

WELLS FARGO & CO/MN
Form 10-Q
May 07, 2004

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2004

OR

☐ 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
(State or other jurisdiction of
incorporation or organization)

41-0449260
(I.R.S. Employer
Identification No.)

420 Montgomery Street, San Francisco, California 94104
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 1-800-292-9932

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 ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

Yes ☐ No ☒

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

| | Shares Outstanding |
|---------------------------------|-----------------------|
| | <u>April 30, 2004</u> |
| Common stock, \$1-2/3 par value | 1,687,551,934 |

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| | | | Quarter ended | Mar. 31, 2004 from | % |
|--|------------------|------------------|------------------|--------------------|------------------|
| (in millions, except per share amounts) | Mar. 31, 2004 | Dec. 31, 2003 | Mar. 31, 2003 | Dec. 31, 2003 | Mar. 31, 2003 |
| For the Quarter | | | | | |
| Net income | \$ 1,767 | \$ 1,624 | \$ 1,492 | 9% | 18% |
| Diluted earnings per common share | 1.03 | .95 | .88 | 8 | 17 |
| Profitability ratios (annualized) | | | | | |
| Net income to average total assets (ROA) | 1.84% | 1.67% | 1.70% | 10 | 8 |
| Net income applicable to common stock to average common stockholders' equity (ROE) | 20.31 | 19.20 | 19.80 | 6 | 3 |
| Efficiency ratio (1) | 56.4 | 60.5 | 59.2 | (7) | (5) |
| Total revenue | \$ 7,147 | \$ 7,445 | \$ 6,682 | (4) | 7 |
| Dividends declared per common share | .45 | .45 | .30 | | 50 |
| Average common shares outstanding | 1,699.3 | 1,690.2 | 1,681.5 | 1 | 1 |
| Diluted average common shares outstanding | 1,721.2 | 1,712.6 | 1,694.1 | 1 | 2 |
| Average loans | \$ 256,448 | \$ 235,986 | \$ 195,057 | 9 | 31 |
| Average assets | 386,614 | 384,744 | 355,108 | | 9 |
| Average core deposits (2) | 213,146 | 210,026 | 196,802 | 1 | 8 |
| Net interest margin | 4.94% | 4.97% | 5.27% | (1) | (6) |
| At Quarter End | | | | | |
| Securities available for sale | \$ 32,857 | \$ 32,953 | \$ 26,168 | | 26 |
| Loans | 264,216 | 253,073 | 201,822 | 4 | 31 |
| Allowance for loan losses | 3,891 | 3,891 | 3,840 | | 1 |
| Goodwill | 10,403 | 10,371 | 9,799 | | 6 |
| Assets | 397,354 | 387,798 | 369,607 | 2 | 8 |

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| | | | | | |
|---|-----------------|----------|----------|-----|----|
| Core deposits | 220,105 | 211,271 | 203,185 | 4 | 8 |
| Common stockholders' equity | 35,474 | 34,484 | 30,684 | 3 | 16 |
| Stockholders' equity | 35,442 | 34,469 | 30,732 | 3 | 15 |
| Tier 1 capital (3) | 26,570 | 25,704 | 21,951 | 3 | 21 |
| Total capital (3) | 38,170 | 37,267 | 32,577 | 2 | 17 |
| Capital ratios | | | | | |
| Common stockholders' equity to assets | 8.93% | 8.89% | 8.30% | | 8 |
| Stockholders' equity to assets | 8.92 | 8.89 | 8.31 | | 7 |
| Risk-based capital (3) | | | | | |
| Tier 1 capital | 8.48 | 8.42 | 7.37 | 1 | 15 |
| Total capital | 12.18 | 12.21 | 10.94 | | 11 |
| Tier 1 leverage (3) | 7.13 | 6.93 | 6.42 | 3 | 11 |
| Book value per common share | | | | | |
| | \$ 20.90 | \$ 20.31 | \$ 18.32 | 3 | 14 |
| Team members (active, full-time equivalent) | | | | | |
| | 139,900 | 140,000 | 131,600 | | 6 |
| Common Stock Price | | | | | |
| High | \$ 58.98 | \$ 59.18 | \$ 49.13 | | 20 |
| Low | 55.97 | 51.68 | 43.27 | 8 | 29 |
| Period end | 56.67 | 58.89 | 44.99 | (4) | 26 |

- (1) The efficiency ratio is defined as noninterest expense divided by the total revenue (net interest income and noninterest income).
- (2) Core deposits consist of noninterest-bearing deposits, interest-bearing checking, savings certificates and market rate and other savings.
- (3) See Note 17 (Regulatory and Agency Capital Requirements) to Financial Statements for additional information.

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This Report on Form 10-Q for the quarter ended March 31, 2004, including the Financial Review and the Financial Statements and related Notes, has forward-looking statements, which include forecasts of our financial results and condition, expectations for our operations and business, and our assumptions for those forecasts and expectations. Do not rely unduly on forward-looking statements. Actual results might differ significantly from our forecasts and expectations. Please refer to Factors that May Affect Future Results for a discussion of some factors that may cause results to differ.

OVERVIEW

Wells Fargo & Company is a \$397 billion diversified financial services company providing banking, insurance, investments, mortgage banking and consumer finance through banking stores, the internet and other distribution channels to consumers, businesses and institutions in all 50 states of the U.S. and in other countries. We ranked fifth in assets and third in market value of our common stock among U.S. bank holding companies at March 31, 2004. When we refer to the Company, we, our and us in this report, we mean Wells Fargo & Company and Subsidiaries (consolidated). When we refer to the Parent, we mean Wells Fargo & Company.

In first quarter 2004, we achieved record diluted earnings per share of \$1.03, up 17 % from a year ago, and record net income of \$1.77 billion, up 18% from a year ago. First quarter 2004 revenue grew 7% from a year ago, while expenses increased 2% better than our long-term goal of growing revenue twice as fast as expenses. We had 15% revenue growth compared with a year ago in businesses other than Wells Fargo Home Mortgage (Home Mortgage). Revenue growth was broad-based, including double-digit growth in consumer lending, consumer finance, deposit services, asset-based lending, trade finance, small business lending, private client services and capital markets-related activities.

Our corporate vision is to satisfy all the financial needs of our customers, help them succeed financially, be recognized as the premier financial services company in our markets and be one of America's great companies. Our primary strategy to achieve this vision is to increase the number of products we provide to our customers and to focus on providing each customer with all of the financial products that fulfill their needs. Our cross-sell strategy and diversified business model facilitates growth in strong and weak economic cycles, as we can grow by expanding the number of products our current customers have with us. We estimate that each of our current customers has an average of over four of our products. Our goal is eight products per customer, which is currently half of our estimate of potential demand. Our core products grew this quarter compared with a year ago, with average loans up 31% and average core deposits up 8%.

We believe it is important to maintain a well-controlled environment as we continue to grow our businesses. We manage our credit risk by maintaining prudent credit policies. In first quarter 2004, nonperforming loans and net charge-offs as a percentage of loans outstanding declined from the prior year. Asset quality improved in first quarter 2004 compared with a year ago, with net charge-offs down 3% and nonperforming assets (including nonaccrual loans and foreclosed assets) down 9%. At March 31, 2004 nonperforming assets were less than 1% of total assets. Loan losses declined to \$404 million despite the continued growth in our loan portfolio. We manage the interest rate and market risks inherent in our asset and liability balances within prudent ranges, while ensuring adequate liquidity and funding. Wells Fargo Bank, N.A. is the

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only bank in the U.S. to be Aaa rated by Moody's Investors Service, their highest rating. Our stockholder value has continued to increase due to customer satisfaction, strong financial results and the prudent way we attempt to manage our business risks.

Our financial results included the following:

Net income for the first quarter of 2004 was \$1.77 billion, up 18%, compared with \$1.49 billion for first quarter 2003. Diluted earnings per common share for first quarter 2004 were \$1.03, up 17%, compared with \$.88 for first quarter 2003. Return on average assets (ROA) increased to 1.84% and return on average common equity (ROE) increased to 20.31% for first quarter 2004, our best returns since the November 1998 Norwest-Wells Fargo merger.

Net interest income on a taxable-equivalent basis increased 5% from \$4.07 billion for first quarter 2004, compared with \$3.87 billion for first quarter 2003, based on 12% growth in earning assets, offset in part by a modest decline in the net interest margin. The net interest margin was 4.94% for first quarter 2004, compared with 5.27% for first quarter 2003.

Noninterest income increased 9% to \$3.10 billion for first quarter 2004, compared with \$2.83 billion for first quarter 2003. Excluding mortgage banking income, noninterest income increased 22%. The growth in our non-mortgage banking activities reflected improved business conditions and our broad-based growth, including particular strength in deposit service fees, insurance income, trust and investment fees, credit card fees and other fees. During the quarter, we also realized \$95 million in equity gains.

Revenue, the sum of net interest income and noninterest income, increased 7% to \$7.15 billion in first quarter 2004 from \$6.68 billion in first quarter 2003. Due to the increase in mortgage interest rates late in 2003, Home Mortgage revenue declined from \$1.2 billion in first quarter 2003 to \$.8 billion in first quarter 2004. Apart from Home Mortgage, revenue growth accelerated to 15%.

Noninterest expense was \$4.03 billion for first quarter 2004, up \$72 million, or 2%, from first quarter 2003. Home Mortgage expenses declined approximately \$115 million from first quarter 2003 reflecting lower production and staffing costs. Our operating efficiency improved to 56.4% in first quarter 2004 from 59.2% a year ago.

During first quarter 2004, net charge-offs were \$404 million, or .63% of average total loans (annualized), compared with \$415 million, or .86%, during first quarter 2003. The provision for loan losses was \$404 million in first quarter 2004, compared with \$411 million in first quarter 2003. The allowance for loan losses was \$3.89 billion, or 1.47% of total loans, at March 31, 2004, compared with \$3.89 billion, or 1.54%, at December 31, 2003 and \$3.84 billion, or 1.90%, at March 31, 2003.

At March 31, 2004, total nonaccrual loans were \$1.39 billion, or .52% of total loans, compared with \$1.46 billion, or .58%, at December 31, 2003 and \$1.56 billion, or .77%, at March 31, 2003. Foreclosed assets were \$222 million at March 31, 2004, compared with \$198 million at December 31, 2003 and \$193 million at March 31, 2003.

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The ratio of common stockholders' equity to total assets was 8.93% at March 31, 2004, compared with 8.89% at December 31, 2003 and 8.30% at March 31, 2003. Our total risk-based capital (RBC) ratio at March 31, 2004 was 12.18% and our Tier 1 RBC ratio was 8.48%, exceeding the minimum regulatory guidelines of 8% and 4%, respectively, for bank holding companies. Our RBC ratios at March 31, 2003 were 10.94% and 7.37%, respectively. Our Tier 1 leverage ratios were 7.13% and 6.42% at March 31, 2004 and March 31, 2003, respectively, exceeding the minimum regulatory guideline of 3% for bank holding companies.

Recent Accounting Standards

On December 8, 2003 President Bush signed the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act). The Act introduces a prescription drug benefit under Medicare as well as a federal subsidy to plan sponsors that provide a benefit that is at least equivalent to Medicare. On January 12, 2004, the Financial Accounting Standards Board (FASB) issued Staff Position 106-1, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003*, which includes a provision that allows a plan sponsor a one-time election to defer accounting for the Act that must be made before net periodic postretirement benefit costs for the period that includes the Act's enactment date are first included in reported financial information. If deferral is elected, that election may not be changed and the deferral continues to apply until authoritative guidance on the accounting for the federal subsidy is issued. We have chosen to defer accounting for the Act until authoritative guidance is issued; therefore, the net periodic postretirement benefit cost in our first quarter 2004 financial statements does not reflect the effects of the Act on our postretirement health care plans. Specific authoritative guidance on the accounting for the federal subsidy has been proposed through FASB Staff Position 106-b, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003*. Based on this proposed guidance, we estimate that accounting for the impact of the Act will not have a material effect on our financial statements. The proposed guidance is expected to be issued in the second quarter of 2004, and would be effective for us in the third quarter of 2004.

On March 9, 2004, Securities and Exchange Commission (SEC) Staff Accounting Bulletin 105 (SAB 105), *Application of Accounting Principles to Loan Commitments*, was issued. SAB 105 summarizes the views of the SEC staff regarding the application of generally accepted accounting principles to loan commitments accounted for as derivative instruments. The adoption of SAB 105 did not have a material effect on our financial results.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are fundamental to understanding our results of operations and financial condition, because some accounting policies require that we use estimates and assumptions that may affect the value of our assets or liabilities and financial results. Three of these policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. These policies govern the allowance for loan losses, the valuation of mortgage servicing rights and pension accounting. Management has reviewed and approved these critical accounting policies and has discussed these policies with the Audit and Examination Committee. These policies are described in Financial Review Critical Accounting Policies and Note 1

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(Summary of Significant Accounting Policies) to Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2003 (2003 Form 10-K).

EARNINGS PERFORMANCE

NET INTEREST INCOME

Net interest income is the interest earned on debt securities, loans (including yield-related loan fees) and other interest-earning assets minus the interest paid for deposits, long-term and short-term debt. The net interest margin is the average yield on earning assets minus the average interest rate paid for deposits and debt. Net interest income and the net interest margin are presented on a taxable-equivalent basis to consistently reflect income from taxable and tax-exempt loans and securities based on a 35% marginal tax rate.

Net interest income on a taxable-equivalent basis increased to \$4.07 billion in first quarter 2004 from \$3.87 billion in first quarter 2003, an increase of 5%. The increase was primarily due to strong growth in loans, increases in core deposits and significantly lower wholesale funding rates. These factors were partially offset by reduced loan yields as floating-rate loans repriced and fixed-rate loans matured or were prepaid and replaced with new loans at lower rates. In addition, a decline in investment portfolio yield occurred as higher yielding mortgage-backed securities were sold, prepaid or matured.

The net interest margin decreased to 4.94% in first quarter 2004 from 5.27% in first quarter 2003. The decrease was primarily due to lower average loan yields as new loans were added to the portfolio at yields below existing loans due to a lower interest rate environment. The net interest margin was essentially unchanged (down 3 basis points) from fourth quarter 2003 to first quarter 2004, with the benefit of the strategic actions taken in the second half of last year offsetting the impact of continued low interest rates on the margin.

Individual components of net interest income and the net interest margin are presented in the rate/yield table on page 6.

Average earning assets increased \$35.3 billion due to an increase in average loans and debt securities available for sale, primarily offset by a decline in average mortgages held for sale. Loans averaged \$256.4 billion in first quarter 2004, compared with \$195.1 billion in first quarter 2003. Average mortgages held for sale decreased to \$25.0 billion from \$58.4 billion due to a decline in residential mortgage refinance activity. Debt securities available for sale averaged \$31.5 billion during first quarter 2004 and \$26.1 billion in first quarter 2003.

Average core deposits are an important contributor to growth in net interest income and the net interest margin. This low-cost source of funding rose 8% from a year ago. Average core deposits were \$213.1 billion and \$196.8 billion and funded 55.1% and 55.4% of our average total assets in first quarter 2004 and 2003, respectively. Average mortgage escrow deposits were

Table of Contents**AVERAGE BALANCES, YIELDS AND RATES PAID (TAXABLE-EQUIVALENT BASIS) (1) (2)**

| (in millions) | Quarter ended March 31, | | | | | |
|---|-------------------------|---------------|-------------------------------|-----------------|---------------|-------------------------------|
| | Average balance | Yields/ rates | 2004 Interest income/ expense | Average balance | Yields/ rates | 2003 Interest income/ expense |
| EARNING ASSETS | | | | | | |
| Federal funds sold and securities purchased under resale agreements | \$ 2,671 | .95% | \$ 6 | \$ 3,101 | 1.32% | \$ 10 |
| Debt securities available for sale (3): | | | | | | |
| Securities of U.S. Treasury and federal agencies | 1,224 | 4.16 | 12 | 1,294 | 5.31 | 16 |
| Securities of U.S. states and political subdivisions | 3,338 | 7.92 | 62 | 2,040 | 8.76 | 42 |
| Mortgage-backed securities: | | | | | | |
| Federal agencies | 20,635 | 6.01 | 298 | 17,709 | 7.82 | 321 |
| Private collateralized mortgage obligations | 2,713 | 5.29 | 35 | 2,025 | 7.27 | 35 |
| Total mortgage-backed securities | 23,348 | 5.93 | 333 | 19,734 | 7.76 | 356 |
| Other debt securities (4) | 3,543 | 7.60 | 60 | 3,013 | 7.56 | 56 |
| Total debt securities available for sale (4) | 31,453 | 6.24 | 467 | 26,081 | 7.69 | 470 |
| Mortgages held for sale (3) | 25,023 | 5.34 | 334 | 58,422 | 5.57 | 814 |
| Loans held for sale (3) | 7,911 | 3.19 | 63 | 7,002 | 3.88 | 67 |
| Loans: | | | | | | |
| Commercial and commercial real estate: | | | | | | |
| Commercial | 47,305 | 5.87 | 690 | 47,007 | 6.26 | 727 |
| Other real estate mortgage | 27,801 | 5.19 | 359 | 25,385 | 5.68 | 357 |
| Real estate construction | 8,264 | 4.94 | 101 | 7,908 | 5.27 | 103 |
| Lease financing | 5,053 | 6.51 | 82 | 4,234 | 6.15 | 64 |
| Total commercial and commercial real estate | 88,423 | 5.60 | 1,232 | 84,534 | 5.99 | 1,251 |
| Consumer: | | | | | | |
| Real estate 1-4 family first mortgage | 86,375 | 5.34 | 1,151 | 45,193 | 5.96 | 671 |
| Real estate 1-4 family junior lien mortgage | 38,328 | 5.10 | 486 | 28,596 | 6.19 | 436 |

| | | | | | | |
|--|-------------------|--------------|--------------|------------|-------|-------|
| Credit card | 8,338 | 11.92 | 249 | 7,400 | 12.44 | 230 |
| Other revolving credit and installment | 32,477 | 9.03 | 730 | 27,383 | 9.69 | 656 |
| Total consumer | 165,518 | 6.34 | 2,616 | 108,572 | 7.40 | 1,993 |
| Foreign | 2,507 | 17.71 | 111 | 1,951 | 18.60 | 91 |
| Total loans (5) | 256,448 | 6.20 | 3,959 | 195,057 | 6.90 | 3,335 |
| Other | 8,538 | 2.50 | 53 | 7,115 | 2.92 | 52 |
| Total earning assets | \$ 332,044 | 5.92 | 4,882 | \$ 296,778 | 6.48 | 4,748 |

FUNDING SOURCES

Deposits:

| | | | | | | |
|--|-------------------|-------------|------------|------------|------|-----|
| Interest-bearing checking | \$ 2,962 | .32 | 2 | \$ 2,406 | .36 | 2 |
| Market rate and other savings | 117,373 | .61 | 179 | 100,816 | .75 | 187 |
| Savings certificates | 19,495 | 2.25 | 109 | 22,004 | 2.76 | 150 |
| Other time deposits | 22,719 | 1.08 | 61 | 20,531 | 1.36 | 69 |
| Deposits in foreign offices | 7,171 | 1.04 | 19 | 6,337 | 1.22 | 19 |
| Total interest-bearing deposits | 169,720 | .88 | 370 | 152,094 | 1.14 | 427 |
| Short-term borrowings | 25,630 | .99 | 63 | 31,473 | 1.22 | 95 |
| Long-term debt | 64,416 | 2.33 | 375 | 46,662 | 2.84 | 330 |
| Guaranteed preferred beneficial interests in Company's subordinated debentures | | | | 2,885 | 3.83 | 27 |
| Total interest-bearing liabilities | 259,766 | 1.25 | 808 | 233,114 | 1.52 | 879 |
| Portion of noninterest-bearing funding sources | 72,278 | | | 63,664 | | |
| Total funding sources | \$ 332,044 | .98 | 808 | \$ 296,778 | 1.21 | 879 |

Net interest margin and net interest income on a

| | | | | |
|-------------------------------------|--------------|-----------------|--------------|-----------------|
| taxable-equivalent basis (6) | 4.94% | \$ 4,074 | 5.27% | \$ 3,869 |
|-------------------------------------|--------------|-----------------|--------------|-----------------|

NONINTEREST-EARNING ASSETS

| | | |
|----------------------------------|------------------|------------------|
| Cash and due from banks | \$ 13,152 | \$ 13,691 |
| Goodwill | 10,394 | 9,789 |
| Other | 31,024 | 34,850 |
| Total noninterest-earning assets | \$ 54,570 | \$ 58,330 |

**NONINTEREST-BEARING
FUNDING SOURCES**

| | | |
|---|-------------------|-------------------|
| Deposits | \$ 73,316 | \$ 71,576 |
| Other liabilities | 18,572 | 19,810 |
| Preferred stockholders' equity | (20) | 60 |
| Common stockholders' equity | 34,980 | 30,548 |
| Noninterest-bearing funding sources used to fund earning assets | (72,278) | (63,664) |
| Net noninterest-bearing funding sources | \$ 54,570 | \$ 58,330 |
| TOTAL ASSETS | \$ 386,614 | \$ 355,108 |

- (1) Our average prime rate was 4.00% and 4.25% for the quarters ended March 31, 2004 and 2003, respectively. The average three-month London Interbank Offered Rate (LIBOR) was 1.12% and 1.33% for the same quarters, 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 primarily related to tax-exempt income on certain loans and securities. The federal statutory tax rate was 35% for both quarters presented.

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\$12.5 billion for first quarter 2004, down \$4.9 billion from a year ago. Excluding mortgage escrow deposits, total average core deposits grew \$21 billion, or 12%, from a year ago. While savings certificates of deposit declined on average to \$19.5 billion in first quarter 2004 from \$22.0 billion in first quarter 2003, noninterest-bearing checking accounts and other core deposit categories increased on average from \$174.8 billion in first quarter 2003 to \$193.7 billion in first quarter 2004 reflecting growth in both commercial and consumer accounts. Total average interest-bearing deposits increased to \$169.7 billion in first quarter 2004 from \$152.1 billion in first quarter 2003.

NONINTEREST INCOME

| (in millions) | Quarter ended March 31, | | % Change |
|--|----------------------------|--------|-------------|
| | 2004 | 2003 | |
| Service charges on deposit accounts | \$ 615 | \$ 553 | 11% |
| Trust and investment fees: | | | |
| Trust, investment and IRA fees | 375 | 324 | 16 |
| Commissions and all other fees | 160 | 136 | 18 |
| Total trust and investment fees | 535 | 460 | 16 |
| Credit card fees | 258 | 243 | 6 |
| Other fees: | | | |
| Cash network fees | 43 | 42 | 2 |
| Charges and fees on loans | 211 | 180 | 17 |
| All other | 160 | 144 | 11 |
| Total other fees | 414 | 366 | 13 |
| Mortgage banking: | | | |
| Origination and other closing fees | 178 | 276 | (36) |
| Servicing fees, net of amortization and provision for impairment | 166 | (443) | |
| Net gains (losses) on mortgage loan origination/sales activities | (80) | 637 | |
| All other | 51 | 91 | (44) |
| Total mortgage banking | 315 | 561 | (44) |
| Operating leases | 209 | 251 | (17) |
| Insurance | 317 | 266 | 19 |
| Net gains on debt securities available for sale | 33 | 18 | 83 |
| Net gains (losses) from equity investments | 95 | (98) | |
| Net gains (losses) on sales of loans | 4 | (1) | |

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| | | | |
|---|---------------------|--------------|--------|
| Net gains on dispositions of operations | 1 | 27 | (96) |
| All other | 301 | 187 | 61 |
| Total | \$ 3,097 | \$ 2,833 | 9% |

Service charges on deposit accounts increased 11% due to continued growth in primary checking accounts and increased activity.

We earn trust, investment and IRA fees from managing and administering assets, which include mutual funds, corporate trust, personal trust, employee benefit trust and agency assets. At March 31, 2004, these assets totaled approximately \$608 billion, up 21% from \$504 billion at March 31, 2003. Generally, these fees are based on the market value of the assets that are managed, administered, or both. The increase in trust, investment and IRA fees of 16% for first quarter 2004 compared with first quarter 2003 was due primarily to growth in assets driven by a strong equity market, our successful efforts to grow these businesses and modest fill-in acquisitions such as Benson Associates, LLC.

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Additionally, we receive commissions and other fees for providing services to retail and discount brokerage customers. At March 31, 2004 and 2003, brokerage balances were approximately \$77 billion and \$67 billion, respectively. Generally, these fees are based on the number of transactions executed at the customer's direction. The increase in commissions and all other fees of 18% for first quarter 2004 compared with first quarter 2003 was due to a higher number of brokerage transactions, stronger equity markets, increased sales of commission-based products and increased investment banking activity.

Credit card fees increased 6% from first quarter 2003 due to an increase in credit card accounts and credit and debit card transaction volume.

Mortgage banking noninterest income was \$315 million in first quarter 2004, compared with \$561 million in the same period of 2003. Origination and other closing fees decreased to \$178 million from \$276 million a year ago. Net gains on mortgage loan origination/sales activities declined \$717 million from \$637 million in first quarter 2003 to net losses of \$80 million in first quarter 2004. This decline was primarily due to lower mortgage origination volume. Originations during first quarter 2004 declined to \$65 billion from \$103 billion during first quarter 2003. Most of the first quarter 2004 originations occurred late in the quarter as mortgage interest rates declined. With the application pipeline increasing to \$72 billion at quarter end, we would expect originations and average mortgage loans held for sale in second quarter 2004 to be higher than first quarter.

Net servicing fees were a gain of \$166 million in first quarter 2004, compared with a loss of \$443 million in first quarter 2003. Servicing fees are presented net of amortization and impairment of mortgage servicing rights (MSRs) and gains and losses from hedge ineffectiveness, which are all influenced by both the level and direction of mortgage interest rates. Servicing fees in first quarter 2004, compared with a net loss a year ago, reflected a higher level of mortgage loans serviced for others and a lower level of amortization expense and impairment provision. The increase in mortgage loans serviced for others from \$499 billion to \$609 billion was due to originations exceeding payoffs during the past year. The decrease in amortization expense and impairment provision was primarily due to slower projected prepayments resulting from a lower weighted-average note rate in the servicing portfolio compared with the prior year.

During first quarter 2004 and 2003, we recognized a direct write-down of MSRs of \$169 million and \$311 million, respectively. See Financial Review - Critical Accounting Policies Mortgage Servicing Rights Valuation in our 2003 Form 10-K for the method used to evaluate MSRs for impairment and to determine if such impairment is other-than-temporary.

The increase in insurance fees was due to higher wholesale brokerage fees, increased demand for crop and other loan-based insurance products, as well as continued cross-selling of all insurance products.

Net gains on debt securities were \$33 million in first quarter 2004, compared with \$18 million in first quarter 2003. Net gains from equity investments were \$95 million in first quarter 2004, compared with losses of \$98 million in first quarter 2003. We expect to recognize additional gains going forward, although not necessarily the same amount each quarter as this quarter.

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We routinely review our investment portfolios and recognize impairment write-downs based primarily on issuer-specific factors and results. We also consider general economic and market conditions, including industries in which venture capital investments are made, and adverse changes affecting the availability of venture capital. We determine impairment based on all of the information available at the time of the assessment, but new information or economic developments in the future could result in recognition of additional impairment.

The increase in All other was partly due to an increase in gains on trading securities, foreign exchange and other capital markets activities.

NONINTEREST EXPENSE

| (in millions) | Quarter ended March 31, | | % Change |
|-------------------------------|----------------------------|----------|-------------|
| | 2004 | 2003 | |
| Salaries | \$ 1,277 | \$ 1,141 | 12% |
| Incentive compensation | 391 | 447 | (13) |
| Employee benefits | 492 | 419 | 17 |
| Equipment | 301 | 269 | 12 |
| Net occupancy | 294 | 296 | (1) |
| Operating leases | 155 | 187 | (17) |
| Contract services | 143 | 155 | (8) |
| Outside professional services | 119 | 112 | 6 |
| Outside data processing | 99 | 98 | 1 |
| Advertising and promotion | 84 | 81 | 4 |
| Travel and entertainment | 97 | 85 | 14 |
| Telecommunications | 81 | 78 | 4 |
| Postage | 75 | 84 | (11) |
| Stationery and supplies | 60 | 54 | 11 |
| Charitable donations | 7 | 14 | (50) |
| Insurance | 71 | 50 | 42 |
| Operating losses | 17 | 57 | (70) |
| Security | 40 | 42 | (5) |
| Core deposit intangibles | 34 | 37 | (8) |
| All other | 192 | 251 | (24) |
| Total | \$ 4,029 | \$ 3,957 | 2% |

The 2% increase in noninterest expense was due primarily to higher salaries and benefits attributable to additional active, full-time equivalent team members, offset by a \$115 million decrease in Home Mortgage expenses reflecting lower production volume.

OPERATING SEGMENT RESULTS

Our lines of business for management reporting consist of Community Banking, Wholesale Banking and Wells Fargo Financial.

Community Banking s net income was \$1,167 million in first quarter 2004, compared with \$1,058 million for the same period in 2003, an increase of 10%. Net interest income increased by \$69 million, or 2%, compared with first quarter 2003, primarily due to growth in consumer loans and deposits, which more than offset the decrease in mortgages held for sale and the impact of a decline in the net interest margin. The provision for loan losses decreased by \$3 million from 2003 due to the improved credit environment. Noninterest income was up \$31 million in first

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quarter 2004 compared with 2003. Noninterest expense decreased by \$32 million over 2003 primarily due to lower mortgage volume.

Wholesale Banking s net income was \$448 million in first quarter 2004, compared with \$347 million in first quarter 2003. Net interest income increased to \$562 million from \$551 million in first quarter 2003. Average outstanding loan balances were \$50.3 billion in first quarter 2004, up 2% from \$49.3 billion in first quarter 2003. The provision for loan losses decreased by \$30 million to \$23 million for first quarter 2004 compared with first quarter 2003. Noninterest income increased to \$828 million in 2004 from \$652 million in 2003. Growth in revenue of 16% was primarily due to higher income from asset-based lending, insurance brokerage, fees and commissions and capital-markets related business. Noninterest expense increased to \$669 million in first quarter 2004, up 8% from first quarter 2003, primarily due to higher personnel expense, including increased medical and benefit costs.

Wells Fargo Financial s net income was \$136 million in first quarter 2004, compared with \$102 million in first quarter 2003, an increase of 33%. Net interest income increased \$121 million, or 23%, due to growth in average loans. The provision for loan losses increased \$26 million, or 18%, also due to growth in average loans. Noninterest income increased \$11 million, or 12%, in first quarter 2004 compared with first quarter 2003, primarily due to a combination of a \$2.5 million increase in gains on sales of investment securities and \$6 million of unrealized gains related to interest rate swaps. Noninterest expense increased \$58 million, or 19%, in first quarter 2004 compared with first quarter 2003, primarily due to increases in employee compensation and benefits and other costs relating to business expansion.

For a more complete description of our operating segments, including additional financial information and the underlying management accounting process, see Note 12 (Operating Segments) to Financial Statements.

BALANCE SHEET ANALYSIS

A comparison between first quarter 2004 and first quarter 2003 balance sheets is presented below.

SECURITIES AVAILABLE FOR SALE

Our securities available for sale portfolio includes both debt and marketable equity securities. We hold debt securities available for sale primarily for liquidity, interest rate risk management and yield enhancement purposes. Accordingly, this portfolio primarily includes very liquid, high quality federal agency debt securities. At March 31, 2004, we held \$32.3 billion of debt securities available for sale, compared with \$25.6 billion at March 31, 2003. We had a net unrealized gain on debt securities available for sale of \$1.5 billion at both March 31, 2004 and 2003.

The weighted-average expected maturity of debt securities available for sale was 4.0 years at March 31, 2004. Since 76% of this portfolio is mortgage-backed securities, the expected remaining maturity may differ from contractual maturity because borrowers may have the right to prepay obligations before the underlying mortgages mature.

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

MORTGAGE-BACKED SECURITIES

| (in billions) | Fair value | Net unrealized gain (loss) | Remaining maturity |
|--|---------------|-------------------------------|-----------------------|
| At March 31, 2004 | \$ 24.5 | \$ 1.0 | 3.4 yrs. |
| At March 31, 2004, assuming a 200 basis point: | | | |
| Increase in interest rates | 22.9 | (.6) | 5.4 yrs. |
| Decrease in interest rates | 25.4 | 1.9 | 2.1 yrs. |

See Note 3 (Securities Available for Sale) to Financial Statements for securities available for sale by security type.

LOAN PORTFOLIO

A comparative schedule of average loan balances is included in the table on page 6; quarter-end balances are in Note 4 (Loans and Allowance for Loan Losses) to Financial Statements.

Loans averaged \$256.4 billion in first quarter 2004, compared with \$195.1 billion in first quarter 2003, an increase of 31%. Total loans at March 31, 2004 were \$264.2 billion, compared with \$201.8 billion at March 31, 2003, an increase of 31%. The increases in total loans and average loans were due to the strong demand for consumer credit, including home equity, home mortgage, revolving credit and installment loan products. Mortgages held for sale decreased to \$26.4 billion from \$62.6 billion due to lower loan origination volume at the end of first quarter 2004.

DEPOSITS

| (in millions) | 2004 | March 31, 2003 | % Change |
|-------------------------------|-----------|-------------------|-------------|
| Noninterest-bearing | \$ 78,253 | \$ 75,330 | 4% |
| Interest-bearing checking | 2,725 | 2,508 | 9 |
| Market rate and other savings | 120,008 | 103,596 | 16 |
| Savings certificates | 19,119 | 21,751 | (12) |
| Core deposits | 220,105 | 203,185 | 8 |
| Other time deposits | 20,467 | 24,958 | (18) |
| Deposits in foreign offices | 7,797 | 7,731 | 1 |

| | | | |
|----------------|------------|------------|----|
| Total deposits | \$ 248,369 | \$ 235,874 | 5% |
|----------------|------------|------------|----|

The increase in deposits was predominantly due to normal growth from new products.

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OFF-BALANCE SHEET ARRANGEMENTS AND AGGREGATE CONTRACTUAL OBLIGATIONS

In the ordinary course of business, we engage in financial transactions that are not recorded on the balance sheet, or may be recorded on the balance sheet in amounts that are different than the full contract or notional amount of the transaction. We also enter into certain contractual obligations. For additional information on off-balance sheet arrangements and other contractual obligations see Financial Review Off-Balance Sheet Arrangements and Aggregate Contractual Obligations in our 2003 Form 10-K and Note 16 (Guarantees) to Financial Statements.

RISK MANAGEMENT

CREDIT RISK MANAGEMENT PROCESS

Our credit risk management process provides for decentralized management and accountability by our lines of business. Our overall credit process includes comprehensive credit policies, frequent and detailed risk measurement and modeling, and a continual loan audit review process. In addition, the external auditor and regulatory examiners review and perform detail tests of our credit underwriting, loan administration and allowance processes.

Nonaccrual Loans and Other Assets

The table below shows the comparative data for nonaccrual loans and other assets. We generally place loans on nonaccrual status (1) when they are 90 days (120 days with respect to real estate 1-4 family first and junior lien mortgages) past due for interest or principal (unless both well-secured and in the process of collection), (2) when the full and timely collection of interest or principal becomes uncertain or (3) when part of the principal balance has been charged off. Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2003 Form 10-K describes our accounting policy for nonaccrual loans.

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NONACCRUAL LOANS AND OTHER ASSETS

| (in millions) | Mar. 31, 2004 | Dec. 31, 2003 | Mar. 31, 2003 |
|---|------------------|------------------|------------------|
| Nonaccrual loans: | | | |
| Commercial and commercial real estate: | | | |
| Commercial | \$ 514 | \$ 592 | \$ 836 |
| Other real estate mortgage | 263 | 285 | 222 |
| Real estate construction | 71 | 56 | 72 |
| Lease financing | 74 | 73 | 85 |
| Total commercial and commercial real estate | 922 | 1,006 | 1,215 |
| Consumer: | | | |
| Real estate 1-4 family first mortgage | 281 | 274 | 239 |
| Real estate 1-4 family junior lien mortgage | 96 | 87 | 60 |
| Other revolving credit and installment | 85 | 88 | 44 |
| Total consumer | 462 | 449 | 343 |
| Foreign | 3 | 3 | 5 |
| Total nonaccrual loans (1) | 1,387 | 1,458 | 1,563 |
| As a percentage of total loans | .52% | .58% | .77% |
| Foreclosed assets | 222 | 198 | 193 |
| Real estate investments (2) | 2 | 6 | 5 |
| Total nonaccrual loans and other assets | \$ 1,611 | \$ 1,662 | \$ 1,761 |

(1) Includes impaired loans of \$521 million, \$629 million and \$671 million at March 31, 2004, December 31, 2003 and March 31, 2003, respectively. (See Note 4 in this report and Note 5 (Loans and Allowance for Loan Losses) to Financial Statements in our 2003 Form 10-K for further information on impaired loans.)

(2) Real estate investments (contingent interest loans accounted for as investments) that would be classified as nonaccrual if these assets were recorded as loans. Real estate investments totaled \$4 million, at March 31, 2004, and \$9 million at December 31 and March 31, 2003.

We expect that the amount of nonaccrual loans will change due to portfolio growth, routine problem loan recognition and resolution through collections, sales or charge-offs. The performance of any loan can be affected by external factors, such as economic conditions, or factors particular to a borrower, such as actions of a borrower's management. In addition, from time to time, we purchase loans from other financial institutions that we classify as nonaccrual based on our policies.

Loans 90 Days or More Past Due and Still Accruing

Loans included in this category are 90 days or more past due as to interest or principal and still accruing, because they are (1) well-secured and in the process of collection or (2) real estate 1-4 family first mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual.

The total of loans 90 days past due and still accruing was \$2,293 million, \$2,337 million and \$626 million at March 31, 2004, December 31, 2003 and March 31, 2003, respectively. At March 31, 2004 and December 31, 2003, the total included \$1,631 million and \$1,641 million, respectively, in advances pursuant to our servicing agreements to Government National Mortgage Association (GNMA) mortgage pools whose repayments are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. Prior to clarifying guidance issued in 2003 as to classification as loans, GNMA advances were included in other assets.

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(EXCLUDING INSURED/GUARANTEED GNMA ADVANCES)**

| (in millions) | Mar. 31, 2004 | Dec. 31, 2003 | Mar. 31, 2003 |
|---|--------------------------|------------------|------------------|
| Commercial and commercial real estate: | | | |
| Commercial | \$ 51 | \$ 87 | \$ 47 |
| Other real estate mortgage | 3 | 9 | 7 |
| Real estate construction | 9 | 6 | 9 |
| Total commercial and commercial real estate | 63 | 102 | 63 |
| Consumer: | | | |
| Real estate 1-4 family first mortgage | 112 | 117 | 88 |
| Real estate 1-4 family junior lien mortgage | 27 | 31 | 34 |
| Credit card | 147 | 135 | 133 |
| Other revolving credit and installment | 313 | 311 | 308 |
| Total consumer | 599 | 594 | 563 |
| Total | \$ 662 | \$ 696 | \$ 626 |

Allowance for Loan Losses

The allowance for loan losses is management's estimate of credit losses inherent in the loan portfolio, including unfunded commitments, at the balance sheet date. We assume that the allowance for loan losses as a percentage of charge-offs and nonperforming loans will change at different points in time based on credit performance, loan mix and collateral values. The analysis of the changes in the allowance for loan losses, including charge-offs and recoveries by loan category, is presented in Note 4 (Loans and Allowance for Loan Losses) to Financial Statements.

We consider the allowance for loan losses of \$3.89 billion adequate to cover credit losses inherent in the loan portfolio, including unfunded commitments, at March 31, 2004. The process for determining the adequacy of the allowance for loan losses is critical to our financial results. It requires management to make difficult, subjective and complex judgments, as a result of the need to make estimates about the effect of matters that are uncertain. See Financial Review Critical Accounting Policies Allowance for Loan Losses in our 2003 Form 10-K. Therefore, we cannot provide assurance that, in any particular period, we will not have sizeable loan losses in relation to the amount reserved. We may need to significantly increase the allowance for loan losses, considering current factors at the time, including economic conditions and ongoing internal and external examination processes. Our process for determining the adequacy of the allowance for loan losses is discussed in Note 5 (Loans and Allowance for Loan Losses) to Financial Statements in our 2003 Form 10-K.

ASSET/LIABILITY AND MARKET RISK MANAGEMENT

Asset/liability management involves the evaluation, monitoring and management of interest rate risk, market risk, liquidity and funding. The Corporate Asset/Liability Management Committee (Corporate ALCO) which oversees these risks and reports periodically to the Finance Committee of the Board of Directors consists of senior financial and business executives. Each of our principal business groups Community Banking (including Mortgage Banking), Wholesale Banking and Wells Fargo Financial have individual asset/liability management committees and processes linked to the Corporate ALCO process.

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INTEREST RATE RISK

Interest rate risk, which potentially can have a significant earnings impact, is an integral part of being a financial intermediary. We are subject to interest rate risk because:

- assets and liabilities may mature or re-price at different times (for example, if assets re-price faster than liabilities and interest rates are generally falling, earnings will initially decline);
- assets and liabilities may re-price at the same time but by different amounts (for example, when the general level of interest rates is falling, we may reduce rates paid on checking and savings deposit accounts by an amount that is less than the general decline in market interest rates);
- short-term and long-term market interest rates may change by different amounts (i.e., the shape of the yield curve may affect new loan yields and funding costs differently); or
- the remaining maturity of various assets or liabilities may shorten or lengthen as interest rates change (for example, if long-term mortgage interest rates decline sharply, mortgage-backed securities held in the securities available for sale portfolio may prepay significantly earlier than anticipated which could reduce portfolio income). In addition, interest rates may have an indirect impact on loan demand, credit losses, mortgage origination volume, the value of mortgage servicing rights, the value of the pension liability and other sources of earnings.

We assess interest rate risk by comparing our most likely earnings plan with various earnings models using many 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. For example, if we assume an increase of 350 basis points in the federal funds rate from its level at March 31, 2004 and an increase of 265 basis points in the 10 year Constant Maturity Treasury bond yield during the same period, estimated earnings would be within 1% of our most likely earnings plan for 2004. Simulation estimates depend on, and will change with, the size and mix of our actual and projected balance sheet at the time of each simulation.

We use exchange-traded and over-the-counter interest rate derivatives to hedge our interest rate exposures. The credit risk amount and estimated net fair values of these derivatives as of March 31, 2004 and December 31, 2003 are presented in Note 18 (Derivatives) to Financial Statements. We use derivatives for asset/liability management in three ways:

- to convert most of the long-term fixed-rate debt to floating-rate payments by entering into receive-fixed swaps at issuance,
- to convert the cash flows from selected asset and/or liability instruments/portfolios from fixed to floating payments or vice versa, and
- to hedge the mortgage origination pipeline, funded mortgage loans and mortgage servicing rights using swaptions, futures, forwards and options.

MORTGAGE BANKING INTEREST RATE RISK

We originate, fund and service mortgage loans, which subjects us to a number of risks, including credit, liquidity and interest rate risks. We manage credit and liquidity risk by selling or securitizing most of the mortgage loans we originate. Changes in interest rates, however, may have a significant effect on mortgage banking income in any quarter and over time. Interest rates impact both the value of the mortgage servicing rights (MSRs), which is adjusted to the lower of

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cost or fair value, and the future earnings of the mortgage business, which are driven by origination volume and the duration of our servicing. We manage both risks by hedging the impact of interest rates on the value of the MSR's using derivatives, combined with the natural hedge provided by the origination and servicing components of the mortgage business; however, we do not hedge 100% of these two risks.

We hedge a significant portion of the value of our MSR's against a change in interest rates with derivatives. 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 our MSR's for any given change in long-term interest rates.

The value of our MSR's is influenced primarily by prepayment speed assumptions affecting the duration of the mortgage loans to which our MSR's 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 and decrease the value of the MSR's. In contrast, prepayment speed assumptions would tend to slow in a rising interest rate environment and increase the value of the MSR's.

For a given decline in interest rates, a portion of the potential reduction in the value of our MSR's is offset by estimated increases in origination and servicing fees over time from new mortgage activity or refinancing associated with that decline in interest rates. With much lower long-term interest rates, the decline in the value of our MSR's and the effect on net income would be immediate whereas the additional origination and servicing fee income accrues over time. Under GAAP, impairment of our MSR's, due to a decrease in long-term rates or other reasons, is charged to earnings through an increase to the valuation allowance.

In scenarios of sustained increases in long-term interest rates, origination fees may eventually decline as refinancing activity slows. In such higher interest rate scenarios, the duration of the servicing portfolio may lengthen. In such circumstances, we may reduce periodic amortization of MSR's, and may recover some or all of the previously established valuation allowance.

Our MSR's totaled \$6.1 billion, net of a valuation allowance of \$2.2 billion, at March 31, 2004, and \$4.2 billion, net of a valuation allowance of \$2.5 billion, at March 31, 2003. The increase in MSR's was primarily due to the growth in the servicing portfolio resulting from originations and purchases. Our MSR's were 1.0% of mortgage loans serviced for others at March 31, 2004, compared with 1.15% at December 31, 2003 and .84% at March 31, 2003.

MARKET RISK TRADING ACTIVITIES

From a market risk perspective, our net income is exposed to changes in interest rates, credit spreads, foreign exchange rates, equity and commodity prices and their implied volatilities. The primary purpose of our trading businesses is to accommodate customers in the management of their market price risks. Also, we take positions based on market expectations or to benefit from price differences between financial instruments and markets, subject to risk limits established and monitored by Corporate ALCO. All securities, loans, foreign exchange transactions, commodity transactions and derivatives transacted with customers or used to hedge capital market transactions with customers are carried at fair value. The Institutional Risk Committee establishes and monitors counterparty risk limits. The notional or contractual amount, credit risk amount and estimated net fair value of all customer accommodation derivatives at

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March 31, 2004 and December 31, 2003 are included in Note 18 (Derivatives) to Financial Statements. Open, at risk positions for all trading business are monitored by Corporate ALCO.

The standardized approach for monitoring and reporting market risk for the trading activities is the value-at-risk (VAR) metrics complemented with factor analysis and stress testing. Value-at-risk measures the worst expected loss over a given time interval and within a given confidence interval. We measure and report daily VAR at 99% confidence interval based on actual changes in rates and prices over the past 250 days. The analysis captures all financial instruments that are considered trading positions. The average one day VAR throughout first quarter 2004 was \$13 million, with a lower bound of \$11 million and an upper bound of \$17 million.

MARKET RISK EQUITY MARKETS

We are directly and indirectly affected by changes in the equity markets. We make and manage direct equity investments in start-up businesses, emerging growth companies, management buy-outs, acquisitions and corporate recapitalizations. We also invest in non-affiliated funds that make similar private equity investments. These private equity investments are made within capital allocations approved by management and the Board of Directors. The Board reviews business developments, key risks and historical returns for the private equity investments at least annually. Management reviews these investments at least quarterly and assesses them 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 our exit strategy. At March 31, 2004, private equity investments totaled \$1,693 million, compared with \$1,644 million at March 31, 2003.

We also have marketable equity securities in the available for sale investment portfolio, including shares distributed from our venture capital activities. We manage these investments within capital risk limits approved by management and the Board and monitored by Corporate ALCO. Gains and losses on these securities are recognized in net income when realized and, in addition, other-than-temporary impairment may be periodically recorded. The initial indicator of impairment for marketable equity securities is a sustained decline in market price below the amount recorded for that investment. We consider a variety of factors, such as the length of time and the extent to which the market value has been less than cost; the issuer's financial condition, capital strength, and near-term prospects; any recent events specific to that issuer and economic conditions of its industry; and, to a lesser degree, our investment horizon in relationship to an anticipated near-term recovery in the stock price, if any. At March 31, 2004, the fair value of marketable equity securities was \$577 million and cost was \$414 million, compared with \$525 million and \$569 million, respectively, at March 31, 2003.

Changes in equity market prices may also indirectly affect our net income (1) by affecting the value of third party assets under management and, hence, fee income, (2) by affecting particular borrowers, whose ability to repay principal and/or interest may be affected by the stock market, or (3) by affecting brokerage activity, related commission income and other business activities. Each business line monitors and manages these indirect risks.

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LIQUIDITY AND FUNDING

The objective of effective liquidity management is to ensure that we can meet customer loan requests, customer deposit maturities/withdrawals and other cash commitments efficiently under both normal operating conditions and under unpredictable circumstances of industry or market stress. To achieve this objective, Corporate ALCO establishes and monitors liquidity guidelines that require sufficient asset-based liquidity to cover potential funding requirements and to avoid over-dependence on volatile, less reliable funding markets. We set 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. Debt securities in the securities available for sale portfolio provide asset liquidity, 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 further enhanced by our ability to sell or securitize loans in secondary markets through whole-loan sales and securitizations.

Core customer deposits have historically provided a sizeable source of relatively stable and low-cost funds. The remaining assets were funded by long-term debt, deposits in foreign offices, short-term borrowings (federal funds purchased and securities sold under repurchase agreements, commercial paper and other short-term borrowings) and trust preferred securities.

Liquidity is also available through our ability to raise funds in a variety of domestic and international money and capital markets. We access capital markets for long-term funding by issuing registered debt, private placements and asset-based secured funding. In September 2003, Moody's Investors Service raised Wells Fargo Bank, N.A.'s rating to Aaa, its highest investment grade, from Aa1 and raised the Company's senior debt rating to Aa1 from Aa2. In October 2003, Standard & Poor's Ratings Service raised the counterparty ratings on the Company to AA-minus/A-1-plus from A-plus/A-1 and the revised outlook for the Company to stable from positive. Rating agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix and level and quality of earnings.

Parent. In March 2003, the Parent registered with the Securities and Exchange Commission (SEC) for issuance an additional \$15.3 billion in senior and subordinated notes and preferred and common securities. During first quarter 2004, the Parent issued a total of \$6.0 billion of senior and subordinated notes. At March 31, 2004, the Parent's remaining issuance capacity under effective registration statements was \$3.0 billion. We used the proceeds from securities issued in first quarter 2004 for general corporate purposes and expect that the proceeds in the future will also be used for general corporate purposes. The Parent also issues commercial paper and has a \$1 billion back-up credit facility. In April 2004, the Parent issued \$500 million in subordinated debt and \$500 million in junior subordinated debentures (See Note 8 (Guaranteed Preferred Beneficial Interests in Company's Subordinated Debentures) to Financial Statements for additional information). Also, in April 2004, the Parent filed a registration statement with the SEC for issuance of \$20 billion in senior and subordinated notes, preferred stock and other securities.

Bank Note Program. In March 2003, Wells Fargo Bank, N.A. established a \$50 billion bank note program under which it may issue up to \$20 billion in short-term senior notes outstanding at any time and up to a total of \$30 billion in long-term senior and subordinated notes. This

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program updates and supercedes the bank note program established in February 2001. Securities are issued under this program as private placements in accordance with Office of the Comptroller of the Currency (OCC) regulations. During first quarter 2004, Wells Fargo Bank, N.A. issued \$4.2 billion in senior long-term notes. At March 31, 2004, the remaining issuance authority under the long-term portion was \$10.7 billion.

Wells Fargo Financial. In November 2003, Wells Fargo Financial Canada Corporation (WFFCC), a wholly-owned Canadian subsidiary of Wells Fargo Financial, Inc. (WFFI), qualified for distribution with the provincial securities exchanges in Canada \$1.5 billion (Canadian) in senior debt and, at March 31, 2004, no issuances have been made. During first quarter 2004, WFFI entered into a secured borrowing arrangement for \$500 million (US). Under the terms of the arrangement WFFI pledged auto loans as security for the borrowing.

CAPITAL MANAGEMENT

We have an active program for managing stockholder capital. Our objective is to produce above market long-term returns by opportunistically using capital when returns are perceived to be high and issuing/accumulating capital when such costs are perceived to be low.

We use capital to fund organic growth, acquire banks and other financial services companies, pay dividends and repurchase our shares. During first quarter 2004, consolidated assets increased by \$10 billion, or 2%.

From time to time our Board of Directors authorizes the Company to repurchase shares of its common stock. Although we announce when our Board authorizes share repurchases, we typically do not give any public notice before we repurchase our shares. Various factors determine the amount and timing of our share repurchases, including our capital requirements, the number of shares we expect to issue for acquisitions and employee benefit plans, market conditions (including the trading price of our stock), and legal considerations. These factors can change at any time, and there can be no assurance as to the number of shares we will repurchase or when we will repurchase them.

Historically, our policy has been to repurchase shares under the "safe harbor" conditions of Rule 10b-18 of the Exchange Act including a limitation on the daily volume of repurchases. In November 2003, the SEC amended Rule 10b-18 to impose an additional daily volume limitation on share repurchases during a pending merger or acquisition in which shares of our stock will constitute some or all of the consideration. Our management may determine that during a pending stock merger or acquisition when the safe harbor would otherwise be available, it is in the Company's best interest to repurchase shares in excess of this additional daily volume limitation. In such cases, we intend to repurchase shares in compliance with the other conditions of the safe harbor, including the standing daily volume limitation that applies whether or not there is a pending stock merger or acquisition.

During 2002, the Board of Directors authorized the repurchase of up to 50 million additional shares of our outstanding common stock. During first quarter 2004, we repurchased approximately 11 million shares of our common stock. At March 31, 2004, the total remaining common stock repurchase authority under the 2002 authorization was approximately 16 million shares. In April 2004, the Board authorized the repurchase of up to 25 million additional shares

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of common stock. (For additional information regarding share repurchases and repurchase authorizations, see Part II Item 2 on page 57.) Total common stock dividend payments in first quarter 2004 were \$765 million.

Our potential sources of capital include retained earnings, and issuances of common and preferred stock and subordinated debt. In first quarter 2004, retained earnings increased \$954 million, predominantly as a result of net income of \$1.8 billion less dividends of \$765 million. In first quarter 2004, we issued \$487 million of common stock under various employee benefit and director plans and under our dividend reinvestment program.

FACTORS THAT MAY AFFECT FUTURE RESULTS

We make forward-looking statements in this report and in other reports and proxy statements we file with the SEC. In addition, our senior management might make forward-looking statements orally to analysts, investors, the media and others.

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 discussing our expectations about:

- future credit losses and nonperforming assets;
- the future value of mortgage servicing rights;
- the future value of equity securities, including those in our venture capital portfolios;
- the impact of new accounting standards;
- the future level of mortgage originations and mortgages held for sale;
- the future level of gains from equity investments; and
- future short-term and long-term interest rate levels and their impact on our net interest margin, net income, liquidity and capital.

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, 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, Balance Sheet Analysis). Factors relating to the regulation and

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supervision are described in our 2003 Form 10-K. Any factor described in this report or in our 2003 Form 10-K could by itself, or together with one or more other factors, adversely affect our business, results of operations or financial condition. There are also other factors that we have not described in this report or in our 2003 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 general business and economic conditions.

Our business and earnings are affected by general 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. For example, an economic downturn, an increase in unemployment, or other events that effect household and/or corporate incomes could decrease the demand for loan and non-loan products and services and increase the number of customers who fail to pay interest or principal on their loans.

Geopolitical conditions can also affect our earnings. Acts or threats of terrorism, actions taken by the U.S. or other governments in response to acts or threats of terrorism and/or military conflicts, could affect business and economic conditions in the U.S. and abroad. The terrorist attacks in 2001, for example, caused an immediate decrease in air travel, which affected the airline industry, 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 affect our net interest margin. They also can materially affect the value of financial instruments we hold, such as debt securities. 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.

The financial services industry is highly competitive.

We operate in a highly competitive industry that could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies now can merge by creating 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 nonbanks to offer products and services traditionally provided by banks,

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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 nonbank 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 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/or increasing the ability of nonbanks to offer competing financial services and products. Also, if we do not comply with laws, regulations or policies, we could receive regulatory sanctions and damage to our reputation. For more information, refer to the Regulation and Supervision and to Notes 3 (Cash, Loan and Dividend Restrictions) and 26 (Regulatory and Agency Capital Requirements) to Financial Statements in our 2003 Form 10-K.

Future legislation could change our competitive position.

Legislation is from time to time introduced in the Congress, including proposals to substantially change the financial institution regulatory system and to expand or contract the powers of banking institutions and bank holding companies. This legislation may change banking statutes and our operating environment 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 regulations, would have on our financial condition or results of operations.

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 affected by relying on financial statements that do not comply with GAAP or that are materially misleading.

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

Technology and other changes now allow parties to complete financial transactions without banks. For example, consumers can 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 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 to provide products and services at lower prices. This can reduce our net interest margin and revenues from our fee-based products and services. In addition, the widespread adoption of new technologies, including internet services, could require us to make substantial expenditures to modify or adapt our existing products and services. We might not be successful in introducing new products and services, achieving market acceptance of our products and services, or developing and maintaining loyal customers.

Negative public opinion could damage our reputation and adversely impact our earnings.

Reputation risk, or the risk to our earnings and capital from negative public opinion, is inherent in our business. Negative public opinion can result from our actual or alleged conduct in any number of activities, including lending practices, corporate governance and acquisitions, and from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect our ability to keep and attract customers and can expose us to litigation and regulatory action. Because virtually all our businesses operate under the Wells Fargo brand, actual or alleged conduct by one business can result in negative public opinion about other Wells Fargo businesses. Although we take steps to minimize reputation risk in dealing with our customers and communities, as a large diversified financial services company with a relatively high industry profile, the risk will always be present in our organization.

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 nonbank 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 2003 Form 10-K.

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Our accounting policies and methods are key to how we report our financial condition and results of operations. They may require management to make estimates about matters that are uncertain.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Our management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with generally accepted accounting principles and reflect management's judgment of the most appropriate manner to report our financial condition and results. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which might be reasonable under the circumstances yet might result in our reporting materially different amounts than would have been reported under a different alternative. Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2003 Form 10-K describes our significant accounting policies.

Three accounting policies are critical to presenting our financial condition and results. They require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions. These critical accounting policies relate to: (1) the allowance for loan losses, (2) the valuation of mortgage servicing rights, and (3) pension accounting. Because of the uncertainty of estimates about these matters, we cannot provide any assurance that we will not:

- significantly increase our allowance for loan losses and/or sustain loan losses that are significantly higher than the reserve provided;
- recognize significant provision for impairment of our mortgage servicing rights; or
- significantly increase our pension liability.

For more information, see Critical Accounting Policies in our 2003 Form 10-K and refer in this report to Balance Sheet Analysis and Asset/Liability and Market Risk Management.

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 lessen the effect when downturns affect any one segment of our industry, it also means our earnings could be subject to different risks and uncertainties. We discuss some examples below.

Merchant Banking. Our merchant banking business, which includes venture capital investments, has a much greater risk of capital losses than our traditional banking business. Also, it is difficult to predict the timing of any gains from this business. 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 decline in capital spending, 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, additional impairment charges would be recognized. Also, we will realize losses to the extent we sell securities at less than book value. For more information, see in this report Balance Sheet Analysis Securities Available for Sale.

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Mortgage Banking. The effect of interest rates on our mortgage business can be large and complex. Changes in interest rates can affect loan origination fees and loan servicing fees, which account for a significant portion of mortgage-related revenues. A decline in mortgage rates generally increases the demand for mortgage loans as borrowers refinance, but also generally leads 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. We use dynamic, sophisticated models to assess the effect of interest rates on mortgage fees, amortization of mortgage servicing rights, and the value of mortgage servicing rights. The estimates of net income and fair value produced by these models, however, depend on assumptions of future loan demand, prepayment speeds and other factors that may overstate or understate actual experience. We use derivatives to hedge the value of our servicing portfolio but they do not cover the full value of the portfolio. We cannot assure that the hedges will offset significant decreases in the value of the portfolio. For more information, see in our 2003 Form 10-K Critical Accounting Policies Valuation of Mortgage Servicing Rights and in this report 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 acquisitions. We typically do not comment publicly on a possible acquisition or business combination until we have signed a definitive agreement.

Our ability to successfully complete an acquisition generally is subject to regulatory approval. 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 sell 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. The integration could result in higher than expected deposit attrition (run-off), loss of key employees, 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 effect of any divestitures required by regulatory authorities in acquisitions or business combinations may be greater than expected.

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Legislative Risk

Our business model depends on sharing information among 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 affect our revenue and profit.

Our business could suffer if we fail to attract and retain skilled people.

Our success depends, in large part, on our ability to attract and retain key people. Competition for the best people in most activities we engage in can be intense. We may not be able to hire the best people or to keep them.

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;
- changes in government regulations; and
- geopolitical conditions such as acts or threats of terrorism or military conflicts.

General market fluctuations, industry factors and general economic and political conditions and events, such as terrorist attacks, 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

Disclosure Controls and Procedures

As required by SEC rules, the Company's management evaluated the effectiveness, as of March 31, 2004, of the Company's disclosure controls and procedures. The Company's chief executive officer and chief financial officer participated in the evaluation. Based on this evaluation, the Company's chief executive officer and the chief financial officer concluded that the Company's disclosure controls and procedures were effective as of March 31, 2004.

Internal Control Over Financial Reporting

No change occurred during the first quarter of 2004 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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WELLS FARGO & COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME

| (in millions, except per share amounts) | Quarter ended March 31, | |
|--|-------------------------|--------|
| | 2004 | 2003 |
| INTEREST INCOME | | |
| Securities available for sale | \$ 445 | \$ 453 |
| Mortgages held for sale | 334 | 814 |
| Loans held for sale | 63 | 67 |
| Loans | 3,957 | 3,332 |
| Other interest income | 59 | 62 |
| Total interest income | 4,858 | 4,728 |
| INTEREST EXPENSE | | |
| Deposits | 370 | 427 |
| Short-term borrowings | 63 | 95 |
| Long-term debt | 375 | 330 |
| Guaranteed preferred beneficial interests in Company's subordinated debentures | | 27 |
| Total interest expense | 808 | 879 |
| NET INTEREST INCOME | 4,050 | 3,849 |
| Provision for loan losses | 404 | 411 |
| Net interest income after provision for loan losses | 3,646 | 3,438 |
| NONINTEREST INCOME | | |
| Service charges on deposit accounts | 615 | 553 |
| Trust and investment fees | 535 | 460 |
| Credit card fees | 258 | 243 |
| Other fees | 414 | 366 |
| Mortgage banking | 315 | 561 |
| Operating leases | 209 | 251 |
| Insurance | 317 | 266 |
| Net gains on debt securities available for sale | 33 | 18 |
| Net gains (losses) from equity investments | 95 | (98) |
| Other | 306 | 213 |
| Total noninterest income | 3,097 | 2,833 |
| NONINTEREST EXPENSE | | |
| Salaries | 1,277 | 1,141 |
| Incentive compensation | 391 | 447 |

| | | |
|--|-----------------|-----------------|
| Employee benefits | 492 | 419 |
| Equipment | 301 | 269 |
| Net occupancy | 294 | 296 |
| Operating leases | 155 | 187 |
| Other | 1,119 | 1,198 |
| Total noninterest expense | 4,029 | 3,957 |
| INCOME BEFORE INCOME TAX EXPENSE | 2,714 | 2,314 |
| Income tax expense | 947 | 822 |
| NET INCOME | \$ 1,767 | \$ 1,492 |
| NET INCOME APPLICABLE TO COMMON STOCK | \$ 1,767 | \$ 1,491 |
| EARNINGS PER COMMON SHARE | | |
| Earnings per common share | \$ 1.04 | \$.89 |
| Diluted earnings per common share | \$ 1.03 | \$.88 |
| DIVIDENDS DECLARED PER COMMON SHARE | \$.45 | \$.30 |
| Average common shares outstanding | 1,699.3 | 1,681.5 |
| Diluted average common shares outstanding | 1,721.2 | 1,694.1 |

The accompanying notes are an integral part of these statements.

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WELLS FARGO & COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

| (in millions, except shares) | March 31, 2004 | December 31, 2003 | March 31, 2003 |
|--|-------------------|----------------------|-------------------|
| ASSETS | | | |
| Cash and due from banks | \$ 13,972 | \$ 15,547 | \$ 16,011 |
| Federal funds sold and securities purchased under resale agreements | 2,439 | 2,745 | 4,982 |
| Securities available for sale | 32,857 | 32,953 | 26,168 |
| Mortgages held for sale | 26,361 | 29,027 | 62,610 |
| Loans held for sale | 8,037 | 7,497 | 7,075 |
| Loans | 264,216 | 253,073 | 201,822 |
| Allowance for loan losses | 3,891 | 3,891 | 3,840 |
| Net loans | 260,325 | 249,182 | 197,982 |
| Mortgage servicing rights, net | 6,097 | 6,906 | 4,183 |
| Premises and equipment, net | 3,545 | 3,534 | 3,680 |
| Goodwill | 10,403 | 10,371 | 9,799 |
| Other assets | 33,318 | 30,036 | 37,117 |
| Total assets | \$ 397,354 | \$ 387,798 | \$ 369,607 |
| LIABILITIES | | | |
| Noninterest-bearing deposits | \$ 78,253 | \$ 74,387 | \$ 75,330 |
| Interest-bearing deposits | 170,116 | 173,140 | 160,544 |
| Total deposits | 248,369 | 247,527 | 235,874 |
| Short-term borrowings | 20,397 | 24,659 | 33,196 |
| Accrued expenses and other liabilities | 19,756 | 17,501 | 19,938 |
| Long-term debt | 73,390 | 63,642 | 46,982 |
| Guaranteed preferred beneficial interests in Company's subordinated debentures | | | 2,885 |
| Total liabilities | 361,912 | 353,329 | 338,875 |
| STOCKHOLDERS' EQUITY | | | |
| Preferred stock | 452 | 214 | 430 |

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| | | | |
|---|-------------------|------------|------------|
| 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 | 9,711 | 9,643 | 9,514 |
| Retained earnings | 23,796 | 22,842 | 20,310 |
| Cumulative other comprehensive income | 1,057 | 938 | 913 |
| Treasury stock 39,199,710 shares, 38,271,651 shares and 61,454,942 shares | (1,984) | (1,833) | (2,947) |
| Unearned ESOP shares | (484) | (229) | (382) |
| Total stockholders' equity | 35,442 | 34,469 | 30,732 |
| Total liabilities and stockholders' equity | \$ 397,354 | \$ 387,798 | \$ 369,607 |

The accompanying notes are an integral part of these statements.

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

| (in millions, except shares) | Number of common shares | Preferred stock | Common stock | Additional paid-in capital | Retained earnings | Cumulative other comprehensive income | Treasury stock | Unearned ESOP shares | Total Stockholders' equity |
|---|----------------------------|--------------------|-----------------|----------------------------------|----------------------|--|-------------------|----------------------------|----------------------------------|
| BALANCE DECEMBER 31, 2002 | \$ 1,685,906,507 | \$ 251 | \$ 2,894 | \$ 9,498 | \$ 19,355 | \$ 976 | \$ (2,465) | \$ (190) | \$ 30,319 |
| Comprehensive income | | | | | | | | | |
| Net income | | | | | 1,492 | | | | 1,492 |
| Other comprehensive income, net of tax: | | | | | | | | | |
| Translation adjustments | | | | | | 8 | | | 8 |
| Net unrealized losses on securities available for sale and other retained interests, net of reclassification of \$8 million of net gains included in net income | | | | | | (113) | | | (113) |
| Net unrealized gains on derivatives and hedging activities, net of reclassification of \$23 million of net losses on cash flow hedges included in net income | | | | | | 42 | | | 42 |
| Total comprehensive income | | | | | | | | | 1,429 |
| Common stock issued | 3,588,368 | | | 5 | (30) | | 171 | | 146 |
| Common stock repurchased | (16,359,432) | | | | | | (744) | | (744) |
| Preferred stock (260,200) issued to ESOP | | 260 | | 19 | | | | (279) | |
| Preferred stock released to ESOP | | | | (6) | | | | 87 | 81 |
| Preferred stock (80,585) converted to common shares | 1,790,640 | (81) | | (2) | | | 83 | | |
| Preferred stock dividends | | | | | (1) | | | | (1) |
| Common stock dividends | | | | | (506) | | | | (506) |
| | | | | | | | 8 | | 8 |

Change in Rabbi trust
assets and similar
arrangements (classified as
treasury stock)

| | | | | | | | | | |
|------------|--------------|-----|--|----|-----|------|-------|-------|-----|
| Net change | (10,980,424) | 179 | | 16 | 955 | (63) | (482) | (192) | 413 |
|------------|--------------|-----|--|----|-----|------|-------|-------|-----|

BALANCE MARCH 31,
2003

| | | | | | | | | |
|---------------|--------|----------|----------|-----------|--------|------------|----------|-----------|
| 1,674,926,083 | \$ 430 | \$ 2,894 | \$ 9,514 | \$ 20,310 | \$ 913 | \$ (2,947) | \$ (382) | \$ 30,732 |
|---------------|--------|----------|----------|-----------|--------|------------|----------|-----------|

BALANCE DECEMBER
31, 2003

| | | | | | | | | |
|---------------|--------|----------|----------|-----------|--------|------------|----------|-----------|
| 1,698,109,374 | \$ 214 | \$ 2,894 | \$ 9,643 | \$ 22,842 | \$ 938 | \$ (1,833) | \$ (229) | \$ 34,469 |
|---------------|--------|----------|----------|-----------|--------|------------|----------|-----------|

Comprehensive income

Net income

1,767

1,767

Other comprehensive

income, net of tax:

Translation adjustments

(2)

(2)

Net unrealized gains on

securities available for

sale and other retained

interests, net of

reclassification of

\$58 million of net gains

included in net income

106

106

Net unrealized gains on

derivatives and hedging

activities, net of

reclassification of

\$314 million of net losses

on cash flow hedges

included in net income

15

15

Total comprehensive

income

1,886

Common stock issued

8,682,149

42

(47)

409

404

Common stock

repurchased

(11,077,068)

(633)

(633)

Preferred stock (321,000)

issued to ESOP

321

23

(344)

--

Preferred stock released

to ESOP

(6)

89

83

Preferred stock (83,127)

converted to common

shares

1,466,860

(83)

9

74

--

Common stock dividends

(765)

(765)

Change in Rabbi trust

asset and similar

arrangements (classified

(1)

(1)

| | | | | | | | | | |
|--------------------------|----------------------|---------------|-----------------|-----------------|------------------|-----------------|-------------------|-----------------|------------------|
| as treasury stock) | | | | | | | | | |
| Other, net | | | | (1) | | | | (1) | |
| Net change | (928,059) | 238 | | 68 | 954 | 119 | (151) | (255) | 973 |
| BALANCE MARCH 31, | | | | | | | | | |
| 2004 | 1,697,181,315 | \$ 452 | \$ 2,894 | \$ 9,711 | \$ 23,796 | \$ 1,057 | \$ (1,984) | \$ (484) | \$ 35,442 |

The accompanying notes are an integral part of these statements.

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WELLS FARGO & COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

| (in millions) | Quarter ended March 31, | |
|--|-------------------------|-------------|
| | 2004 | 2003 |
| Cash flows from operating activities: | | |
| Net income | \$ 1,767 | \$ 1,492 |
| Adjustments to reconcile net income to net cash provided (used) by operating activities: | | |
| Provision for loan losses | 404 | 411 |
| Provision for mortgage servicing rights in excess of fair value, net | 400 | 592 |
| Depreciation and amortization | 866 | 1,250 |
| Net gains on securities available for sale | (85) | (13) |
| Net losses (gains) on mortgage loan origination/sales activities | 80 | (637) |
| Net losses (gains) on sales of loans | (4) | 1 |
| Net losses (gains) on dispositions of premises and equipment | 9 | (4) |
| Net gains on dispositions of operations | (1) | (27) |
| Release of preferred shares to ESOP | 83 | 81 |
| Net decrease (increase) in trading assets | (1,619) | 1,923 |
| Net increase in deferred income taxes | 87 | 28 |
| Net decrease (increase) in accrued interest receivable | 1 | (46) |
| Net increase (decrease) in accrued interest payable | 38 | (9) |
| Originations of mortgages held for sale | (47,406) | (90,520) |
| Proceeds from sales of mortgages held for sale | 50,439 | 77,394 |
| Principal collected on mortgages held for sale | 294 | 824 |
| Net increase in loans held for sale | (540) | (410) |
| Other assets, net | (1,757) | (1,001) |
| Other accrued expenses and liabilities, net | 2,319 | 1,486 |
| Net cash provided (used) by operating activities | 5,375 | (7,185) |
| Cash flows from investing activities: | | |
| Securities available for sale: | | |
| Proceeds from sales | 1,064 | 818 |
| Proceeds from prepayments and maturities | 2,132 | 2,713 |
| Purchases | (2,657) | (2,109) |
| Net cash paid for acquisitions | (32) | (763) |
| Decrease (increase) in banking subsidiaries loan originations, net of collections | (8,428) | 1,377 |
| Proceeds from sales (including participations) of loans by banking subsidiaries | 400 | 599 |
| Purchases (including participations) of loans by banking subsidiaries | (1,116) | (9,869) |

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| | | |
|--|----------------|---------|
| Principal collected on nonbank entities loans | 4,023 | 6,804 |
| Loans originated by nonbank entities | (6,677) | (4,281) |
| Purchases of loans by nonbank entities | | (3,682) |
| Proceeds from dispositions of operations | 1 | 30 |
| Proceeds from sales of foreclosed assets | 53 | 74 |
| Net decrease (increase) in federal funds sold and securities purchased under resale agreements | 306 | (1,808) |
| Net decrease (increase) in mortgage servicing rights | 71 | (493) |
| Other, net | (998) | (1,260) |

| | | |
|---------------------------------------|-----------------|----------|
| Net cash used by investing activities | (11,858) | (11,850) |
|---------------------------------------|-----------------|----------|

Cash flows from financing activities:

| | | |
|---|----------------|---------|
| Net increase in deposits | 842 | 18,958 |
| Net decrease in short-term borrowings | (4,262) | (250) |
| Proceeds from issuance of long-term debt | 12,336 | 7,364 |
| Repayment of long-term debt | (2,947) | (7,769) |
| Proceeds from issuance of common stock | 349 | 137 |
| Repurchase of common stock | (633) | (744) |
| Payment of cash dividends on preferred and common stock | (765) | (507) |
| Other, net | (12) | 37 |

| | | |
|---|--------------|--------|
| Net cash provided by financing activities | 4,908 | 17,226 |
|---|--------------|--------|

| | | |
|--|----------------|---------|
| Net change in cash and due from banks | (1,575) | (1,809) |
|--|----------------|---------|

| | | |
|---|---------------|--------|
| Cash and due from banks at beginning of quarter | 15,547 | 17,820 |
|---|---------------|--------|

| | | |
|--|------------------|------------------|
| Cash and due from banks at end of quarter | \$ 13,972 | \$ 16,011 |
|--|------------------|------------------|

Supplemental disclosures of cash flow information:

Cash paid during the quarter for:

| | | |
|--------------|---------------|---------------|
| Interest | \$ 846 | \$ 870 |
| Income taxes | 677 | 528 |

Noncash investing and financing activities:

| | | |
|---|---------------|---------------|
| Transfers from loans to foreclosed assets | \$ 121 | \$ 135 |
| Net transfers from mortgages held for sale to loans | 112 | 43 |

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wells Fargo & Company is a diversified financial services company. We provide banking, insurance, investments, mortgage banking and consumer finance through stores, the internet and other distribution channels to consumers, businesses and institutions in all 50 states of the U.S. and in other countries. When we refer to the Company, we, our and us in this Form 10-Q, we mean Wells Fargo & Company and Subsidiaries (consolidated). Wells Fargo & Company (the Parent) is a financial holding company and a bank holding company.

Our accounting and reporting policies conform with generally accepted accounting principles (GAAP) and practices in the financial services industry. To prepare the financial statements in conformity with GAAP, management must make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and income and expenses during the reporting period.

The information furnished in these unaudited interim statements reflects all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed in this Form 10-Q. The results of operations in the interim statements do not necessarily indicate the results that may be expected for the full year. The interim financial information should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (2003 Form 10-K).

Descriptions of our significant accounting policies are included in Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2003 Form 10-K. There have been no significant changes to these policies.

STOCK-BASED COMPENSATION

We have several stock-based employee compensation plans, which are described more fully in Note 14 (Common Stock and Stock Plans) to Financial Statements in our 2003 Form 10-K. As permitted by Statement of Financial Accounting Standards No. 123 (FAS 123), *Accounting for Stock-Based Compensation*, we have elected to continue applying the intrinsic value method of Accounting Principles Board Opinion 25, *Accounting for Stock Issued to Employees*, in accounting for stock-based employee compensation plans. Pro forma net income and earnings per common share information is provided in the table on page 32, as if we accounted for employee stock option plans under the fair value method of FAS 123.

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| (in millions, except per share amounts) | Quarter ended March 31, | |
|--|-------------------------|----------|
| | 2004 | 2003 |
| Net income, as reported | \$ 1,767 | \$ 1,492 |
| Add: Stock-based employee compensation expense included in reported net income, net of tax | 1 | 1 |
| Less: Total stock-based employee compensation expense under the fair value method for all awards, net of tax | (163) | (46) |
| Net income, pro forma | \$ 1,605 | \$ 1,447 |
| Earnings per common share | | |
| As reported | \$ 1.04 | \$.89 |
| Pro forma | .94 | .86 |
| Diluted earnings per common share | | |
| As reported | \$ 1.03 | \$.88 |
| Pro forma | .93 | .85 |

Total stock-based employee compensation was higher under the fair value method in first quarter 2004 compared with first quarter 2003. Stock options granted in our February 2004 grant, under our Long-Term Incentive Plan, fully vested upon grant, resulting in full recognition of stock-based compensation expense for the 2004 grant under the fair value method in the table above. Stock options granted in our February 2003 grant vest over a three-year period, and expense reflected in the table for this grant is recognized over the vesting period.

2. BUSINESS COMBINATIONS

We regularly explore opportunities to acquire financial services companies and businesses. Generally, we do not make a public announcement about an acquisition opportunity until a definitive agreement has been signed.

In the three months ended March 31, 2004, we completed acquisitions of three insurance brokerage businesses with a total of approximately \$10 million in assets.

There were no pending business combinations as of March 31, 2004.

Table of Contents**3. SECURITIES AVAILABLE FOR SALE**

The following table provides the cost and fair value for the major categories of securities available for sale carried at fair value. There were no securities classified as held to maturity at March 31, 2004 or 2003.

| (in millions) | Mar. 31, 2004 | | Dec. 31, 2003 | | Mar. 31, 2003 | |
|--|----------------------|-----------------------------|----------------------|-----------------------------|----------------------|-----------------------------|
| | Cost | Estimated fair value | Cost | Estimated fair value | Cost | Estimated fair value |
| Securities of U.S. Treasury and federal agencies | \$ 1,193 | \$ 1,235 | \$ 1,252 | \$ 1,286 | \$ 1,138 | \$ 1,195 |
| Securities of U.S. states and political subdivisions | 3,138 | 3,320 | 3,175 | 3,346 | 2,192 | 2,330 |
| Mortgage-backed securities: | | | | | | |
| Federal agencies | 19,682 | 20,532 | 20,353 | 21,130 | 15,994 | 17,154 |
| Private collateralized mortgage obligations (1) | 3,733 | 3,922 | 3,056 | 3,154 | 2,205 | 2,297 |
| Total mortgage-backed securities | 23,415 | 24,454 | 23,409 | 24,284 | 18,199 | 19,451 |
| Other | 3,074 | 3,271 | 3,285 | 3,455 | 2,584 | 2,667 |
| Total debt securities | 30,820 | 32,280 | 31,121 | 32,371 | 24,113 | 25,643 |
| Marketable equity securities | 414 | 577 | 394 | 582 | 569 | 525 |
| Total | \$ 31,234 | \$ 32,857 | \$ 31,515 | \$ 32,953 | \$ 24,682 | \$ 26,168 |

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

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

| (in millions) | Mar. 31, 2004 | Dec. 31, 2003 | Mar. 31, 2003 |
|-----------------------------------|----------------------|----------------------|----------------------|
| Estimated unrealized gross gains | \$ 1,661 | \$ 1,502 | \$ 1,672 |
| Estimated unrealized gross losses | (38) | (64) | (186) |
| Estimated unrealized net gains | \$ 1,623 | \$ 1,438 | \$ 1,486 |

The following table shows the realized net gains on the sales of securities from the securities available for sale portfolio, including marketable equity securities.

| (in millions) | Quarter ended March 31, | |
|---------------------------|-------------------------|-------|
| | 2004 | 2003 |
| Realized gross gains | \$ 96 | \$ 40 |
| Realized gross losses (1) | (11) | (27) |
| Realized net gains | \$ 85 | \$ 13 |

(1) Includes other-than-temporary impairment of \$20 million for first quarter 2003.

Table of Contents**4. LOANS AND ALLOWANCE FOR LOAN LOSSES**

A summary of the major categories of loans outstanding is shown in the table below. Outstanding loan balances are net of unearned income, including net deferred loan fees, of \$3,681 million, \$3,430 million and \$3,735 million, at March 31, 2004, December 31, 2003 and March 31, 2003, respectively.

| (in millions) | Mar. 31, 2004 | Dec. 31, 2003 | Mar. 31, 2003 |
|---|--------------------------|--------------------------|--------------------------|
| Commercial and commercial real estate: | | | |
| Commercial | \$ 48,034 | \$ 48,729 | \$ 48,147 |
| Other real estate mortgage | 28,323 | 27,592 | 25,629 |
| Real estate construction | 8,259 | 8,209 | 8,032 |
| Lease financing | 5,018 | 4,477 | 4,567 |
| Total commercial and commercial real estate | 89,634 | 89,007 | 86,375 |
| Consumer: | | | |
| Real estate 1-4 family first mortgage | 90,563 | 83,535 | 48,337 |
| Real estate 1-4 family junior lien mortgage | 40,281 | 36,629 | 29,329 |
| Credit card | 8,357 | 8,351 | 7,359 |
| Other revolving credit and installment | 32,755 | 33,100 | 28,361 |
| Total consumer | 171,956 | 161,615 | 113,386 |
| Foreign | 2,626 | 2,451 | 2,061 |
| Total loans | \$ 264,216 | \$ 253,073 | \$ 201,822 |

In first quarter 2004, we entered into a secured borrowing arrangement for \$500 million. Under the terms of the arrangement we pledged auto loans as security for the borrowing.

The recorded investment in impaired loans and the methodology used to measure impairment was:

| (in millions) | Mar. 31, 2004 | Dec. 31, 2003 | Mar. 31, 2003 |
|----------------------------------|--------------------------|--------------------------|--------------------------|
| Impairment measurement based on: | | | |
| Collateral value method | \$ 324 | \$ 386 | \$ 319 |
| Discounted cash flow method | 197 | 243 | 352 |
| Total(1) | \$ 521 | \$ 629 | \$ 671 |

(1) Includes \$40 million, \$59 million and \$142 million of impaired loans with a related allowance of \$6 million, \$8 million and \$20 million at March 31, 2004, December 31, 2003 and March 31, 2003, respectively. The average recorded investment in impaired loans during first quarter 2004 and 2003 was \$568 million and \$645 million, respectively.

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Changes in the allowance for loan losses were:

| (in millions) | Quarter ended March 31, | |
|---|-------------------------|-----------------|
| | 2004 | 2003 |
| Balance, beginning of period | \$ 3,891 | \$ 3,819 |
| Allowances related to business combinations/other | | 25 |
| Provision for loan losses | 404 | 411 |
| Loan charge-offs: | | |
| Commercial and commercial real estate: | | |
| Commercial | (111) | (153) |
| Other real estate mortgage | (7) | (2) |
| Real estate construction | (3) | (3) |
| Lease financing | (12) | (11) |
| Total commercial and commercial real estate | (133) | (169) |
| Consumer: | | |
| Real estate 1-4 family first mortgage | (13) | (13) |
| Real estate 1-4 family junior lien mortgage | (29) | (18) |
| Credit card | (109) | (112) |
| Other revolving credit and installment | (224) | (198) |
| Total consumer | (375) | (341) |
| Foreign | (28) | (20) |
| Total loan charge-offs | (536) | (530) |
| Loan recoveries: | | |
| Commercial and commercial real estate: | | |
| Commercial | 42 | 36 |
| Other real estate mortgage | 2 | 2 |
| Real estate construction | 1 | 5 |
| Lease financing | 6 | 1 |
| Total commercial and commercial real estate | 51 | 44 |
| Consumer: | | |
| Real estate 1-4 family first mortgage | 1 | 2 |
| Real estate 1-4 family junior lien mortgage | 4 | 3 |
| Credit card | 15 | 12 |
| Other revolving credit and installment | 56 | 51 |
| Total consumer | 76 | 68 |

| | | |
|--|-----------------|-----------------|
| Foreign | 5 | 3 |
| Total loan recoveries | 132 | 115 |
| Net loan charge-offs | (404) | (415) |
| Balance, end of period | \$ 3,891 | \$ 3,840 |
| Net loan charge-offs (annualized) as a percentage of average total loans | .63% | .86% |
| Allowance as a percentage of total loans | 1.47% | 1.90% |

Table of Contents**5. OTHER ASSETS**

| (in millions) | Mar. 31, 2004 | Dec. 31, 2003 | Mar. 31, 2003 |
|--|--------------------------|--------------------------|--------------------------|
| Trading assets | \$ 10,538 | \$ 8,919 | \$ 8,244 |
| Accounts receivable | 2,348 | 2,456 | 5,364 |
| Nonmarketable equity investments: | | | |
| Private equity investments | 1,693 | 1,714 | 1,644 |
| Federal bank stock | 1,732 | 1,765 | 1,498 |
| All other | 1,633 | 1,542 | 1,467 |
| Total nonmarketable equity investments | 5,058 | 5,021 | 4,609 |
| Operating lease assets | 3,397 | 3,448 | 4,072 |
| Interest receivable | 1,286 | 1,287 | 1,185 |
| Core deposit intangibles | 703 | 737 | 831 |
| Interest-earning deposits | 767 | 988 | 538 |
| Foreclosed assets | 222 | 198 | 193 |
| Due from customers on acceptances | 130 | 137 | 83 |
| Other | 8,869 | 6,845 | 11,998 |
| Total other assets | \$ 33,318 | \$ 30,036 | \$ 37,117 |

Trading assets are predominantly securities, including corporate debt, U.S. government agency obligations and the fair value of derivatives held for customer accommodation purposes. Interest income from trading assets was \$34 million and \$31 million in first quarter 2004 and 2003, respectively. Noninterest income from trading assets, included in the other category, was \$143 million and \$141 million in first quarter 2004 and 2003, respectively.

Net gains (losses) from sales or impairment of nonmarketable equity investments were \$57 million and \$(96) million in first quarter 2004 and 2003, respectively, and included net gains (losses) from private equity investments of \$43 million and \$(93) million in first quarter 2004 and 2003, respectively.

Table of Contents**6. INTANGIBLE ASSETS**

The gross carrying amount of intangible assets and accumulated amortization at March 31, 2004 and 2003 was:

| (in millions) | Gross carrying amount | 2004 Accumulated amortization | Gross carrying amount | March 31, 2003 Accumulated amortization |
|--|--------------------------------------|--|--------------------------------------|--|
| Amortized intangible assets: | | | | |
| Mortgage servicing rights, before valuation allowance (1) | \$ 16,392 | \$ 8,122 | \$ 12,306 | \$ 5,654 |
| Core deposit intangibles | 2,426 | 1,723 | 2,415 | 1,584 |
| Other | 394 | 279 | 380 | 261 |
| Total amortized intangible assets | \$ 19,212 | \$ 10,124 | \$ 15,101 | \$ 7,499 |
| Unamortized intangible asset (trademark) | \$ 14 | | \$ 14 | |

(1) The valuation allowance was \$2,173 million at March 31, 2004 and \$2,469 million at March 31, 2003. The carrying value of mortgage servicing rights was \$6,097 million at March 31, 2004 and \$4,183 million at March 31, 2003.

As of March 31, 2004, the current year and estimated future amortization expense for amortized intangible assets was:

| (in millions) | Mortgage servicing rights | Core deposit intangibles | Other | Total |
|---|--|---|--------------|--------------|
| Three months ended March 31, 2004 (actual) | \$ 511 | \$ 34 | \$ 6 | \$ 551 |
| Nine months ended December 31, 2004 (estimate) | \$ 1,534 | \$ 99 | \$ 18 | \$ 1,651 |
| Estimate for year ended December 31, | | | | |
| 2005 | \$ 1,504 | \$ 123 | \$ 18 | \$ 1,645 |
| 2006 | 1,031 | 110 | 15 | 1,156 |
| 2007 | 807 | 100 | 14 | 921 |
| 2008 | 653 | 92 | 13 | 758 |

| | | | | |
|------|-----|----|----|-----|
| 2009 | 528 | 85 | 11 | 624 |
|------|-----|----|----|-----|

We based the projections of amortization expense for mortgage servicing rights shown above on existing asset balances and the existing interest rate environment as of March 31, 2004. Future amortization expense may be significantly different depending upon changes in the mortgage servicing portfolio, mortgage interest rates and market conditions. We based the projections of amortization expense for core deposit intangibles shown above on existing asset balances at March 31, 2004. Future amortization expense may vary based on additional core deposit intangibles acquired through business combinations.

Table of Contents**7. GOODWILL**

The following table summarizes the changes in the carrying amount of goodwill as allocated to our operating segments for goodwill impairment analysis.

| (in millions) | Community Banking | Wholesale Banking | Wells Fargo Financial | Consolidated Company |
|--|----------------------|----------------------|--------------------------|-------------------------|
| Balance December 31, 2002 | \$ 6,743 | \$ 2,667 | \$ 343 | \$ 9,753 |
| Goodwill from business combinations | | 43 | | 43 |
| Foreign currency translation adjustments | | | 3 | 3 |
| Balance March 31, 2003 | \$ 6,743 | \$ 2,710 | \$ 346 | \$ 9,799 |
| Balance December 31, 2003 | \$ 7,286 | \$ 2,735 | \$ 350 | \$ 10,371 |
| Goodwill from business combinations | | 32 | | 32 |
| Balance March 31, 2004 | \$ 7,286 | \$ 2,767 | \$ 350 | \$ 10,403 |

For our goodwill impairment analysis, we allocate all of the goodwill to the individual operating segments. For management reporting we do not allocate all of the goodwill to the individual operating segments: some is allocated at the enterprise level. See Note 12 for further information on management reporting. The balances of goodwill for management reporting are:

| (in millions) | Community Banking | Wholesale Banking | Wells Fargo Financial | Enterprise | Consolidated Company |
|-----------------------|----------------------|----------------------|--------------------------|-----------------|-------------------------|
| March 31, 2003 | \$ 2,896 | \$ 760 | \$ 346 | \$ 5,797 | \$ 9,799 |
| March 31, 2004 | \$ 3,439 | \$ 817 | \$ 350 | \$ 5,797 | \$ 10,403 |

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8. GUARANTEED PREFERRED BENEFICIAL INTERESTS IN COMPANY S SUBORDINATED DEBENTURES

At December 31, 2003, we had 13 wholly-owned trusts (the Trusts) that were formed to issue trust preferred securities and related common securities of the Trusts. At December 31, 2003, as a result of the adoption of Financial Accounting Standards Board Interpretation No. 46, *Consolidation of Variable Interest Entities*, we deconsolidated the Trusts. The \$3.8 billion of junior subordinated debentures issued by the Company to the Trusts were reflected as long-term debt in the consolidated balance sheet at December 31, 2003. The common stock issued by the Trusts was recorded in other assets in the consolidated balance sheet at December 31, 2003. Because the Trusts are (1) wholly-owned finance subsidiary issuers of securities, have no operating histories or independent operations and are not engaged in and do not propose to engage in any activity other than holding as trust assets the corresponding junior subordinated debentures of Wells Fargo and issuing the trust securities, and (2) the securities were fully and unconditionally guaranteed by the parent company, the Trusts will not file periodic reports with the Securities and Exchange Commission under the Securities Exchange Act of 1934. Payments on the junior subordinated debentures are generally made from cash provided by operating activities, which include dividends receivable from subsidiaries. See Note 3 (Cash, Loan and Dividend Restrictions) to Financial Statements in our 2003 Form 10-K for a discussion of certain federal and state regulatory limitations on dividends.

Prior to December 31, 2003, the Trusts were consolidated subsidiaries and were included in liabilities in the consolidated balance sheet, as Guaranteed preferred beneficial interests in Company s subordinated debentures. The common securities and debentures, along with the related income effects were eliminated in the consolidated financial statements.

The debentures issued to the Trusts, less the common securities of the Trusts, \$3.6 billion at March 31, 2004, continued to qualify as Tier 1 capital under guidance issued by the Federal Reserve Board.

Table of Contents**9. PREFERRED STOCK**

We are authorized to issue 20 million shares of preferred stock and 4 million shares of preference stock, both without par value. Preferred shares outstanding rank senior to common shares both as to dividends and liquidation preference but have no general voting rights. We have not issued any preference shares under this authorization.

| | Shares issued and outstanding | | | Carrying amount (in millions) | | | Adjustable | |
|---|-------------------------------|------------------|------------------|-------------------------------|---------------------|---------------------|-----------------------------------|--------|
| | Mar. 31, 2004 | Dec. 31, 2003 | Mar. 31, 2003 | Mar. 31, 2004 | Dec. 31, 2003 | Mar. 31, 2003 | dividends rate Minimum Maximum | |
| Adjustable-Rate Cumulative, Series B (1) | | | 1,460,000 | \$ | \$ | \$ 73 | 5.50% | 10.50% |
| ESOP Cumulative Convertible (2) | | | | | | | | |
| 2004 | 237,903 | | | 238 | | | 8.50 | 9.50 |
| 2003 | 68,208 | 68,238 | 183,143 | 68 | 68 | 183 | 8.50 | 9.50 |
| 2002 | 53,641 | 53,641 | 60,521 | 54 | 54 | 60 | 10.50 | 11.50 |
| 2001 | 40,206 | 40,206 | 46,126 | 40 | 40 | 46 | 10.50 | 11.50 |
| 2000 | 29,492 | 29,492 | 34,742 | 30 | 30 | 35 | 11.50 | 12.50 |
| 1999 | 11,032 | 11,032 | 13,222 | 11 | 11 | 13 | 10.30 | 11.30 |
| 1998 | 4,075 | 4,075 | 5,095 | 4 | 4 | 5 | 10.75 | 11.75 |
| 1997 | 4,081 | 4,081 | 5,876 | 4 | 4 | 6 | 9.50 | 10.50 |
| 1996 | 2,927 | 2,927 | 5,407 | 3 | 3 | 6 | 8.50 | 9.50 |
| 1995 | 408 | 408 | 3,043 | | | 3 | 10.00 | 10.00 |
| Total preferred stock | 451,973 | 214,100 | 1,817,175 | \$ 452 | \$ 214 | \$ 430 | | |
| Unearned ESOP shares (3) | | | | \$ (484) | \$ (229) | \$ (382) | | |

- (1) On November 15, 2003, all shares were redeemed at the stated liquidation price of \$50 plus accrued dividends.
- (2) Liquidation preference \$1,000.
- (3) In accordance with the American Institute of Certified Public Accountants (AICPA) Statement of Position 93-6, *Employers Accounting for Employee Stock Ownership Plans*, we 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.

Table of Contents**10. EMPLOYEE BENEFITS**

We sponsor noncontributory qualified defined benefit retirement plans including the Cash Balance Plan. The Cash Balance Plan is an active plan, which covers eligible employees (except employees of certain subsidiaries).

We do not expect that we will be required to make a minimum contribution in 2004 for our Cash Balance Plan. The maximum contribution amount for the Cash Balance Plan is the maximum deductible contribution under the Internal Revenue Code, which we are currently estimating. The Company will determine whether or not to make a contribution later this year based on various factors, including the maximum amount of tax deductible contribution and 2004 asset performance.

The net periodic benefit cost for first quarter 2004 and 2003 was:

| (in millions) | 2004 | | | Quarter ended March 31, 2003 | | |
|---|-------------------------------|---------------|-------------------|-------------------------------|---------------|-------------------|
| | Pension benefits Qualified | Non-qualified | Other benefits | Pension benefits Qualified | Non-qualified | Other benefits |
| Service cost | \$ 40 | \$ 5 | \$ 3 | \$ 41 | \$ 5 | \$ 4 |
| Interest cost | 51 | 3 | 10 | 52 | 4 | 11 |
| Expected return on plan assets | (78) | | (5) | (68) | | (5) |
| Recognized net actuarial loss (gain)(1) | 11 | | 1 | 21 | 2 | (1) |
| Amortization of prior service cost | | | (1) | 4 | | |
| Net periodic benefit cost | \$ 24 | \$ 8 | \$ 8 | \$ 50 | \$ 11 | \$ 9 |

(1) Net actuarial loss (gain) is generally amortized over five years.

Table of Contents**11. EARNINGS PER COMMON SHARE**

The table below shows earnings per common share and diluted earnings per common share and reconciles the numerator and denominator of both earnings per common share calculations.

| (in millions, except per share amounts) | Quarter ended March 31, | |
|---|-------------------------|----------|
| | 2004 | 2003 |
| Net income | \$ 1,767 | \$ 1,492 |
| Less: Preferred stock dividends | | 1 |
| Net income applicable to common stock (numerator) | \$ 1,767 | \$ 1,491 |
| EARNINGS PER COMMON SHARE | | |
| Average common shares outstanding (denominator) | 1,699.3 | 1,681.5 |
| Per share | \$ 1.04 | \$.89 |
| DILUTED EARNINGS PER COMMON SHARE | | |
| Average common shares outstanding | 1,699.3 | 1,681.5 |
| Add: Stock options | 21.5 | 12.1 |
| Restricted share rights | .4 | .5 |
| Diluted average common shares outstanding (denominator) | 1,721.2 | 1,694.1 |
| Per share | \$ 1.03 | \$.88 |

In first quarter 2004 and 2003, options to purchase 2.2 million and 73.2 million shares, respectively, were outstanding but not included in the calculation of earnings per share because the exercise price was higher than the market price, and therefore they were antidilutive.

Table of Contents**12. OPERATING SEGMENTS**

We have 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 our 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 our management structure and is not necessarily comparable with similar information for other financial services companies. We define our operating segments by product type and customer segments. If the management structure and/or the allocation process changes, allocations, transfers and assignments may change. In that case, results for prior periods would be restated for comparability.

The Community Banking Group offers a complete line of diversified financial products and services to consumers and small businesses with annual sales generally up to \$10 million in which the owner generally is the financial decision maker. Community Banking also offers investment management and other services to retail customers and high net worth individuals, insurance, securities brokerage and insurance through affiliates and venture capital financing. 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 and servicing of mortgage loans and credit cards. 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, venture capital 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), time deposits and debit cards.

Community Banking serves customers through a wide range of channels, which include traditional banking stores, in-store banking centers, business centers and ATMs. Also, *PhoneBank*SM centers and the National Business Banking Center provide 24-hour telephone service. 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 with annual sales generally 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 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

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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 consumer and real estate loans to individuals 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 Other Column consists of Corporate level investment activities and balances and unallocated goodwill balances held at the enterprise level. This column also includes separately identified transactions recorded at the enterprise level for management reporting.

| (income/expense in millions, average balances in billions) | Community Banking | | Wholesale Banking | | Wells Fargo Financial | | Other (3) | | Consolidated Company | |
|---|----------------------|----------|----------------------|---------|--------------------------|---------|---------------|---------|-------------------------|----------|
| Quarter ended March 31, | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Net interest income (1) | \$ 2,846 | \$ 2,777 | \$ 562 | \$ 551 | \$ 644 | \$ 523 | \$ (2) | \$ (2) | \$ 4,050 | \$ 3,849 |
| Provision for loan losses (2) | 214 | 217 | 23 | 53 | 167 | 141 | | | 404 | 411 |
| Noninterest income | 2,140 | 2,109 | 828 | 652 | 102 | 91 | 27 | (19) | 3,097 | 2,833 |
| Noninterest expense | 2,994 | 3,026 | 669 | 620 | 366 | 308 | | 3 | 4,029 | 3,957 |
| Income (loss) before income tax expense (benefit) | 1,778 | 1,643 | 698 | 530 | 213 | 165 | 25 | (24) | 2,714 | 2,314 |
| Income tax expense (benefit) | 611 | 585 | 250 | 183 | 77 | 63 | 9 | (9) | 947 | 822 |
| Net income (loss) | \$ 1,167 | \$ 1,058 | \$ 448 | \$ 347 | \$ 136 | \$ 102 | \$ 16 | \$ (15) | \$ 1,767 | \$ 1,492 |
| Average loans | \$ 180.3 | \$ 128.3 | \$ 50.3 | \$ 49.3 | \$ 25.8 | \$ 17.5 | \$ | \$ | \$ 256.4 | \$ 195.1 |
| Average assets | 277.4 | 255.4 | 75.7 | 74.1 | 27.4 | 19.4 | 6.1 | 6.2 | 386.6 | 355.1 |
| Average core deposits | 188.3 | 176.3 | 24.7 | 20.4 | .1 | .1 | | | 213.1 | 196.8 |

(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 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) Generally, the provision for loan losses represents actual net charge-offs for each operating segment.

(3)

Revenue (net interest income plus noninterest income) and net income principally relate to Corporate level equity investment activities. Average assets consist of unallocated goodwill.

Table of Contents**13. VARIABLE INTEREST ENTITIES**

We are a variable interest holder in certain special-purpose entities that are consolidated because we will absorb a majority of each entity's expected losses, receive a majority of each entity's expected returns or both. We do not hold a majority voting interest in these entities. These entities were formed to invest in securities and to securitize real estate investment trust securities and had approximately \$5 billion in total assets at March 31, 2004. The primary activities of these entities consist of acquiring and disposing of, and investing and reinvesting in securities, and issuing beneficial interests secured by those securities to investors. The creditors of substantially all of these consolidated entities have no recourse against our general credit.

We hold variable interests greater than 20% but less than 50% in certain special-purpose entities formed to provide affordable housing and to securitize high-yield corporate debt that had approximately \$2 billion in total assets at March 31, 2004. We are not required to consolidate these entities. Our maximum exposure to loss related to these unconsolidated entities was approximately \$600 million.

14. MORTGAGE BANKING ACTIVITIES

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

The components of mortgage banking noninterest income were:

| (in millions) | Quarter ended March 31, | |
|---|-------------------------|--------|
| | 2004 | 2003 |
| Origination and other closing fees | \$ 178 | \$ 276 |
| Servicing fees, net of amortization and provision for impairment | 166 | (443) |
| Net gains (losses) on mortgage loan originations/sales activities | (80) | 637 |
| All other | 51 | 91 |
| Total mortgage banking noninterest income | \$ 315 | \$ 561 |

Each quarter, we evaluate mortgage servicing rights (MSRs) for possible impairment based on the difference between the carrying amount and current fair value of the MSRs. If a temporary impairment exists, we establish a valuation allowance for any excess of amortized cost, as adjusted for hedge accounting, over the current fair value through a charge to income. We have a policy of reviewing MSRs for other-than-temporary impairment each quarter and recognize a direct write-down when the recoverability of a recorded valuation allowance is determined to be remote. Unlike a valuation allowance, a direct write-down permanently reduces the carrying value of the MSRs and the valuation allowance, precluding subsequent reversals. (See Note 1 – Transfer and Servicing of Financial Assets to Financial Statements in our 2003 Form 10-K for additional discussion of our policy for valuation of MSRs.) In first quarter 2004 and 2003, we determined that a portion of the asset was not recoverable and reduced both the asset and the previously designated valuation allowance by a \$169 million and \$311 million write-down, respectively.

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This table summarizes the changes in mortgage servicing rights.

| (in millions) | Quarter ended March 31, | |
|---|-------------------------|----------|
| | 2004 | 2003 |
| Mortgage servicing rights: | | |
| Balance, beginning of quarter | \$ 8,848 | \$ 6,677 |
| Originations (1) | 338 | 603 |
| Purchases (1) | 268 | 394 |
| Amortization | (511) | (803) |
| Write-down | (169) | (311) |
| Other (includes changes in mortgage servicing rights due to hedging) | (504) | 92 |
| Balance, end of quarter | \$ 8,270 | \$ 6,652 |
| Valuation Allowance: | | |
| Balance, beginning of quarter | \$ 1,942 | \$ 2,188 |
| Provision for mortgage servicing rights in excess of fair value | 400 | 592 |
| Write-down of mortgage servicing rights | (169) | (311) |
| Balance, end of quarter | \$ 2,173 | \$ 2,469 |
| Mortgage servicing rights, net | \$ 6,097 | \$ 4,183 |
| Ratio of mortgage servicing rights to related loans serviced for others | 1.00% | .84% |

(1) Based on March 31, 2004 assumptions, the weighted-average amortization period for mortgage servicing rights added during the quarter was 4.1 years.

The components of the managed servicing portfolio were:

| (in billions) | 2004 | March 31, 2003 |
|--|--------|-------------------|
| Loans serviced for others | \$ 609 | \$ 499 |
| Owned loans serviced (portfolio and held for sale) | 116 | 110 |
| Total owned servicing | 725 | 609 |
| Sub-servicing | 28 | 29 |

| | | | | |
|-----------------------------------|----|------------|----|-----|
| Total managed servicing portfolio | \$ | 753 | \$ | 638 |
|-----------------------------------|----|------------|----|-----|

Table of Contents**15. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS**

Following are the condensed consolidating financial statements of the Parent and Wells Fargo Financial Inc. and its wholly-owned subsidiaries (WFFI). The Wells Fargo Financial business segment for management reporting (See Note 12) consists of WFFI and other affiliated consumer finance entities managed by WFFI but not included in WFFI reported below.

Condensed Consolidating Statement of Income

| (in millions) | Quarter ended March 31, 2004 | | | | |
|---|------------------------------|------|----------------------------------|--------------|----------------------|
| | Parent | WFFI | Other consolidating subsidiaries | Eliminations | Consolidated Company |
| Dividends from subsidiaries: | | | | | |
| Bank | \$ 500 | \$ | \$ | \$ (500) | \$ |
| Nonbank | 139 | | | (139) | |
| Interest income from loans | | 807 | 3,150 | | 3,957 |
| Interest income from subsidiaries | 200 | | | (200) | |
| Other interest income | 23 | 19 | 859 | | 901 |
| Total interest income | 862 | 826 | 4,009 | (839) | 4,858 |
| Short-term borrowings | 21 | 8 | 83 | (49) | 63 |
| Long-term debt | 163 | 241 | 98 | (127) | 375 |
| Other interest expense | | | 370 | | 370 |
| Total interest expense | 184 | 249 | 551 | (176) | 808 |
| NET INTEREST INCOME | 678 | 577 | 3,458 | (663) | 4,050 |
| Provision for loan losses | | 161 | 243 | | 404 |
| Net interest income after provision for loan losses | 678 | 416 | 3,215 | (663) | 3,646 |
| NONINTEREST INCOME | | | | | |
| Fee income nonaffiliates | | 56 | 1,766 | | 1,822 |
| Other | 42 | 48 | 1,200 | (15) | 1,275 |
| Total noninterest income | 42 | 104 | 2,966 | (15) | 3,097 |
| NONINTEREST EXPENSE | | | | | |
| Salaries and benefits | 25 | 221 | 1,914 | | 2,160 |

| | | | | | |
|---------------------------|----|-----|-------|------|-------|
| Other | 13 | 121 | 1,777 | (42) | 1,869 |
| Total noninterest expense | 38 | 342 | 3,691 | (42) | 4,029 |

**INCOME BEFORE INCOME
TAX EXPENSE
(BENEFIT) AND EQUITY IN
UNDISTRIBUTED INCOME
OF SUBSIDIARIES**

| | | | | | |
|--|-------|-----|-------|---------|-------|
| | 682 | 178 | 2,490 | (636) | 2,714 |
| Income tax expense (benefit) | (8) | 63 | 892 | | 947 |
| Equity in undistributed income of subsidiaries | 1,077 | | | (1,077) | |

| | | | | | |
|-------------------|----------|--------|----------|------------|----------|
| NET INCOME | \$ 1,767 | \$ 115 | \$ 1,598 | \$ (1,713) | \$ 1,767 |
|-------------------|----------|--------|----------|------------|----------|

Table of Contents**Condensed Consolidating Statement of Income**

| Quarter ended March 31, 2003 | | | | | |
|---|--------|------|--|--------------|-------------------------|
| (in millions) | Parent | WFFI | Other consolidating subsidiaries | Eliminations | Consolidated Company |
| Dividends from subsidiaries: | | | | | |
| Bank | \$ 993 | \$ | \$ | \$ (993) | \$ |
| Nonbank | 45 | | | (45) | |
| Interest income from loans | 2 | 634 | 2,696 | | 3,332 |
| Interest income from subsidiaries | 109 | | | (109) | |
| Other interest income | 16 | 19 | 1,361 | | 1,396 |
| Total interest income | 1,165 | 653 | 4,057 | (1,147) | 4,728 |
| Short-term borrowings | 23 | 22 | 66 | (16) | 95 |
| Long-term debt | 122 | 146 | 122 | (60) | 330 |
| Other interest expense | | | 454 | | 454 |
| Total interest expense | 145 | 168 | 642 | (76) | 879 |
| NET INTEREST INCOME | 1,020 | 485 | 3,415 | (1,071) | 3,849 |
| Provision for loan losses | | 144 | 267 | | 411 |
| Net interest income after provision for loan losses | 1,020 | 341 | 3,148 | (1,071) | 3,438 |
| NONINTEREST INCOME | | | | | |
| Fee income nonaffiliates | | 52 | 1,570 | | 1,622 |
| Other | 30 | 49 | 1,154 | (22) | 1,211 |
| Total noninterest income | 30 | 101 | 2,724 | (22) | 2,833 |
| NONINTEREST EXPENSE | | | | | |
| Salaries and benefits | 42 | 165 | 1,800 | | 2,007 |
| Other | 10 | 129 | 1,822 | (11) | 1,950 |
| Total noninterest expense | 52 | 294 | 3,622 | (11) | 3,957 |
| INCOME BEFORE INCOME TAX EXPENSE (BENEFIT) AND EQUITY IN | 998 | 148 | 2,250 | (1,082) | 2,314 |

**UNDISTRIBUTED INCOME
OF SUBSIDIARIES**

| | | | | | |
|--|------|----|-----|-------|-----|
| Income tax expense (benefit) | (38) | 56 | 804 | | 822 |
| Equity in undistributed income of subsidiaries | 456 | | | (456) | |

| | | | | | |
|-------------------|----------|-------|----------|------------|----------|
| NET INCOME | \$ 1,492 | \$ 92 | \$ 1,446 | \$ (1,538) | \$ 1,492 |
|-------------------|----------|-------|----------|------------|----------|

Table of Contents**Condensed Consolidating Balance Sheet**

| | | | | | March 31, 2004 |
|---|-----------|-----------|----------------------------------|--------------|----------------------|
| (in millions) | Parent | WFFI | Other consolidating subsidiaries | Eliminations | Consolidated Company |
| ASSETS | | | | | |
| Cash and cash equivalents due from: | | | | | |
| Subsidiary banks | \$ 8,823 | \$ 18 | \$ | \$ (8,841) | \$ |
| Nonaffiliates | 216 | 111 | 16,084 | | 16,411 |
| Securities available for sale | 1,426 | 1,792 | 29,644 | (5) | 32,857 |
| Mortgages and loans held for sale | | 27 | 34,371 | | 34,398 |
| Loans | 1 | 26,460 | 237,755 | | 264,216 |
| Loans to nonbank subsidiaries | 28,209 | 826 | | (29,035) | |
| Allowance for loan losses | | 824 | 3,067 | | 3,891 |
| Net loans | 28,210 | 26,462 | 234,688 | (29,035) | 260,325 |
| Investments in subsidiaries: | | | | | |
| Bank | 33,623 | | | (33,623) | |
| Nonbank | 4,062 | | | (4,062) | |
| Other assets | 5,720 | 723 | 47,870 | (950) | 53,363 |
| Total assets | \$ 82,080 | \$ 29,133 | \$ 362,657 | \$ (76,516) | \$ 397,354 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | |
| Deposits | \$ | \$ 101 | \$ 257,110 | \$ (8,842) | \$ 248,369 |
| Short-term borrowings | 698 | 3,580 | 26,809 | (10,690) | 20,397 |
| Accrued expenses and other liabilities | 2,000 | 1,094 | 17,606 | (944) | 19,756 |
| Long-term debt | 41,526 | 22,119 | 25,855 | (16,110) | 73,390 |
| Indebtedness to subsidiaries | 2,414 | | | (2,414) | |
| Total liabilities | 46,638 | 26,894 | 327,380 | (39,000) | 361,912 |
| Stockholders' equity | 35,442 | 2,239 | 35,277 | (37,516) | 35,442 |
| Total liabilities and stockholders' equity | \$ 82,080 | \$ 29,133 | \$ 362,657 | \$ (76,516) | \$ 397,354 |

Table of Contents**Condensed Consolidating Balance Sheet**

| | | | | | March 31, 2003 |
|--|-----------|-----------|----------------------------------|--------------|----------------------|
| (in millions) | Parent | WFFI | Other consolidating subsidiaries | Eliminations | Consolidated Company |
| ASSETS | | | | | |
| Cash and cash equivalents due from: | | | | | |
| Subsidiary banks | \$ 1,700 | \$ 60 | \$ | \$ (1,760) | \$ |
| Nonaffiliates | 279 | 183 | 20,531 | | 20,993 |
| Securities available for sale | 952 | 1,609 | 23,613 | (6) | 26,168 |
| Mortgages and loans held for sale | | | 69,685 | | 69,685 |
| Loans | 2 | 17,918 | 183,902 | | 201,822 |
| Loans to nonbank subsidiaries | 18,270 | 745 | | (19,015) | |
| Allowance for loan losses | | 634 | 3,206 | | 3,840 |
| Net loans | 18,272 | 18,029 | 180,696 | (19,015) | 197,982 |
| Investments in subsidiaries: | | | | | |
| Bank | 32,001 | | | (32,001) | |
| Nonbank | 4,415 | | | (4,415) | |
| Other assets | 3,590 | 729 | 51,736 | (1,276) | 54,779 |
| Total assets | \$ 61,209 | \$ 20,610 | \$ 346,261 | \$ (58,473) | \$ 369,607 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | |
| Deposits | \$ | \$ 96 | \$ 237,545 | \$ (1,767) | \$ 235,874 |
| Short-term borrowings | 3,718 | 4,800 | 36,409 | (11,731) | 33,196 |
| Accrued expenses and other liabilities | 1,389 | 880 | 19,948 | (2,279) | 19,938 |
| Long-term debt | 22,698 | 12,282 | 17,958 | (5,956) | 46,982 |
| Indebtedness to subsidiaries | 722 | | | (722) | |
| Guaranteed preferred beneficial interests in Company's subordinated debentures | 1,950 | | 935 | | 2,885 |
| Total liabilities | 30,477 | 18,058 | 312,795 | (22,455) | 338,875 |
| Stockholders' equity | 30,732 | 2,552 | 33,466 | (36,018) | 30,732 |
| | \$ 61,209 | \$ 20,610 | \$ 346,261 | \$ (58,473) | \$ 369,607 |

Total liabilities and stockholders
equity

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Table of Contents**Condensed Consolidating Statement of Cash Flows**

| | | Quarter ended March 31, 2004 | | |
|---|------------|------------------------------|----------|----------|
| | | Other | | |
| | | consolidating | | |
| | | subsidiaries/ | | |
| | | eliminations | | |
| | | Consolidated | | |
| | | Company | | |
| (in millions) | Parent | WFFI | | |
| Cash flows from operating activities: | | | | |
| Net cash provided (used) by operating activities | \$ (1,371) | \$ 456 | \$ 6,290 | \$ 5,375 |
| Cash flows from investing activities: | | | | |
| Securities available for sale: | | | | |
| Proceeds from sales | 23 | 41 | 1,000 | 1,064 |
| Proceeds from prepayments and maturities | 41 | 29 | 2,062 | 2,132 |
| Purchases | (65) | (143) | (2,449) | (2,657) |
| Net cash paid for acquisitions | | | (32) | (32) |
| Increase in banking subsidiaries' loan originations, net of collections | | | (8,428) | (8,428) |
| Proceeds from sales (including participations) of loans by banking subsidiaries | | | 400 | 400 |
| Purchases (including participations) of loans by banking subsidiaries | | | (1,116) | (1,116) |
| Principal collected on nonbank entities' loans | | 3,875 | 148 | 4,023 |
| Loans originated by nonbank entities | | (6,494) | (183) | (6,677) |
| Net advances to nonbank entities | 979 | | (979) | |
| Capital notes and term loans made to subsidiaries | (3,474) | | 3,474 | |
| Principal collected on notes/loans made to subsidiaries | 482 | | (482) | |
| Net decrease (increase) in investment in subsidiaries | 24 | | (24) | |
| Other, net | | (9) | (558) | (567) |
| Net cash used by investing activities | (1,990) | (2,701) | (7,167) | (11,858) |
| Cash flows from financing activities: | | | | |
| Net increase (decrease) in deposits | | (9) | 851 | 842 |
| Net increase (decrease) in short-term borrowings | 112 | (1,399) | (2,975) | (4,262) |
| Proceeds from issuance of long-term debt | 6,546 | 4,075 | 1,715 | 12,336 |
| Repayment of long-term debt | (14) | (454) | (2,479) | (2,947) |
| Proceeds from issuance of common stock | 349 | | | 349 |
| Repurchase of common stock | (633) | | | (633) |

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| | | | | |
|--|-----------------|---------------|-----------------|------------------|
| Payment of cash dividends on common stock | (765) | | | (765) |
| Other, net | | | (12) | (12) |
| Net cash provided (used) by financing activities | 5,595 | 2,213 | (2,900) | 4,908 |
| Net change in cash and due from banks | 2,234 | (32) | (3,777) | (1,575) |
| Cash and due from banks at beginning of quarter | 6,805 | 161 | 8,581 | 15,547 |
| Cash and due from banks at end of quarter | \$ 9,039 | \$ 129 | \$ 4,804 | \$ 13,972 |

Table of Contents**Condensed Consolidating Statement of Cash Flows**

| | | Quarter ended March 31, 2003 | | |
|---|---------|------------------------------|------------|------------|
| | | Other | | |
| | | consolidating | | |
| | | subsidiaries/ | | |
| | | eliminations | | |
| | | Consolidated | | |
| | | Company | | |
| (in millions) | Parent | WFFI | | |
| Cash flows from operating activities: | | | | |
| Net cash provided (used) by operating activities | \$ 48 | \$ 404 | \$ (7,637) | \$ (7,185) |
| Cash flows from investing activities: | | | | |
| Securities available for sale: | | | | |
| Proceeds from sales | 13 | 47 | 758 | 818 |
| Proceeds from prepayments and maturities | 40 | 52 | 2,621 | 2,713 |
| Purchases | | (175) | (1,934) | (2,109) |
| Net cash paid for acquisitions | | (600) | (163) | (763) |
| Decrease in banking subsidiaries loan originations, net of collections | | | 1,377 | 1,377 |
| Proceeds from sales (including participations) of loans by banking subsidiaries | | | 599 | 599 |
| Purchases (including participations) of loans by banking subsidiaries | | | (9,869) | (9,869) |
| Principal collected on nonbank entities loans | 3,682 | 2,977 | 145 | 6,804 |
| Loans originated by nonbank entities | | (4,105) | (176) | (4,281) |
| Purchases of loans by nonbank entities | (3,682) | | | (3,682) |
| Net advances to nonbank entities | (1,224) | | 1,224 | |
| Capital notes and term loans made to subsidiaries | (1,891) | | 1,891 | |
| Principal collected on notes/loans made to subsidiaries | 17 | | (17) | |
| Net decrease (increase) in investment in subsidiaries | (41) | | 41 | |
| Other, net | | 62 | (3,519) | (3,457) |
| Net cash used by investing activities | (3,086) | (1,742) | (7,022) | (11,850) |
| Cash flows from financing activities: | | | | |
| Net increase in deposits | | 8 | 18,950 | 18,958 |
| Net increase (decrease) in short-term borrowings | 198 | 324 | (772) | (250) |
| Proceeds from issuance of long-term debt | 4,373 | 1,736 | 1,255 | 7,364 |
| Repayment of long-term debt | (1,600) | (782) | (5,387) | (7,769) |
| Proceeds from issuance of common stock | 137 | | | 137 |

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| | | | | |
|---|-----------------|---------------|------------------|------------------|
| Repurchase of common stock | (744) | | | (744) |
| Payment of cash dividends on preferred and common stock | (507) | | | (507) |
| Other, net | | | 37 | 37 |
| Net cash provided by financing activities | 1,857 | 1,286 | 14,083 | 17,226 |
| Net change in cash and due from banks | (1,181) | (52) | (576) | (1,809) |
| Cash and due from banks at beginning of quarter | 3,160 | 295 | 14,365 | 17,820 |
| Cash and due from banks at end of quarter | \$ 1,979 | \$ 243 | \$ 13,789 | \$ 16,011 |

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16. GUARANTEES

Significant guarantees that we provide to third parties include standby letters of credit, various indemnification agreements, guarantees accounted for as derivatives, contingent consideration related to business combinations and contingent performance guarantees.

We issue standby letters of credit, which include performance and financial guarantees, for customers in connection with contracts between the customers and third parties. Standby letters of credit assure that the third parties will receive specified funds if customers fail to meet their contractual obligations. We are obliged to make payment if a customer defaults. Standby letters of credit were \$8.4 billion and \$7.1 billion at March 31, 2004 and 2003, respectively, including financial guarantees of \$4.8 billion and \$3.6 billion, respectively, that we had issued or purchased participations in. Standby letters of credit are reported net of participations sold to other institutions of \$1.6 billion and \$1.1 billion at March 31, 2004 and 2003, respectively. We consider the credit risk in standby letters of credit in determining the allowance for loan losses. Deferred fees for these standby letters of credit were not significant to our financial statements. We also had commitments for commercial and similar letters of credit of \$697 million and \$654 million at March 31, 2004 and 2003, respectively.

We enter into indemnification agreements in the ordinary course of business under which we agree to indemnify third parties against any damages, losses and expenses incurred in connection with legal and other proceedings arising from relationships or transactions with us. These relationships or transactions include those arising from service as a director or officer of the Company, underwriting agreements relating to our securities, securities lending, acquisition agreements, and various other business transactions or arrangements. Because the extent of our obligations under these agreements depends entirely upon the occurrence of future events, our potential future liability under these agreements is not determinable.

We write options, floors and caps. Options are exercisable based on favorable market conditions. Periodic settlements occur on floors and caps based on market conditions. At March 31, 2004, the fair value of the written options liability in our balance sheet was \$549 million and the written floors and caps liability was \$209 million. Our ultimate obligation under written options, floors and caps is based on future market conditions and is only quantifiable at settlement. We offset substantially all options written to customers with purchased options; we enter into other written options to mitigate balance sheet risk.

We also enter into credit default swaps under which we buy protection from or sell protection to a counterparty in the event of default of a reference obligation. At March 31, 2004, the gross carrying amount of the contracts sold was a \$7 million liability. The maximum amount we would be required to pay under the swaps in which we sold protection, assuming all reference obligations default at a total loss, without recoveries, was \$2.7 billion. We have bought protection of \$2.7 billion of notional exposure. Almost all of the protection purchases offset (i.e., use the same reference obligation and maturity) the contracts in which we are providing protection to a counterparty.

In connection with certain brokerage, asset management and insurance agency acquisitions we have made, the terms of the acquisition agreements provide for deferred payments or additional

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consideration based on certain performance targets. At March 31, 2004, the amount of contingent consideration we expected to pay was not significant to our financial statements.

We have entered into various contingent performance guarantees through credit risk participation arrangements with terms ranging from 1 to 30 years. We will be required to make payments under these guarantees if a customer defaults on its obligation to perform under certain credit agreements with third parties. Because the extent of our obligations under these guarantees depends entirely on future events, our potential future liability under these agreements is not fully determinable, however our exposure under most of the agreements can be quantified and for those agreements our exposure is contractually limited to an aggregate liability of approximately \$380 million.

17. REGULATORY AND AGENCY CAPITAL REQUIREMENTS

The Company and each of its subsidiary banks are subject to various regulatory capital adequacy requirements administered by the Federal Reserve Board and the Office of the Comptroller of the Currency, respectively.

On December 31, 2003, we deconsolidated our wholly-owned trusts (the Trusts) that were formed to issue trust preferred securities and related common securities of the Trusts. The \$3.8 billion of junior subordinated debentures were reflected as long-term debt on the consolidated balance sheet at December 31, 2003. (See Note 8.) The debentures issued to the Trusts, less the common securities of the Trusts, continue to qualify as Tier 1 capital under guidance issued by the Federal Reserve Board.

| (in billions) | Amount | Actual Ratio | For capital adequacy purposes | | To be well capitalized under the FDICIA prompt corrective action provisions | |
|--|--------|-----------------|----------------------------------|-------------|---|-----------|
| | | | Amount | Ratio | Amount | Ratio |
| As of March 31, 2004: | | | | | | |
| Total capital (to risk-weighted assets) | | | | | | |
| Wells Fargo & Company | \$38.2 | 12.18 % | ≥ \$25.1 | ≥ 8.00 % | | |
| Wells Fargo Bank, N.A. | 29.1 | 11.21 | ≥ 20.8 | ≥ 8.00 | ≥ \$26.0 | ≥ 10.00 % |
| Tier 1 capital (to risk-weighted assets) | | | | | | |
| Wells Fargo & Company | \$26.6 | 8.48 % | ≥ \$12.5 | ≥ 4.00 % | | |
| Wells Fargo Bank, N.A. | 22.7 | 8.73 | ≥ 10.4 | ≥ 4.00 | ≥ \$15.6 | ≥ 6.00 % |
| Tier 1 capital (to average assets) (Leverage ratio) | | | | | | |
| Wells Fargo & Company | \$26.6 | 7.13 % | ≥ \$14.9 | ≥ 4.00 %(1) | | |
| Wells Fargo Bank, N.A. | 22.7 | 7.01 | ≥ 13.0 | ≥ 4.00 (1) | ≥ \$16.2 | ≥ 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.

As an approved seller/servicer, one of our mortgage banking subsidiaries is required to maintain minimum levels of shareholders' equity, as specified by various agencies, including the United States Department of Housing and Urban Development, Government National Mortgage

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Association, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association. At March 31, 2004, this mortgage banking subsidiary's equity was above the required levels.

18. DERIVATIVES

Fair Value Hedges

We use derivatives to manage the risk of changes in the fair value of mortgage servicing rights and other retained interests. Derivative gains or losses caused by market conditions (volatility) and the spread between spot and forward rates priced into the derivative contracts (the passage of time) are excluded from the evaluation of hedge effectiveness, but are reflected in earnings. The change in value of derivatives excluded from the assessment of hedge effectiveness was a net gain of \$345 million and \$348 million in first quarter 2004 and 2003, respectively. The ineffective portion of the change in value of these derivatives was a net gain of \$193 million and \$202 million in first quarter 2004 and 2003, respectively. The net derivative gain of \$538 million and \$550 million in first quarter 2004 and 2003, respectively, was primarily offset by the valuation provision on mortgage servicing rights of \$400 million and \$592 million in first quarter 2004 and 2003, respectively. The total gains on the mortgage-related derivatives and the valuation provision for impairment are included in Servicing fees, net of provision for impairment and amortization in Note 14.

We also use derivatives to hedge changes in fair value of our commercial real estate mortgages due to changes in LIBOR interest rates. We originate a portion of these loans with the intent to sell them. The ineffective portion of these fair value hedges was a net loss of \$5 million and \$6 million in first quarter 2004 and 2003, respectively, recorded as part of mortgage banking noninterest income in the statement of income. For the commercial real estate hedges, all parts of each derivatives gain or loss are included in the assessment of hedge effectiveness.

We also enter into interest rate swaps, designated as fair value hedges, to convert certain of our fixed-rate long-term debt to floating-rate debt. The ineffective part of these fair value hedges was not significant in first quarter 2004 or 2003. For long-term debt, all parts of each derivative's gain or loss are included in the assessment of hedge effectiveness.

At March 31, 2004, all designated fair value hedges continued to qualify as fair value hedges.

Cash Flow Hedges

We use derivatives to convert floating-rate loans and certain of our floating-rate senior debt to fixed rates and to hedge forecasted sales of mortgage loans. We recognized a net loss of \$14 million and \$38 million in first quarter 2004 and 2003, respectively, which represents the total ineffectiveness of cash flow hedges. Net gains and losses on derivatives resulting from ineffectiveness are included in the line item in which the hedged item's effect in earnings is recorded. All parts of gain or loss on these derivatives are included in the assessment of hedge effectiveness. As of March 31, 2004, all designated cash flow hedges continued to qualify as cash flow hedges.

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At March 31, 2004, we expected that \$3 million of deferred net gains on derivatives in other comprehensive income will be reclassified as earnings during the next twelve months, compared with \$43 million of deferred net losses at March 31, 2003. Derivative gains or losses recorded to other comprehensive income are reclassified to earnings in the period the hedged item impacts earnings. We are hedging our exposure to the variability of future cash flows for all forecasted transactions for a maximum of two years for floating-rate loans, one year for forecasted sales of mortgage loans and ten years for long-term debt.

Derivative Financial Instruments Summary Information

The total credit risk amount and estimated net fair value for derivatives at March 31, 2004 and December 31, 2003 were:

| (in millions) | March 31, 2004 | | December 31, 2003 | |
|------------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|
| | Credit risk amount (1) | Estimated net fair value | Credit risk amount (1) | Estimated net fair value |
| ASSET/LIABILITY MANAGEMENT | | | | |
| HEDGES | | | | |
| Interest rate contracts | \$ 2,174 | \$ 1,739 | \$ 1,847 | \$ 1,546 |
| CUSTOMER ACCOMMODATIONS AND | | | | |
| TRADING | | | | |
| Interest rate contracts | 2,726 | 88 | 2,276 | 3 |
| Commodity contracts | 155 | 5 | 114 | (1) |
| Equity contracts | 116 | (8) | 136 | (7) |
| Foreign exchange contracts | 534 | 62 | 580 | 59 |
| Credit contracts | 31 | (17) | 37 | (16) |

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

Table of Contents**PART II OTHER INFORMATION****Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities**

The following table shows Company repurchases of its common stock for each calendar month in the quarter ended March 31, 2004.

| Calendar month | Total number of shares repurchased(1) | Weighted-average price paid per share | Total number of shares repurchased as part of publicly announced authorization(1) | Maximum number of shares that may yet be repurchased under the authorization(2) |
|----------------|---------------------------------------|---------------------------------------|---|---|
| January | 1,448,007 | \$ 56.92 | 1,448,007 | 25,614,610 |
| February | 3,050,199 | 57.44 | 3,050,199 | 22,564,411 |
| March | 6,578,862 | 57.13 | 6,578,862 | 15,985,549 |
| Total | 11,077,068 | 57.19 | 11,077,068 | |

(1) All shares were repurchased under an authorization covering up to 50 million shares of common stock approved by the Board of Directors and publicly announced by the Company on September 24, 2002. Unless modified or revoked by the Board, the authorization does not expire.

(2) On April 27, 2004, the Board authorized the repurchase of an additional 25 million shares of common stock. The Company publicly announced this authorization on the same day.

This additional authorization is
not reflected in this table.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The Company's SEC file number is 001-2979. On and before November 2, 1998, the Company filed documents with the SEC under the name Norwest Corporation. The former Wells Fargo & Company filed documents under SEC file number 001-6214.

- 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

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- 3(c) 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
- (d) 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
- (e) 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
- (f) 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
- (g) 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
- (h) 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
- (i) 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
- (j) 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
- (k) 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
- (l) 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
- (m) 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

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- 3(n) Certificate of Designations for the Company's 2003 ESOP Cumulative Convertible Preferred Stock, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated April 15, 2003
- (o) Certificate of Designations for the Company's 2004 ESOP Cumulative Convertible Preferred Stock, filed herewith
- (p) 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(p)
- (b) 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
- 31(a) Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith
- (b) Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith
- 32(a) Certification of Periodic Financial Report by Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. § 1350, furnished herewith
- (b) Certification of Periodic Financial Report by Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. § 1350, furnished herewith
- 99(a) Computation of Ratios of Earnings to Fixed Charges, filed herewith. The ratios of earnings to fixed charges, including interest on deposits, were 4.16 and 3.50 for the quarters ended March 31, 2004 and 2003, respectively. The ratios of earnings to fixed charges, excluding interest on deposits, were 6.56 and 5.64 for the quarters ended March 31, 2004 and 2003, respectively.
- (b) Computation of Ratios of Earnings to Fixed Charges and Preferred Dividends, filed herewith. The ratios of earnings to fixed charges and preferred dividends, including interest on deposits, were 4.16 and 3.49 for the quarters ended March 31, 2004 and 2003, respectively. The ratios of earnings to fixed charges and preferred dividends, excluding interest on deposits, were 6.56 and 5.62 for the quarters ended March 31, 2004 and 2003, respectively.

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Item 6. (b) The Company filed the following reports on Form 8-K during the first quarter of 2004:

- (1) January 20, 2004, under Item 12, regarding the Company's financial results for the quarter and year ended December 31, 2003
- (2) March 3, 2004, under Item 7, filing as an exhibit the form of note for the Company's Notes Linked to the Dow Jones Global Titans 50SM due October 30, 2009

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: May 7, 2004

WELLS FARGO & COMPANY

By: /s/ Richard D. Levy

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