Annual Report

2023

CEO Letter

Dear Shareholders:

2023 was a year of continued progress for Wells Fargo. We delivered stronger financial performance versus 2022 and we continued to execute on our strategic priorities. Our results benefited from the strong economic environment, higher interest rates, our continued focus on efficiency and strong credit discipline. In addition, we are just beginning to see the impacts of investments we've made to better serve our customers and grow more quickly.

We are moving forward with our risk and control work, and we are investing to build a faster-growing and a higher-returning company, while we in parallel work to become more efficient. We effectively managed through an uncertain economic environment in 2023 and a period of stress for certain banks. Our franchise allowed us, along with other large banks, to be a source of strength for the U.S. economy during an unsettled period. All in all, I feel very good about what we accomplished in 2023 and continue to be optimistic as we look forward.

Financial performance

In 2023, Wells Fargo generated $19.1 billion in net income, or $4.83 per diluted common share. We grew net income and diluted earnings per share from a year ago, with higher revenue and lower expenses.

Our revenue increased 11% from the previous year. The higher rate environment drove strong growth in net interest income, which was up 17% from a year ago. We also grew noninterest income, with strong growth in trading activities, investment banking fees, and commissions and brokerage service fees, reflecting market conditions as well as the investments we've been making in our wholesale businesses. This growth was partially offset by a decline in mortgage banking, primarily driven by our efforts to simplify the home lending business, as well as lower deposit-related fees, reflecting our efforts to help customers avoid overdraft fees.

Expenses declined 3% from a year ago and included the impact of our efficiency initiatives, which have resulted in $10 billion of gross saves over the past three years. We reduced expenses even as we incurred a $1.9 billion FDIC special assessment as a result of regional bank failures early in 2023, in addition to higher severance expense, as we continued our focus on efficiency. Additionally, we continued to make investments in our risk and control infrastructure and in strategic initiatives across our businesses. I go into more detail on these efforts later in this letter.

As expected, net loan charge-offs increased from historically low levels. We continue to closely monitor our portfolios, taking credit tightening actions as appropriate. While we've seen credit quality deteriorate modestly, it has remained within our expectations.

We increased our allowance for credit losses throughout the year. The change was driven by our expectations for potential losses in parts of our loan portfolio, due to both changes in balances as well as our expectations for higher losses, especially in office loans. As of year-end, we had approximately 11% reserved for our Commercial Real Estate (CRE) office exposure in our Corporate and Investment Banking (CIB) business. As expected, losses started to materialize in our CRE office portfolio during 2023 as market fundamentals remained weak. We will continue to monitor for potential losses going forward and adjust our allowance accordingly.

Average loans outstanding increased by 2% from a year ago, with growth in the first half of the year offsetting declines later in the year, reflecting weaker loan demand as well as credit-tightening actions. Average deposits decreased 5%, driven by consumer spending as well as customers continuing to migrate to higher-yielding alternatives in a rising rate environment.

Our capital levels remained strong while we continued to return a significant amount of capital to shareholders, including increasing our quarterly common stock dividend from $0.30 per share to $0.35 per share, and we repurchased $12 billion of common stock.

Our return on equity was 11.0%, and our return on tangible common equity (ROTCE) was 13.1%.[1]

2023 economic events

2023 was a year of uncertain economic outcomes as high inflation caused the Federal Reserve to aggressively increase interest rates while pursuing a policy of quantitative tightening. There was much talk throughout the year about whether these actions

[1] Return on tangible common equity (ROTCE) is a non-GAAP financial measure. For additional information, including a corresponding reconciliation to GAAP financial measures, see the "Financial Review - Capital Management - Tangible Common Equity" section in this Report.

would put the economy in a recession or result in a soft landing. So far the result has been a slowing economy in an orderly fashion, and the risks of a meaningful recession are diminishing.

We took several proactive steps to prepare for the uncertain economic outcome. While we have continued to provide credit broadly, we have been actively managing credit exposure. This is important not only from a risk-management standpoint; it also helps us do the right thing for our customers by extending credit based on conservative underwriting standards. Across both wholesale and consumer segments, those that are on the margin are more at risk, and we have worked to identify stress early to minimize negative outcomes for our customers and losses for us. Specifically:

- In CRE, we continue to actively work to de-risk and reduce our office exposure. Our CRE team has a rigorous monitoring process, has issued additional underwriting guidance, and has implemented escalated review and approval requirements.

- On the consumer side, we began taking credit tightening actions in 2022, which included increasing credit score minimums across our products. Over the past several years, we have launched several new credit cards, which has resulted in strong new account growth and an increase in loans outstanding. The credit quality of our new accounts has remained strong and initial vintage performance has been consistent with our expectations.

- Credit losses in our home lending portfolio remained near zero last year, but as higher home prices and interest rates have raised home affordability concerns, we have taken actions, including reducing loan-to-value maximums in certain geographies.

- The size of our auto portfolio continued to decline throughout the year as we increased minimum credit scores and reduced loan-to-value and debt ratio maximums.

In addition to taking these actions, we worked proactively to manage our interest risk and liquidity exposure. Banks such as ours have large securities portfolios driven by the fact that we have more deposits than loans. We invest some of the difference in securities and earn a market yield. This portfolio, combined with the other assets and liabilities we hold, creates risk that should be managed very carefully. We invested prudently when yields were low. By doing this, we forwent additional net interest income in the short term, but we avoided outsized losses in our securities portfolio as rates rose. Ultimately, we have started to invest at higher rates.

Managing this trade-off is critical for banks as we rely on the confidence of both our customers and the markets to operate. Managing our liquidity and capital is extremely important to supporting that confidence. That, in combination with a strong balance sheet and diversified business model, helped us in 2023.

Regional bank crisis

Each winter when I write this letter, I review events of the prior year that distinguish it from others. There are always surprises that are either economically or market driven. Our goal is to be prepared for the unknowns, which means being financially strong, strategically well positioned, and having the operational and management capabilities to not just survive, but to be a source of strength.

We have a diversified business model, a strong balance sheet, and growing margins. Our management team is extremely capable and has proven their capabilities over the past several years. The work we have done together has bolstered our position even more.

We believe our business model provides unique benefits that allow us to serve customers, communities and the broader economy in important and differentiated ways. We are predominantly a U.S. bank, and we have scale and diversification across the country. We serve a broad range of customers, from large to small and across numerous industries and wealth segments. We have a diversified set of risks that we actively manage, and we seek to avoid concentrations that could be outsized for our company. Our funding sources are diversified, we have a strong capital base, and as one of eight Global Systemically Important Banks (GSIBs) in the U.S., we operate with heightened regulation and supervision. This enhances our strength.

When there are disruptive events, the benefits of our business model become even clearer. In the first quarter of 2023, we were able to support the U.S. financial system, along with ten other large banks, by utilizing our strength and liquidity to make a $5 billion uninsured deposit into First Republic. This deposit helped First Republic provide liquidity to its customers and calm the markets for a period of time.

We were well prepared for this scenario and were viewed as a safe institution to serve customers during this period. Our customers and ultimately our communities benefit from this stability.

Our transformation

We have made significant progress in transforming Wells Fargo. We are executing on our risk and control work, we have reoriented our business priorities, we have changed how we manage the company, and we have improved how we work across our business.

2023 was an important year in our transformation. When I began as CEO of Wells Fargo in 2019, we set out a series of strategic priorities, and in 2023 we continued to execute them.

Risk and control

I have been clear since I joined the company that closing gaps in Wells Fargo's risk and control environment is our top priority. Simply stated, the objective is to build a risk and control infrastructure that is appropriate for a bank of our size and complexity, making our operational and compliance risk management as robust as our credit and other financial risk management has historically been.

To get this work done, we have developed plans and have been executing them now for several years. We are completing these plans with increasing confidence. We have detailed project plans that track interim deliverables, not just the dates when the work is to be finalized and turned over to our regulators for validation. As we have completed these interim deliverables, our control environment has become increasingly stronger. Building our risk and control framework is a continuous, ongoing effort, and as we implement changes, we track effectiveness along the way. The numerous internal metrics we track show that the work is clearly improving our control environment – but we will not be satisfied until all of our work is complete.

We are making progress because we are managing this work differently than we did historically. We have prioritized it as the most important body of work we have to accomplish at the company. We have much more effective reporting and processes in place to provide appropriate oversight. We have added approximately 10,000 people across numerous risk- and control-related groups and spent over $2.5 billion more in 2023 than in 2018 in these areas. Critical to our progress is the experienced people we now have at the company who have the skills and commitment to complete this work.

In February 2024, we reached an important milestone when the OCC announced the termination of a consent order it issued in 2016 regarding sales practices misconduct at the company. Since the order was put in place in 2016, we have revamped how we offer and sell products and services and we have taken additional actions to protect our customers and employees.

The closure of this order is an important step forward and is a demonstration of what I wrote above: we have prioritized risk- and control-related work, we have put substantial resources behind it, and we are seeing results. The OCC's action is confirmation that we operate much differently today around sales practices, and it is the sixth enforcement action against Wells Fargo that our regulators have closed since 2019.

This is not to say that we are done. We remain focused on the work ahead and, again, we are moving forward with confidence. At the same time, I will repeat what I've said in the past. Regulatory pressure on banks with longstanding issues such as ours is high and until we complete our work and until it is validated by our regulators, we remain at risk of further regulatory actions. Additionally, as we implement heightened controls and oversight, we could find new issues that need to be remediated, and these may result in additional regulatory actions.

Reorienting our business mix and building higher returns through cycles

We continue to look at our business mix and react to changes in regulations, market dynamics and the external environment to put us in a strong position to serve our customers. We are also working more closely across the company's business units and functions than ever before.

Repositioning Home Lending

Over the past year, we have implemented a meaningfully different Home Lending business model than we had been operating for decades. We made the decision to significantly downsize the business and focus on serving customers who have a broader relationship with Wells Fargo, while continuing to provide support for underserved communities.

In some ways this decision was hard; in other ways it was easy. Having a large home lending platform had been an important part of what defined Wells Fargo for a long time. We prided ourselves on helping build home ownership across the United States. And for many years, the origination revenues generally increased when rates decreased, providing much-needed diversification from many of the company's other businesses, which generally earned less in lower-rate environments.

Our decision reflects our belief that much has changed regarding regulation, capital requirements, and reputational risk for large banks who operate large home lending businesses, as well as the different standards in this space for smaller banks and non-banks. Simply put, we do not believe the risk-adjusted returns and the reputation risk we bear are attractive to operate the business at the scale we did previously.

We still view home lending as an important product to offer our customers and we will continue to support their needs. We can do this with a smaller business than we have had in the past.

Since we announced this change, we have exited the correspondent lending business and reduced the size of our sales force. Since 2019, Wells Fargo's home lending originations have decreased from $204 billion to $25 billion, and the amount of mortgage loans we service for third parties declined by over 45%.

Other business simplification

In addition to executing on our more focused home lending strategy, we continue to look at other activities with an aim toward simplifying the company. To that end, we sold approximately $2 billion of private equity investments in certain Norwest Equity Partners and Norwest Mezzanine Partners funds in 2023.

Our actions in 2023 to simplify the company build on other actions we took between 2019-2022. These include the following:

- Sold Wells Fargo Asset Management
- Sold our Corporate Trust Services business
- Sold our student lending portfolio and stopped the origination of new student loans
- Exited our international wealth management segment
- Sold our Canadian direct equipment finance business
- Exited the direct Auto business
- Stopped originating personal lines of credit
- Sold our Institutional Retirement and Trust business
- In addition, over the past several years, we have closed over a dozen representative offices globally to better focus our international business, including offices in Asia, Europe, South America, the Middle East, and elsewhere.

Investing in our core businesses to better serve customers

We are investing more aggressively than in the past in parts of our business to better serve our customers and we believe these will help produce higher risk adjusted returns over economic cycles.

Credit Card

We continue to believe that a broader credit card platform is important strategically for the company. Providing credit for our customers is a core strategy for us, but being involved in payments has grown in importance. Though our card business is smaller than some of our competitors, it operates with necessary scale and we have been working to introduce attractive new products over the last few years. These include Active Cash®, which offers customers 2% cash rewards on purchases with no limits and no annual fees; Autograph℠, which offers three-times points on certain purchases; Reflect®, which offers 0% intro APR for 21 months; and, most recently, new co-branded cards with Choice Hotels.

In total, spend on our cards grew by 15% between 2022-2023, significantly more than the industry average; our credit card balances grew 13%; and credit quality remains within our expectations.

These products have been well received in the marketplace because they offer clear and simple customer value propositions. That's something we'll continue to focus on as we build our Cards business, while we also work to improve our fraud capabilities, line assignments, and customer service.

I'm proud of the progress we've made and am excited about what is still to come.

Corporate and Investment Bank

We are investing to build our fee-based businesses in our Corporate and Investment Bank (CIB). While historically many outside of Wells Fargo have not perceived us as a bank that serves large corporate clients, in fact we have relationships with approximately three-quarters of the Fortune 500. We are a significant lender and provide cash management solutions for many. We have also built out our capabilities to help clients access the public markets and ranked fourth in high-grade bond underwriting in 2023.[2]

Our investments in CIB are logical extensions of what we currently do for our existing client base. They have positioned us to increase our fee-based revenues with clients where we already provide significant credit, and to increase our returns overall. In 2023, for example, we leveraged our leading commercial real estate franchise into a number-one position in real estate investment banking.[3] Importantly, feedback from our clients has been extremely positive.

Our investments in CIB have been disciplined, and the work has been guided by a targeted plan against certain industries and product capabilities. More than 50 new senior hires have joined CIB since 2019, with many of these in key coverage and product groups within Banking. We have had a particular focus in high-growth sectors, including technology, media and telecommunications, as well as health care, sponsors, mergers and acquisitions, and equity capital markets.

While it is early, the results are quite encouraging. For example, our M&A announced-volume market share and rank have gone from 2.9% and number 19 in 2019 to 9.9% and number 8 in 2023[4]. Our M&A fee market share and rank have gone from 1.6% and number 20 in 2019 to 2.0% and number 14 in 2023.[5] We have led numerous significant transactions over the past two years. And Wells Fargo's overall investment banking share has moved up two ranks in the U.S. since 2019, from number 8 to number 6, with 3.7% share.[6]

We are also investing in our trading activities, with a focus on technology and serving our institutional client base. We have enhanced our electronic trading platform by upgrading quantitative hedging methods and trading algorithms, expanding product offerings, and improving platform scalability. Expanded technology offerings also attracted more clients to our foreign exchange (FX) platform, and our FX market share ended the year at #4, with 5.4% share.[7] Investments in Equity Research have also resulted in improvements in our 2023 Institutional Investor All American Research Ranking; we achieved a #7 (tie) rank, up 3 spots from the prior year.[8] Overall Markets achieved a #6 rank in the Americas.[9]

Commercial Bank

We are a leader in U.S. middle-market banking and we are focused on finding ways to provide additional support for clients. In 2023, we announced that we had entered into a strategic relationship with Centerbridge Partners, focused on direct lending to non-sponsor North American middle-market companies. Centerbridge has since launched Overland Advisors to manage a newly formed business development company that will be primarily focused on making senior secured loans, and Wells Fargo can refer clients to Overland Advisors for evaluation of possible alternative financing options.

Providing our middle-market clients with greater access to capital that can be used to pursue a broader set of growth and value creation initiatives across a variety of market conditions should be an important differentiator. It will help strengthen our client relationships while adding fee-based revenue to Wells Fargo.

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[2] Source: Share & Rank as per Dealogic; data as of 1/05/2024.
[3] Source: Share & Rank as per Dealogic; data as of 1/05/2024.
[4] Source: Share & Rank as per Dealogic; data as of 1/05/2024.
[5] Source: Share & Rank as per Dealogic; data as of 1/05/2024.
[6] Source: Share & Rank as per Dealogic; data as of 1/05/2024.
[7] Source: Coalition Greenwich Competitor Analytics – Americas FY23. Results are based on Wells Fargo internal revenues and internal business structure. Peer Group in industry rankings includes: BofA, BARC, BNPP, CITI, DB, GS, HSBC, JPM, MS, UBS and WF
[8] Source: Institutional Investor, 2023.
[9] Source: Coalition Greenwich Competitor Analytics – Americas FY23. Results are based on Wells Fargo internal revenues and Coalition Greenwich standard definition for Markets business structure. Peer Group in industry rankings includes: BofA, BARC, BNPP, CITI, DB, GS, HSBC, JPM, MS, UBS and WF.

Consumer, Small and Business Banking

In our retail bank, we are happy to have largely preserved our share over the past several years while we have worked to fundamentally change how we do business. We have revamped how we offer and sell products; we have put in place new systems, processes, and controls across the retail bank; and we have established stronger oversight.

In parallel to these risk- and control-focused changes, we have worked to build the foundation to grow our business and improve the customer experience both digitally and in our branches.

<u>Digital</u>

We continued to enhance our consumer banking mobile app in 2023, which is driving mobile adoption momentum. We added 1.6 million mobile active customers in 2023 and increased mobile logins 11% from a year ago.

We introduced Fargo™, our new AI-powered virtual assistant, in April of last year, and in the third quarter we expanded its capabilities to allow customers to communicate with Fargo in Spanish. Consumers interacted over 21 million times last year with Fargo.

We expect our digital interactions to grow further this year, as we continue to help our customers utilize banking services in a quicker, more accessible way than they have in the past.

<u>Branch network</u>

Wells Fargo has one of the largest branch networks in the nation, with over 4,000 locations across the country. We operate branches in 24 of the 30 largest markets, we cover more rural markets than many large banks, and nearly 30% of our branches are in low- or moderate-income U.S. Census tracts.

As our customers continue to shift to digital channels, we reduced our total number of branches by over 280, or 6%, from a year ago, but that does not mean we are moving away from branches. In fact, it's the opposite. Branches remain critical to the work we do as a company. To that end:

- We are refurbishing our existing branches as part of an accelerated multi-year effort to transform and refresh our branch network.
- We are bringing our digital onboarding experience to our branches, creating a fast and easy experience for our customers.
- We are investing in new branches. In October 2023, for example, we announced that we are growing our retail branch footprint in Chicago from seven to at least 30 branches in the coming years.
- We are expanding Wells Fargo Premier, which provides tailored services to clients with high qualifying balances.

<u>Other products and services</u>

We continue to look for ways to support our customers with our products, features and services.

We rolled out Early Pay Day in 2022, which makes eligible direct deposits available to customers up to two days early, with no fee. In 2023, this enhancement provided customers early access to over $800 billion in direct deposits.

We've introduced Extra Day Grace, which gives customers an extra business day to make deposits and avoid overdraft fees. It benefitted over 5 million customers in 2023, helping them avoid over $750 million in overdraft fees.

In the fourth quarter of 2022, we launched Flex Loan, a digital-only small dollar loan that provides eligible customers convenient and affordable access to funds. Customer response continues to exceed our expectations, and we originated over 350,000 loans last year.

Wealth and Investment Management

When I arrived at Wells Fargo in 2019, it was clear that our Wealth and Investment Management (WIM) business had significant opportunity to grow, and, today, it is on the right path.

In 2023, attrition remained low and we continued our focus of hiring experienced advisors across our multi-channel offering – a differentiator for the business. We offer a traditional wirehouse option for advisors; a bank-based channel which allows customers in our nationwide bank branches to forge a relationship with an advisor; and independent channels comprised of Wells Fargo Advisors Financial Network and First Clearing, our clearing and custody services for broker-dealers and registered investment advisors.

As we expand the ranks of our financial advisors, we continue to invest in the business. In 2023, we expanded client access to high-yield products. We modernized our advisor platform, making it easier for our financial advisors to serve their clients. And we continue to focus on digital enhancements. One example is Stock Fractions, giving WellsTrade® clients the ability to buy fractions of a company's stock to help build a diversified portfolio, regardless of stock price.

Investing in infrastructure

Technology is a key driver of progress across our businesses. We have built new capabilities with more modern technologies over the past several years – and these will benefit our wholesale and consumer customers as well as our employees. Examples include:

- Modernization of our core banking systems, with a new pricing platform and customer information management system
- Continued work to digitize lending origination and servicing platforms for Small Business, Commercial Banking, and CIB clients
- Enabling the modernization and advancement of the enterprise-wide, global payments capabilities creating optimized flow of payments, improving operational efficiency, and preparing for potential changes in the market
- Working to launch VantageSM, our new digital channel for Commercial Banking and CIB clients to perform real-time payments, automated clearing house, lending servicing, and FX transactions
- Refreshing our auto-lending decisioning platform
- Building modern data centers and executing on our hybrid cloud strategy to enable business agility and efficiencies
- Modernizing our software development processes

Increasing efficiency

We continued to make progress on our efficiency initiatives, including bringing down headcount every quarter since the third quarter of 2020 and, as noted above, meaningfully reducing the number of retail bank branches as we've steadily improved our digital offerings. We also benefitted from contract efficiencies and infrastructure optimization in our Technology group. We continue to believe opportunities exist for ongoing efficiency improvements.

More on changes over the past five years

The above sections paint a picture of progress we've made on numerous fronts over the past several years. In this section I want to take a step back and look at some data that quantifies our progress broadly.

When I arrived at the company in 2019, two things were clear.

One, we had to preserve much of what made Wells Fargo such a great place historically: the dedication of our employees, the company's longstanding commitment to our communities, and the ability to serve our customers on a highly local basis. Wells Fargo's presence in local communities has always been and continues to be a differentiator for us.

Two, while we had to preserve all of this, we also had to make substantial changes to the way we operate. Five years later, we have done so:

- We are a simpler company, both in terms of the businesses we have exited and the size of our employee base, which has shrunk by approximately 50,000, or approximately 18%, since second quarter 2020. This has occurred even as we have added approximately 10,000 employees across numerous risk- and control-related groups since 2018.
- We are a more efficient company. Our noninterest expense has declined by over 4% since 2019. This progress comes even as we have continued to invest in our risk and control infrastructure – again, with $2.5 billion more in 2023 compared with 2018 – as well as in significant strategic initiatives across our businesses.

- We are a more valuable company from a shareholder perspective. Book value per common share is up approximately 22% and tangible book value per common share is up approximately 23% since 2018[10], while common shares outstanding have decreased by approximately 21%. And, we continue to return capital to our shareholders in a steady and deliberate way.

Impact on communities

We seek broad impact in our communities, and I'm proud of the work we do. As a company, we are focused on building a sustainable, inclusive future for all by supporting housing affordability, small business growth, financial health, and a low-carbon economy.

In 2023, examples of our work include:

- Donated approximately $300 million to over 3,000 nonprofits in support of housing, small business, financial health, sustainability and other community needs
- Strengthened local communities through approximately 800,000 hours of volunteer service from Wells Fargo employees
- As part of our Banking Inclusion Initiative, introduced HOPE Inside Centers in 15 markets now supporting 57 retail branches that provide financial education workshops and free one-on-one coaching
- Exceeded our $150 million Special Purpose Credit Program (SPCP) commitment to advance racial equity in homeownership, helping customers refinance their mortgages to below market rate loans with reduced closing costs
- Launched $10,000 Homebuyer AccessSM grants that will be applied toward the down payment for eligible homebuyers who currently live in or are purchasing homes in certain underserved communities
- Expanded our commitment to housing affordability through another $20 million breakthrough challenge to advance ideas addressing the need for more affordable homes
- Announced the Invest Native Initiative, a $20 million commitment to advance economic opportunities in Native communities, and have already announced nearly $11 million in grants to 28 organizations across six states
- Committed $25 million for UnidosUS community-focused programs and nonprofit affiliate partners to advance Latino homeownership, of which $10 million will support the development of the HOME (Home Ownership Means Equity) initiative

A number of these initiatives are covered in more detail in our 2023 Diversity, Equity and Inclusion Report, which is available on Wells Fargo's website. The report also includes a broader overview of our DE&I work at Wells Fargo.

In addition, although I do not cover our sustainability work in detail in this year's letter, you can find more about progress in our Sustainability and Governance Report, our July 2023 TCFD Report, and our CO2eMission reporting, which are available on our website.

Supporting our employees

Our employees are our greatest asset. We value their contributions to our company, and we continue to invest in them – particularly employees with lower salaries.

Since 2019, we have increased wages for U.S. hourly employees by nearly 20% and increased the average pay rate for tellers by 34%. Earlier this year, we provided a special cash bonus of $1,000 to all eligible U.S.[11] employees making $75,000 or less in annual salary and less than $85,000 in total cash compensation. This award went to almost 100,000 people.

We provide eligible U.S. employees with numerous benefits designed to protect their physical and financial health and to help them make the most of their financial future. Below are several examples:

- Up to 85% of per-paycheck cost of medical coverage, depending on compensation level, for U.S. employees. For employees earning less than $48,000, Wells Fargo has lowered medical premiums by an average of 19% over the last five years.

- Approximately $1 billion in annual 401(k) contributions, with all eligible U.S. 401(k) plan participants receiving a dollar-for-dollar company match of up to 6% for eligible compensation. Eligible U.S. employees earning less than $75,000 also receive a company 401(k) contribution of 1% a year of eligible compensation.

- Back-up care benefits, family-building benefits, wellness benefits, and other benefits

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[10] Tangible book value per common share is a non-GAAP financial measure. For additional information, including a corresponding reconciliation to GAAP financial measures, see the "Financial Review - Capital Management - Tangible Common Equity" section in this Report.
[11] Eligible employees outside the U.S. also received a one-time cash payment, adjusted according to local compensation levels.

In addition to compensation and benefits, we also provide employees with skill and capability development and career growth opportunities:

- During 2023, we invested approximately $200 million in talent development, including skill development, functional training, regulatory compliance, leadership and professional development.

- In 2022, we launched our career development framework, which provides a holistic experience that enables our employees to better manage their careers within our company. We are proud of the many programs that the company offers. These include:
    - Early career development programs
    - Manager development programs
    - Annual tuition reimbursement providing up to $5,000 annually for eligible employees to pursue higher education
    - Numerous other training programs, as well as a global mentoring program that has enrolled approximately 15,000 employees

We will continue to make investments such as these going forward.

Looking forward

In my shareholder letter over the past three years, I have discussed our path to higher returns. Since 2020, we have made progress on a number of important items, including executing on our efficiency initiatives, investing in our businesses to help drive growth, and returning excess capital to shareholders.

Our headcount and expenses are lower, and our market share is increasing where we have been investing in laying the groundwork for higher returns and increased rates of growth. We have repurchased $32 billion of common stock since 2020, while increasing our common stock dividend from $0.10 per share to $0.35 per share.

We continue to see a path towards a sustainable 15% ROTCE over the medium term as we continue to make progress transforming the company. As rates fluctuate and economic conditions change, the path will not always be a straight line upwards, but as time progresses, I continue to be excited by our opportunities ahead.

I want to close by thanking all reading this letter for your continued interest and support. A special thanks to all of those that work alongside me at Wells Fargo for your commitment to making Wells Fargo a great company for each other, our communities, and our customers.

Charles W. Scharf
Chief Executive Officer
Wells Fargo & Company
March 8, 2024

Our Performance[1]

$ and shares outstanding in millions, except per share amounts		2023	2022	2021
SELECTED INCOME STATEMENT DATA				
Total revenue	$	**82,597**	74,368	79,166
Noninterest expense		**55,562**	57,205	53,758
Pre-tax pre-provision profit[2]		**27,035**	17,163	25,408
Provision for credit losses[3]		**5,399**	1,534	(4,155)
Wells Fargo net income		**19,142**	13,677	22,109
Wells Fargo net income applicable to common stock		**17,982**	12,562	20,818
COMMON SHARE DATA				
Diluted earnings per common share		**4.83**	3.27	5.08
Dividends declared per common share		**1.30**	1.10	0.60
Common shares outstanding		**3,598.9**	3,833.8	3,885.8
Average common shares outstanding		**3,688.3**	3,805.2	4,061.9
Diluted average common shares outstanding		**3,720.4**	3,837.0	4,096.2
Book value per common share[4]	$	**46.25**	41.98	43.26
Tangible book value per common share[4, 5]		**39.23**	34.98	36.29
SELECTED EQUITY DATA (PERIOD-END)				
Total equity		**187,443**	182,213	189,889
Common stockholders' equity		**166,444**	160,952	168,111
Tangible common equity[5]		**141,193**	134,090	141,034
PERFORMANCE RATIOS				
Return on average assets (ROA)[6]		**1.02%**	0.72	1.14
Return on average equity (ROE)[7]		**11.0**	7.8	12.3
Return on average tangible common equity (ROTCE)[5]		**13.1**	9.3	14.8
Efficiency ratio[8]		**67**	77	68
SELECTED BALANCE SHEET DATA (AVERAGE)				
Loans	$	**943,916**	929,820	864,288
Assets		**1,885,475**	1,894,303	1,942,063
Deposits		**1,346,282**	1,424,269	1,437,812
SELECTED BALANCE SHEET DATA (PERIOD-END)				
Debt securities		**490,458**	496,808	537,531
Loans		**936,682**	955,871	895,394
Allowance for credit losses for loans		**15,088**	13,609	13,788
Assets		**1,932,468**	1,881,020	1,948,073
Deposits		**1,358,173**	1,383,985	1,482,479
OTHER METRICS				
Common Equity Tier 1 (CET1) ratio[9]		**11.43%**	10.60	11.35
Market capitalization	$	**177,136**	158,298	186,441
Headcount (#) (period-end)		**225,869**	238,698	249,435

1. In first quarter 2023, we adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-12 – Financial Services – Insurance (Topic 944): *Targeted Improvements to the Accounting for Long-Duration Contracts*. We adopted ASU 2018-12 with retrospective application, which required revision of prior period financial statements. Prior period risk-based capital and certain other regulatory related metrics were not revised. For additional information, including the financial statement line items impacted by the adoption of ASU 2018-12, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.
2. Pre-tax pre-provision profit (PTPP) is total revenue less noninterest expense. Management believes that PTPP is a useful financial measure because it enables investors and others to assess the Company's ability to generate capital to cover credit losses through a credit cycle.
3. Includes provision for credit losses for loans, debt securities, and other financial assets.
4. Book value per common share is common stockholders' equity divided by common shares outstanding. Tangible book value per common share is tangible common equity divided by common shares outstanding.
5. Tangible common equity, tangible book value per common share, and return on average tangible common equity are non-GAAP financial measures. For additional information, including a corresponding reconciliation to GAAP financial measures, see the "Financial Review – Capital Management – Tangible Common Equity" section in this Report.
6. Represents Wells Fargo net income divided by average assets.
7. Represents Wells Fargo net income applicable to common stock divided by average common stockholders' equity.
8. The efficiency ratio is noninterest expense divided by total revenue (net interest income and noninterest income).
9. Represents our Common Equity Tier 1 (CET1) ratio calculated under the Standardized Approach, which is our binding CET1 ratio. For additional information, see the "Financial Review – Capital Management" section and Note 26 (Regulatory Capital Requirements and Other Restrictions) to Financial Statements in this Report.

Wells Fargo & Company 2023 Financial Report

This Annual Report, including the Financial Review and the Financial Statements and related Notes, contains forward-looking statements, which may include forecasts of our financial results and condition, expectations for our operations and business, and our assumptions for those forecasts and expectations. Do not unduly rely on forward-looking statements. Actual results may differ materially from our forward-looking statements due to several factors. Factors that could cause our actual results to differ materially from our forward-looking statements are described in this Report, including in the "Forward-Looking Statements" section, and in the "Risk Factors" and "Regulation and Supervision" sections of our Annual Report on Form 10-K for the year ended December 31, 2023 (2023 Form 10-K).

When we refer to "Wells Fargo," "the Company," "we," "our," or "us" in this Report, we mean Wells Fargo & Company and Subsidiaries (consolidated). When we refer to the "Parent," we mean Wells Fargo & Company. See the "Glossary of Acronyms" for definitions of terms used throughout this Report.

Financial Review

Overview

Wells Fargo & Company is a leading financial services company that has approximately $1.9 trillion in assets. We provide a diversified set of banking, investment and mortgage products and services, as well as consumer and commercial finance, through our four reportable operating segments: Consumer Banking and Lending, Commercial Banking, Corporate and Investment Banking, and Wealth and Investment Management. Wells Fargo ranked No. 47 on Fortune's 2023 rankings of America's largest corporations. We ranked fourth in assets and third in the market value of our common stock among all U.S. banks at December 31, 2023.

Wells Fargo's top priority remains building a risk and control infrastructure appropriate for its size and complexity. The Company is subject to a number of consent orders and other regulatory actions, some of which are described below. These regulatory actions may require the Company, among other things, to undertake certain changes to its business, operations, products and services, and risk management practices. Addressing these regulatory actions is expected to take multiple years, and we are likely to continue to experience issues or delays along the way in satisfying their requirements. We are also likely to continue to identify more issues as we implement our risk and control infrastructure, which may result in additional regulatory actions. Regulators have indicated the potential for escalating consequences for banks that do not timely resolve open issues or have repeat issues. Furthermore, issues or delays with one regulatory action could affect our progress on others. Failure to satisfy the requirements of a regulatory action on a timely basis could result in additional fines, penalties, business restrictions, limitations on subsidiary capital distributions, increased capital or liquidity requirements, enforcement actions, and other adverse consequences, which could be significant. While we still have significant work to do and have not yet satisfied certain aspects of these regulatory actions, the Company is committed to devoting the resources necessary to operate with strong business practices and controls, maintain the highest level of integrity, and have an appropriate culture in place.

Federal Reserve Board Consent Order Regarding Governance Oversight and Compliance and Operational Risk Management

On February 2, 2018, the Company entered into a consent order with the Board of Governors of the Federal Reserve System (FRB). As required by the consent order, the Company's Board of Directors (Board) submitted to the FRB a plan to further enhance the Board's governance and oversight of the Company, and the Company submitted to the FRB a plan to further improve the Company's compliance and operational risk management program. The Company continues to engage with the FRB as the Company works to address the consent order provisions. The consent order also requires the Company, following the FRB's acceptance and approval of the plans and the Company's adoption and implementation of the plans, to complete an initial third-party review of the enhancements and improvements provided for in the plans. Until this third-party review is complete and the plans are adopted and implemented to the satisfaction of the FRB, the Company's total consolidated assets as defined under the consent order will be limited to the level as of December 31, 2017. Compliance with this asset cap is measured on a two-quarter daily average basis to allow for management of temporary fluctuations. After removal of the asset cap, a second third-party review must also be conducted to assess the efficacy and sustainability of the enhancements and improvements.

Consent Orders with the Consumer Financial Protection Bureau and Office of the Comptroller of the Currency Regarding Compliance Risk Management Program, Automobile Collateral Protection Insurance Policies, and Mortgage Interest Rate Lock Extensions

On April 20, 2018, the Company entered into consent orders with the Consumer Financial Protection Bureau (CFPB) and the Office of the Comptroller of the Currency (OCC) to pay an aggregate of $1 billion in civil money penalties to resolve matters regarding the Company's compliance risk management program and past practices involving certain automobile collateral protection insurance policies and certain mortgage interest rate lock extensions. As required by the consent orders, the Company submitted to the CFPB and OCC an enterprise-wide compliance risk management plan and a plan to enhance the Company's internal audit program with respect to federal consumer financial law and the terms of the consent orders. In addition, as required by the consent orders, the Company submitted for non-objection plans to remediate customers affected by the automobile collateral protection insurance and mortgage interest rate lock matters, as well as a plan for the management of remediation activities conducted by the Company. The Company continues to work to address the provisions of the consent orders. On September 9, 2021, the OCC assessed a $250 million civil money penalty against the Company related to insufficient progress in addressing requirements under the OCC's April 2018 consent order and loss mitigation activities in the Company's Home Lending business. On December 20, 2022, the CFPB modified its consent order to clarify how it would terminate.

Consent Order with the OCC Regarding Loss Mitigation Activities

On September 9, 2021, the Company entered into a consent order with the OCC requiring the Company to improve the execution, risk management, and oversight of loss mitigation activities in its Home Lending business. In addition, the consent order restricts the Company from acquiring certain third-party residential mortgage servicing and limits transfers of certain mortgage loans requiring customer remediation out of the Company's mortgage servicing portfolio until remediation is provided.

Consent Order with the CFPB Regarding Automobile Lending, Consumer Deposit Accounts, and Mortgage Lending

On December 20, 2022, the Company entered into a consent order with the CFPB requiring the Company to provide customer remediation for multiple matters related to automobile lending, consumer deposit accounts, and mortgage lending; maintain practices designed to ensure auto lending customers receive refunds for the unused portion of certain guaranteed automobile protection agreements; comply with certain business practice requirements related to consumer deposit accounts; and pay a $1.7 billion civil penalty to the CFPB. The required actions related to many of these matters were already substantially complete at the time we entered into the consent order, and the consent order lays out a path to termination after the Company completes the remainder of the required actions.

Retail Sales Practices Matters

In September 2016, we announced settlements with the CFPB, the OCC, and the Office of the Los Angeles City Attorney, and entered into related consent orders with the CFPB and the OCC, in connection with allegations that some of our retail customers received products and services they did not request. As a result, it remains a priority to rebuild trust through a comprehensive action plan that includes making things right for our customers, employees, and other stakeholders, and building a better Company for the future. On September 8, 2021, the CFPB consent order regarding retail sales practices expired. On February 15, 2024, the OCC announced the termination of its consent order regarding retail sales practices.

Customer Remediation Activities

Our priority of rebuilding trust has included an effort to identify areas or instances where customers may have experienced financial harm, provide remediation as appropriate, and implement additional operational and control procedures. We are working with our regulatory agencies in this effort.

We have accrued for the probable and estimable costs related to our customer remediation activities, which amounts may change based on additional facts and information, as well as ongoing reviews and communications with our regulators. We had $819 million and $2.3 billion of accrued liabilities for customer remediation activities as of December 31, 2023 and 2022, respectively. As our ongoing reviews continue and as we continue to strengthen our risk and control infrastructure, we have identified and may in the future identify additional items or areas of potential concern. To the extent issues are identified, we will continue to assess any customer harm and provide remediation as appropriate.

Recent Developments

Federal Deposit Insurance Corporation Special Assessment

In November 2023, the Federal Deposit Insurance Corporation (FDIC) finalized a rule to recover losses to the FDIC deposit insurance fund as a result of bank failures in the first half of 2023. Under the rule, the FDIC will collect a special assessment based on a calculation using an insured depository institution's (IDI) estimated amount of uninsured deposits. Upon the FDIC's finalization of the rule, we expensed the entire estimated amount of our special assessment of $1.9 billion (pre-tax), which will be paid over eight quarters beginning in June 2024. The amount of our special assessment may change as the FDIC determines the actual losses to the deposit insurance fund and evaluates any amendments by IDIs to uninsured deposit amounts reported for December 31, 2022.

Overdraft Fees Proposal

On January 17, 2024, the CFPB issued a proposed rule that would limit overdraft fees charged by certain banks. We expect a significant reduction to our overdraft fees, which are included in deposit-related fees, if the rule is adopted as currently proposed.

Debit Card Interchange Fees Proposal

On October 25, 2023, the FRB issued a proposed rule that would reduce the amount of debit card interchange fees received by debit card issuers. In addition, the proposed rule would allow for an update to the debit card interchange fee cap every other year based on an analysis of certain costs incurred by debit card issuers. We expect a significant reduction to our debit card interchange fees, which are included in card fees, if the rule is adopted as currently proposed.

Capital Matters

On July 27, 2023, federal banking regulators issued a proposed rule to implement the final components of Basel III, which would impact risk-based capital requirements for certain banks. The proposed rule would eliminate the current Advanced Approach and replace it with a new expanded risk-based approach for the measurement of risk-weighted assets, including more granular risk weights for credit risk, a new market risk framework, and a new standardized approach for measuring operational risk. The new requirements would be phased in over a three-year period beginning July 1, 2025. The Company expects a significant increase in its risk-weighted assets and a net increase in its capital requirements based on an assessment of the proposed rule. The Company is considering a range of potential actions to address the impact of the proposed rule, including balance sheet and capital optimization strategies.

For additional information about capital planning, see the "Capital Management – Capital Planning and Stress Testing" section in this Report.

Financial Performance

Adoption of Accounting Standards Update 2018-12

In first quarter 2023, we adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-12 – Financial Services – Insurance (Topic 944): *Targeted Improvements to the Accounting for Long-Duration Contracts*.

We adopted this ASU with retrospective application, which required revision of prior period financial statements. Prior period risk-based capital and certain other regulatory related metrics were not revised. For additional information, including the financial statement line items impacted by the adoption of ASU 2018-12, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

In 2023, we generated $19.1 billion of net income and diluted earnings per common share (EPS) of $4.83, compared with $13.7 billion of net income and diluted EPS of $3.27 in 2022. Financial performance for 2023, compared with 2022, included the following:

- total revenue increased due to higher net interest income and higher noninterest income;
- provision for credit losses reflected increases for commercial real estate loans, primarily office loans, as well as for increases in credit card loan balances;
- noninterest expense decreased due to lower operating losses, partially offset by higher personnel expense and higher other expense driven by an FDIC special assessment;
- average loans increased driven by loan growth in both our commercial and consumer loan portfolios; and
- average deposits decreased driven by reductions in Consumer Banking and Lending, Commercial Banking, and Wealth and Investment Management, partially offset by growth in Corporate and Investment Banking and Corporate.

Capital and Liquidity

We maintained a strong capital position in 2023, with total equity of $187.4 billion at December 31, 2023, compared with $182.2 billion at December 31, 2022. In addition, capital and liquidity at December 31, 2023, included the following:

- our Common Equity Tier 1 (CET1) ratio was 11.43% under the Standardized Approach (our binding ratio), which continued to exceed the regulatory minimum and buffers of 8.90%;
- our total loss absorbing capacity (TLAC) as a percentage of total risk-weighted assets was 25.05%, compared with the regulatory minimum of 21.50%; and
- our liquidity coverage ratio (LCR) was 125%, which continued to exceed the regulatory minimum of 100%.

See the “Capital Management” and the “Risk Management – Asset/Liability Management – Liquidity Risk and Funding” sections in this Report for additional information regarding our capital and liquidity, including the calculation of our regulatory capital and liquidity amounts.

Credit Quality

Credit quality reflected the following:

- The allowance for credit losses (ACL) for loans of $15.1 billion at December 31, 2023, increased $1.5 billion from December 31, 2022.
- Our provision for credit losses for loans was $5.4 billion in 2023, compared with $1.5 billion in 2022. The ACL for loans and the provision for credit losses for loans reflected increases for commercial real estate loans, primarily office loans, as well as for increases in credit card loan balances.
- The allowance coverage for total loans was 1.61% at December 31, 2023, compared with 1.42% at December 31, 2022.
- Commercial portfolio net loan charge-offs were $923 million, or 17 basis points of average commercial loans, in 2023, compared with net loan charge-offs of $79 million in 2022, due to higher losses in all commercial portfolios, primarily in our commercial real estate portfolio driven by the office property type.
- Consumer portfolio net loan charge-offs were $2.5 billion, or 65 basis points of average consumer loans, in 2023, compared with net loan charge-offs of $1.5 billion, or 39 basis points, in 2022, due to higher losses in all consumer portfolios, primarily in our credit card portfolio.
- Nonperforming assets (NPAs) of $8.4 billion at December 31, 2023, increased $2.7 billion, or 47%, from December 31, 2022, driven by higher commercial real estate nonaccrual loans, predominantly within the office property type, partially offset by lower residential mortgage nonaccrual loans. NPAs represented 0.90% of total loans at December 31, 2023.
- Criticized loans in the commercial portfolio were $33.0 billion at December 31, 2023, compared with $25.1 billion at December 31, 2022, primarily driven by an increase in criticized commercial real estate loans in the office and apartments property types.