitored by Corporate ALCO. Gains and losses on these securities are recognized in net income when realized and, in addition, these securities are assessed for other-than-temporary impairment periodically. At September 30, 2002, the cost of marketable equity securities was $578 million and fair market value was $479 million, compared with $815 million and $991 million, respectively, at December 31, 2001.

The Company regularly assesses its private equity investments and marketable equity securities portfolios for other-than-temporary impairment. The Company recognizes losses to the extent it determines that such impairment exists.

LIQUIDITY AND FUNDING

The objective of effective liquidity management is to ensure that the Company can meet customer loan requests, customer deposit maturities/withdrawals and other cash commitments efficiently under both normal operating conditions as well as under unforeseen and unpredictable circumstances of industry or market stress. To achieve this objective, Corporate ALCO establishes and monitors liquidity guidelines requiring sufficient asset based liquidity to cover potential funding requirements and to avoid over-dependence on volatile, less reliable funding markets. The Company sets liquidity management guidelines for both the consolidated balance sheet as well as for the Parent specifically to ensure that the Parent is a source of strength for its regulated, deposit-taking banking subsidiaries.

In addition to the immediately liquid resources of cash and due from banks and federal funds sold and securities purchased under resale agreements, asset liquidity is provided by the debt securities in the securities available for sale portfolio. Asset liquidity is further enhanced by the Company's ability to sell or securitize loans in secondary markets through whole-loan sales and securitizations.

Core customer deposits have historically provided the Company with a sizeable source of relatively stable and low-cost funds.

The remaining funding of assets is mostly provided by long-term debt, deposits in foreign offices, other time deposits, short-term borrowings (federal funds purchased and securities sold under repurchase agreements, commercial paper and other short-term borrowings) and trust preferred securities. Liquidity for the Company is also available through the Company's ability to raise funds in a variety of domestic and international money and capital markets.

Parent. The Parent has registered with the Securities and Exchange Commission (SEC) to issue a variety of securities, including senior and subordinated notes and preferred and common securities to be issued by one or more trusts that are directly or indirectly owned by the Company and consolidated in the financial statements. During the quarter and nine months ended September 30, 2002, the Parent issued a total of $2.8 billion and $5.8 billion, respectively, of senior and subordinated notes and trust preferred securities leaving unused issuance capacity of $10.3 billion at September 30, 2002. In October and November 2002, the Parent issued a total of $950 million in senior and subordinated notes. The Company used the proceeds from securities issued in 2002 for general corporate purposes and expects that it will use the proceeds from the issuance of any securities in the future for general corporate purposes as well. The Parent also issues commercial paper and has two back-up credit facilities amounting to $2 billion.

Bank Note Program. In February 2001, Wells Fargo Bank, N.A. established a $20 billion bank note program under which it may issue up to $10 billion in short-term senior notes outstanding at any time and up to an aggregate of $10 billion in long-term senior and subordinated notes. Securities are issued under this program as private placements in accordance with OCC regulations. During the quarter and nine months ended September 30, 2002, Wells Fargo Bank, N.A. issued $500 million and $3.5 billion, respectively, in long-term notes. At September 30, 2002, the remaining issuance authority under the long-term portion was $4.9 billion.

Wells Fargo Financial. For the quarter and nine months ended September 30, 2002, Wells Fargo Financial, Inc. (WFFI) issued $700 million and $2.1 billion, respectively, of senior notes leaving at September 30, 2002 a total of $1.6 billion available for issuance. On October 22, 2002, WFFI announced that it will no longer issue term debt securities. For the third quarter and nine months ended September 30, 2002, WFFI's wholly owned Canadian subsidiary, Wells Fargo Financial Canada Corporation (WFFC) issued $200 million (Canadian) and $350 million (Canadian), respectively, in senior notes, leaving at September 30, 2002 a total of $950 million (Canadian) available for issuance.

On October 22, 2002, the Parent issued a full and unconditional guarantee of all outstanding term debt securities and commercial paper of WFFI. Subject to receiving required consents and approvals, WFFI will cease filing periodic reports under the Securities Exchange Act of 1934 and will no longer be a separately rated company. The Parent has also guaranteed all outstanding commercial paper of WFFC and subject to receiving required consents and approvals, intends to substitute its guarantee for the guarantee of WFFI with respect to the outstanding term debt of WFFC. WFFC expects to continue to issue term debt and commercial paper in Canada, fully guaranteed by the Parent.

CAPITAL MANAGEMENT

The Company has an active program for managing stockholder capital. The objective of effective capital management is to produce above market long-term returns by opportunistically utilizing capital when returns are perceived to be high and issuing/accumulating capital when the cost of doing so is perceived to be low.

The Company uses capital to fund organic growth, acquire banks and other financial services companies, pay dividends and repurchase its shares. During the first nine months of 2002, the Company's consolidated assets increased by $26.68 billion, or 9%. During that same period, the Company paid cash dividends of $1.40 billion and used $1.20 billion to repurchase 25.2 million shares of its common stock. At September 30, 2002, the Company had authority to repurchase approximately 75 million shares.

The Company's potential sources of capital include retained earnings, common and preferred stock issuance, issuance of subordinated debt and the placement of trust preferred securities. In the first nine months of 2002, net income was $3.97 billion and the change in retained earnings was $2.44 billion after payment of $1.40 billion in common stock dividends. During that same period, the Company issued a total of $481 million in common stock for various employee stock plans and issued term debt and trust preferred securities for a total of $11.70 billion.

FACTORS THAT MAY AFFECT FUTURE RESULTS

We make forward-looking statements in this report and from time to time in other reports and proxy statements we file with the SEC. Also, our senior management might make forward-looking statements orally to analysts, investors, the media and others. Broadly speaking, forward-looking statements include:

- projections of our revenues, income, earnings per share, capital expenditures, dividends, capital structure or other financial items;
- descriptions of plans or objectives of our management for future operations, products or services, including pending acquisitions;
- forecasts of our future economic performance; and
- descriptions of assumptions underlying or relating to any of the foregoing.

In this report, for example, we make forward-looking statements about:

- future credit losses and non-performing assets;

future cash requirements relating to commitments to extend credit and to fund equity investments;

future amortization expense;

the impact of new accounting standards; and

the impact of interest rate changes on our net income and our securities available for sale portfolio.

Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements often include words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "target," "can," "could," "may," "should," "will," "would" or similar expressions. Do not unduly rely on forward-looking statements. They give our expectations about the future and are not guarantees. Forward-looking statements speak only as of the date they are made, and we might not update them to reflect changes that occur after the date they are made.

There are several factors many beyond our control that could cause results to differ significantly from our expectations. Some of these factors are described below. Other factors, such as credit, market, operational, liquidity, interest rate and other risks, are described elsewhere in this report (see, for example, "Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations Balance Sheet Analysis" and " Asset/Liability and Market Risk Management"). Factors relating to the regulation and supervision of the Company are described in our Annual Report on Form 10-K for the year ended December 31, 2001. When we refer to our Form 10-K, we refer not only to the information included directly in that report but also to information incorporated by reference into that report from other documents including our 2001 Annual Report to Stockholders. Information incorporated into the Form 10-K from our 2001 Annual Report to Stockholders is filed as Exhibit 13 to the Form 10-K.

Any factor described in this report or in our 2001 Form 10-K could by itself, or together with one or more other factors, adversely affect our business, results of operations and/or financial

condition. There are factors not described in this report or in our Form 10-K that could cause results to differ from our expectations.

Industry Factors

As a financial services company, our earnings are significantly affected by business and economic conditions.

Our earnings are impacted by business and economic conditions in the United States and abroad. These conditions include short-term and long-term interest rates, inflation, monetary supply, fluctuations in both debt and equity capital markets, and the strength of the U.S. economy and the local economies in which we operate. Business and economic conditions that negatively impact household or corporate incomes could decrease the demand for the Company's products and increase the number of customers who fail to pay their loans.

Political conditions can also impact our earnings. Acts or threats of terrorism, and/or actions taken by the U.S. or other governments in response to acts or threats of terrorism, could impact business and economic conditions in the U.S. and abroad. Last year's terrorist attacks, for example, caused an immediate decrease in demand for air travel, which adversely affected not only the airline industry but also other travel-related and leisure industries, such as lodging, gaming and tourism.

We discuss other business and economic conditions in more detail elsewhere in this report.

Our earnings are significantly affected by the fiscal and monetary policies of the federal government and its agencies.

The Board of Governors of the Federal Reserve System regulates the supply of money and credit in the United States. Its policies determine in large part our cost of funds for lending and investing and the return we earn on those loans and investments, both of which impact our net interest margin, and can materially affect the value of financial instruments we hold, such as debt securities and mortgage servicing rights. Its policies also can affect our borrowers, potentially increasing the risk that they may fail to repay their loans. Changes in Federal Reserve Board policies are beyond our control and hard to predict or anticipate.

The financial services industry is highly competitive.

We operate in a highly competitive industry which could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies can now merge by creating a new type of financial services company called a "financial holding company," which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Recently, a number of foreign banks have acquired financial services companies in the United States, further increasing competition in the U.S. market. Also, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and

automatic payment systems. Many of our competitors have fewer regulatory constraints and some have lower cost structures.

We are heavily regulated by federal and state agencies.

The holding company, its subsidiary banks and many of its non-bank subsidiaries are heavily regulated at the federal and state levels. This regulation is to protect depositors, federal deposit insurance funds and the banking system as a whole, not security holders. Congress and state legislatures and federal and state regulatory agencies continually review banking laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect us in substantial and unpredictable ways including limiting the types of financial services and products we may offer and increasing the ability of non-banks to offer competing financial services and products. Also, our failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies and damage to our reputation. For more information, refer to the "Regulation and Supervision" section of our Annual Report on Form 10-K for the year ended December 31, 2001 and to Notes 3 (Cash, Loan and Dividend Restrictions) and 22 (Risk-Based Capital) to Financial Statements included in the 2001 Annual Report to Stockholders and incorporated by reference into the Form 10-K.

Future legislation could change our competitive position.

Various legislation, including proposals to substantially change the financial institution regulatory system and to expand or contract the powers of banking institutions and bank holding companies, is from time to time introduced in the Congress. This legislation may change banking statutes and the operating environment of the Company and its subsidiaries in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. We cannot predict whether any of this potential legislation will be enacted, and if enacted, the effect that it, or any implementing regulations, would have on the financial condition or results of operations of the Company or any of its subsidiaries.

We depend on the accuracy and completeness of information about customers and counterparties.

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of customers and counterparties, including financial statements and other financial information. We also may rely on representations of customers and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit, we may assume that a customer's audited financial statements conform with GAAP and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. We also may rely on the audit report covering those financial statements. Our financial condition and results of operations

could be negatively impacted to the extent we rely on financial statements that do not comply with GAAP or that are materially misleading.

Consumers may decide not to use banks to complete their financial transactions.

Technology and other changes are allowing parties to complete financial transactions that historically have involved banks. For example, consumers can now pay bills and transfer funds directly without banks. The process of eliminating banks as intermediaries, known as "disintermediation," could result in the loss of fee income, as well as the loss of customer deposits and income generated from those deposits.

Company Factors

Maintaining or increasing our market share depends on market acceptance and regulatory approval of new products and services.

Our success depends, in part, on our ability to adapt our products and services to evolving industry standards. There is increasing pressure on financial services companies to provide products and services at lower prices. This can reduce our net interest margin and revenues from our fee-based products and services. Also, the widespread adoption of new technologies, including internet-based services, could require us to make substantial expenditures to modify or adapt our existing products and services. We might not successfully introduce new products and services, achieve market acceptance of our products and services, and/or develop and maintain loyal customers.

The holding company relies on dividends from its subsidiaries for most of its revenue.

The holding company is a separate and distinct legal entity from its subsidiaries. It receives substantially all of its revenue from dividends from its subsidiaries. These dividends are the principal source of funds to pay dividends on the holding company's common and preferred stock and interest and principal on its debt. Various federal and/or state laws and regulations limit the amount of dividends that our bank and certain of our non-bank subsidiaries may pay to the holding company. Also, the holding company's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. For more information, refer to "Regulation and Supervision Dividend Restrictions" and " Holding Company Structure" in our Annual Report on Form 10-K for the year ended December 31, 2001.

We have businesses other than banking.

We are a diversified financial services company. In addition to banking, we provide insurance, investments, mortgages and consumer finance. Although we believe our diversity helps mitigate the impact to the Company when downturns affect any one segment of our industry, it also means that our earnings could be subject to different risks and uncertainties. We discuss some examples below.

Merchant Banking. Our merchant banking activities including venture capital investments have a much greater risk of capital losses than our traditional banking activities. Also, it is difficult to predict the timing of any gains from these activities. Realization of gains from our venture capital investments depends on a number of factors many beyond our control including general economic conditions, the prospects of the companies in which we invest, when these companies go public, the size of our position relative to the public float, and whether we are subject to any resale restrictions. Factors such as a slowdown in consumer demand or a deterioration in capital spending on technology and telecommunications equipment, could result in declines in the values of our publicly traded and private equity securities. If we determine that the declines are other-than-temporary, we will recognize impairment charges. Also, we will realize losses to the extent we sell securities at less than book value. For more information, see in this report "Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations Balance Sheet Analysis Securities Available for Sale."

Mortgage Banking. The impact of interest rates on our mortgage banking business can be large and complex. Changes in interest rates can impact loan origination fees and loan servicing fees, which account for a significant portion of mortgage-related revenues. A decline in mortgage rates might be expected to increase the demand for mortgage loans as borrowers refinance, but could also lead to accelerated payoffs in our mortgage servicing portfolio. Conversely, in a constant or increasing rate environment, we would expect fewer loans to be refinanced and a decline in payoffs in our servicing portfolio. While the Company uses dynamic and sophisticated models to assess the impact of interest rates on mortgage fees, amortization of mortgage servicing rights, and the value of mortgage servicing rights assets, the estimates of net income and fair value produced by these models are dependent on estimates and assumptions of future loan demand, prepayment speeds and other factors which may overstate or understate actual subsequent experience. For more information, see in this report "Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations Asset/Liability and Market Risk Management."

We rely on other companies to provide key components of our business infrastructure.

Third parties provide key components of our business infrastructure such as internet connections and network access. Any disruption in internet, network access or other voice or data communication services provided by these third parties or any failure of these third parties to handle current or higher volumes of use could adversely affect our ability to deliver products and services to our customers and otherwise to conduct our business. Technological or financial difficulties of a third party service provider could adversely affect our business to the extent those difficulties result in the interruption or discontinuation of services provided by that party.

We have an active acquisition program.

We regularly explore opportunities to acquire financial institutions and other financial services providers. We cannot predict the number, size or timing of future acquisitions. As a matter of policy, we generally do not comment publicly on a possible acquisition or business combination until we have signed a definitive agreement for the transaction.

Our ability to successfully complete an acquisition generally is subject to regulatory approval, and we cannot be certain when or if, or on what terms and conditions, any required regulatory approvals will be granted. We might be required to divest banks or branches as a condition to receiving regulatory approval.

Difficulty in integrating an acquired company may cause us not to realize expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits from the acquisition. Specifically, the integration process could result in higher than expected deposit attrition (run-off), loss of key employees, the disruption of our business or the business of the acquired company, or otherwise adversely affect our ability to maintain relationships with customers and employees or achieve the anticipated benefits of the acquisition. Also, the negative impact of any divestitures required by regulatory authorities in connection with acquisitions or business combinations may be greater than expected.

Legislative Risk

Our business model is dependent on sharing information between the family of companies owned by Wells Fargo to better satisfy our customers' needs. Laws that restrict the ability of our companies to share information about customers could negatively impact our revenue and earnings.

Our stock price can be volatile.

Our stock price can fluctuate widely in response to a variety of factors including:

- actual or anticipated variations in our quarterly operating results;
- recommendations by securities analysts;
- new technology used, or services offered, by our competitors;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors;
- failure to integrate our acquisitions or realize anticipated benefits from our acquisitions;
- operating and stock price performance of other companies that investors deem comparable to us;
- news reports relating to trends, concerns and other issues in the financial services industry; and
- changes in government regulations.

General market fluctuations, industry factors and general economic and political conditions and events, such as future terrorist attacks and activities, economic slowdowns or recessions, interest

rate changes, credit loss trends or currency fluctuations, also could cause our stock price to decrease regardless of our operating results.

CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As required by SEC rules, within the 90-day period prior to the filing date of this report, the Company carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures. The Company's management, including the Company's chief executive officer and chief financial officer, supervised and participated in the evaluation. Based on this evaluation, the chief executive officer and the chief financial officer concluded that the Company's disclosure controls and procedures were effective as of the evaluation date.

CHANGES IN INTERNAL CONTROLS

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART II OTHER INFORMATION

Item 2. Changes in Securities and Use of Proceeds

The Company and Mellon Investor Services LLC, as rights agent, entered into an Amendment to Rights Agreement, dated as of August 12, 2002, amending the Rights Agreement, dated as of October 21, 1998, between the Company and the rights agent to cause the preferred share purchase rights issued pursuant to the Rights Agreement, referred to in Note 12 (Common Stock and Stock Plans) to the audited consolidated financial statements of the Company included in the Company's 2001 Annual Report on Form 10-K, to expire as of the close of business on August 12, 2002 instead of the close of business on November 23, 2008. On October 16, 2002, the Company filed a Certificate Eliminating the Certificate of Designations for the Company's Series C Junior Participating Preferred Stock.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

3(a) Restated Certificate of Incorporation, incorporated by reference to Exhibit 3(b) to the Company's Current Report on Form 8-K dated June 28, 1993. Certificates of Amendment of Certificate of Incorporation, incorporated by reference to Exhibit 3 to the Company's Current Report on Form 8-K dated July 3, 1995 (authorizing preference stock), Exhibits 3(b) and 3(c) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (changing the Company's name and increasing authorized common and preferred stock, respectively) and Exhibit 3(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001 (increasing authorized common stock)

(b) Certificate of Change of Location of Registered Office and Change of Registered Agent, incorporated by reference to Exhibit 3(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999

(c) Certificate of Designations for the Company's ESOP Cumulative Convertible Preferred Stock, incorporated by reference to Exhibit 4 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994

(d) Certificate of Designations for the Company's 1995 ESOP Cumulative Convertible Preferred Stock, incorporated by reference to Exhibit 4 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995

3(e) Certificate Eliminating the Certificate of Designations for the Company's Cumulative Convertible Preferred Stock,

Series B, incorporated by reference to Exhibit 3(a) to the Company's Current Report on Form 8-K dated November 1, 1995

(f) Certificate Eliminating the Certificate of Designations for the Company's 10.24% Cumulative Preferred Stock, incorporated by reference to Exhibit 3 to the Company's Current Report on Form 8-K dated February 20, 1996

(g) Certificate of Designations for the Company's 1996 ESOP Cumulative Convertible Preferred Stock, incorporated by reference to Exhibit 3 to the Company's Current Report on Form 8-K dated February 26, 1996

(h) Certificate of Designations for the Company's 1997 ESOP Cumulative Convertible Preferred Stock, incorporated by reference to Exhibit 3 to the Company's Current Report on Form 8-K dated April 14, 1997

(i) Certificate of Designations for the Company's 1998 ESOP Cumulative Convertible Preferred Stock, incorporated by reference to Exhibit 3 to the Company's Current Report on Form 8-K dated April 20, 1998

(j) Certificate of Designations for the Company's Adjustable Cumulative Preferred Stock, Series B, incorporated by reference to Exhibit 3(j) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998

(k) Certificate of Designations for the Company's Series C Junior Participating Preferred Stock, incorporated by reference to Exhibit 3(l) to the Company's Annual Report on Form 10-K for the year ended December 31, 1998

(l) Certificate Eliminating the Certificate of Designations for the Company's Series A Junior Participating Preferred Stock, incorporated by reference to Exhibit 3(a) to the Company's Current Report on Form 8-K dated April 21, 1999

(m) Certificate of Designations for the Company's 1999 ESOP Cumulative Convertible Preferred Stock, incorporated by reference to Exhibit 3(b) to the Company's Current Report on Form 8-K dated April 21, 1999

(n) Certificate of Designations for the Company's 2000 ESOP Cumulative Convertible Preferred Stock, incorporated by reference to Exhibit 3(o) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000

3(o) Certificate of Designations for the Company's 2001 ESOP Cumulative Convertible Preferred Stock, incorporated by reference to Exhibit 3 to the Company's Current Report on Form 8-K dated April 17, 2001

(p) Certificate of Designations for the Company's 2002 ESOP Cumulative Convertible Preferred Stock, incorporated by reference to Exhibit 3 to the Company's Current Report on Form 8-K dated April 16, 2002

(q) Certificate Eliminating the Certificate of Designations for the Company's Series C Junior Participating Preferred Stock, filed herewith

(r) By-Laws, incorporated by reference to Exhibit 3(m) to the Company's Annual Report on Form 10-K for the year ended December 31, 1998

4(a) See Exhibits 3(a) through 3(r)

(b) Rights Agreement, dated as of October 21, 1998, between the Company and ChaseMellon Shareholder Services, L.L.C., as Rights Agent, incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form 8-A dated October 21, 1998

(c) Amendment to Rights Agreement, dated as of August 12, 2002, between the Company and Mellon Investor Services LLC (formerly known as ChaseMellon Shareholder Services, L.L.C.), as Rights Agent, incorporated by reference to Exhibit 4(c) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002

(d) The Company agrees to furnish upon request to the Commission a copy of each instrument defining the rights of holders of senior and subordinated debt of the Company.

10(a) Supplemental 401(k) Plan, as amended through January 1, 2002, filed herewith

(b) Amendment to Supplemental Cash Balance Plan, filed herewith

(c) Amendment to PartnerShares Stock Option Plan, filed herewith

(d) Agreement dated July 26, 2002 between the Company and Richard D. Levy, including a description of his executive transfer bonus, filed herewith

99(a) Computation of Ratios of Earnings to Fixed Charges the ratios of earnings to fixed charges, including interest on deposits, were 3.14 and 2.12 for the quarters ended September 30, 2002 and 2001, respectively, and 3.09 and 1.64 for the nine months ended September 30, 2002 and 2001, respectively. The ratios of earnings to fixed charges, excluding interest on deposits, were 4.97 and 3.29 for the quarters ended September 30, 2002 and 2001, respectively, and 4.89 and 2.36 for the nine months ended September 30, 2002 and 2001, respectively.

99(b) Computation of Ratios of Earnings to Fixed Charges and Preferred Dividends the ratios of earnings to fixed charges and preferred dividends, including interest on deposits, were 3.13 and 2.11 for the quarters ended September 30, 2002 and 2001, respectively, and 3.08 and 1.64 for the nine months ended September 30, 2002 and 2001, respectively. The ratios of earnings to fixed charges and preferred dividends, excluding interest on deposits, were 4.95 and 3.26 for the quarters ended September 30, 2002 and 2001, respectively, and 4.88 and 2.34 for the nine months ended September 30, 2002 and 2001, respectively.

(c) Certification of Periodic Financial Report by Chief Executive Officer Pursuant to 18 U.S.C. § 1350

(d) Certification of Periodic Financial Report by Chief Financial Officer Pursuant to 18 U.S.C. § 1350

(b) The Company filed the following reports on Form 8-K during the third quarter of 2002:

(1) July 16, 2002, under Item 5, containing the Company's financial results for the quarter ended June 30, 2002

(2) August 12, 2002, under Item 9, disclosing the Company's submission to the Securities and Exchange Commission of executed originals of statements in writing, under oath, of the principal executive officer and the principal financial officer of the Company pursuant to Commission Order No. 4-460 and including the aforementioned statements as exhibits

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: November 7, 2002

WELLS FARGO & COMPANY

By: /s/ RICHARD D. LEVY

Richard D. Levy
Senior Vice President and Controller
(Principal Accounting Officer)

CERTIFICATIONS

I, Richard M. Kovacevich, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wells Fargo & Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 7, 2002

/s/ RICHARD M. KOVACEVICH

Richard M. Kovacevich
Chairman, President and
Chief Executive Officer

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I, Howard I. Atkins, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wells Fargo & Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 7, 2002

/s/ HOWARD I. ATKINS

Howard I. Atkins
Executive Vice President and
Chief Financial Officer

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