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, 2022 (2022 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, proudly serves one in three U.S. households and more than 10% of small businesses in the U.S., and is a leading middle market banking provider in the U.S. 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. 41 on *Fortune's* 2022 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, 2022.

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, which 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 experience issues or delays along the way in satisfying their requirements. Issues or delays with one regulatory action could affect our progress on others, and failure to satisfy the requirements of a regulatory action on a timely basis could result in additional penalties, business restrictions, enforcement actions, and other negative 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 approved 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 (CPI) 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.

For additional information regarding retail sales practices matters, including related legal and regulatory risk, see the "Risk Factors" section and Note 13 (Legal Actions) to Financial Statements in this Report.

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. 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. We have previously disclosed key areas of focus as part of these activities.

For additional information regarding accruals for customer remediation, see the "Expenses" section in Note 20 (Revenue and Expenses) to Financial Statements in this Report, and for additional information regarding these activities, including related legal and regulatory risk, see the "Risk Factors" section and Note 13 (Legal Actions) to Financial Statements in this Report.

Recent Developments

LIBOR Transition

The London Interbank Offered Rate (LIBOR) is a widely referenced benchmark rate that seeks to estimate the cost at which banks can borrow on an unsecured basis from other banks. On March 5, 2021, the United Kingdom's Financial Conduct Authority and ICE Benchmark Administration, the administrator of LIBOR, announced that certain settings of LIBOR would no longer be published on a representative basis after December 31, 2021, and the most commonly used U.S. dollar (USD) LIBOR settings would no longer be published on a representative basis after June 30, 2023. Central banks in various jurisdictions convened committees to identify replacement rates to facilitate the transition away from LIBOR. The committee convened by the Federal Reserve in the United States, the Alternative Reference Rates Committee (ARRC), recommended the Secured Overnight Financing Rate (SOFR) as the replacement rate for USD LIBOR.

In first quarter 2022, the Adjustable Interest Rate (LIBOR) Act (the LIBOR Act) was enacted into U.S. federal law to provide a statutory framework to replace LIBOR with a benchmark rate based on SOFR in U.S. law contracts that do not have fallback provisions or that have fallback provisions resulting in a replacement rate based on LIBOR. The FRB adopted a final rule implementing the LIBOR Act on December 16, 2022, which will become effective on February 27, 2023. We expect that the LIBOR Act will transition certain of our legacy USD LIBOR contracts that do not have appropriate fallback provisions to the applicable SOFR-based replacement rates specified in the FRB's final rule.

We no longer offer new contracts referencing LIBOR, subject to limited exceptions based on regulatory guidance. During 2022, we executed certain LIBOR transition activities to enhance our operational readiness such as the development of new alternative reference rate products, model and system updates, and employee training.

For certain contracts, including commercial credit facilities and related derivatives, we continue to proactively engage with our clients and contract parties to replace LIBOR with SOFR-based rates or other alternative reference rates in advance of the June 30, 2023 cessation date.

Following June 30, 2023, we expect substantially all of our consumer loans, commercial credit facilities, debt securities, derivatives, and long-term debt indexed to USD LIBOR to transition to SOFR-based or other alternative reference rates in accordance with existing fallback provisions or the LIBOR Act.

For additional information regarding the risks and potential impact of LIBOR or any other referenced financial metric being significantly changed, replaced or discontinued, see the "Risk Factors" section in this Report.

Financial Performance

In 2022, we generated $13.2 billion of net income and diluted earnings per common share (EPS) of $3.14, compared with $21.5 billion of net income and diluted EPS of $4.95 in 2021. Financial performance for 2022, compared with 2021, included the following:

- total revenue decreased due to lower net gains from equity securities, mortgage banking, and investment advisory and other asset-based fee income, partially offset by higher net interest income;
- provision for credit losses increased reflecting loan growth and a less favorable economic environment;
- noninterest expense increased due to higher operating losses, partially offset by lower personnel expense, and professional and outside services expense;
- average loans increased driven by loan growth across both our commercial and consumer loan portfolios; and
- average deposits decreased driven by reductions in Corporate and Investment Banking, Commercial Banking, Wealth and Investment Management, and Corporate, partially offset by growth in Consumer Banking and Lending.

Capital and Liquidity

We maintained a strong capital position in 2022. Total equity of $181.9 billion at December 31, 2022, decreased compared with $190.1 billion at December 31, 2021, driven by a decrease in accumulated other comprehensive income due to net unrealized losses on available-for-sale (AFS) debt securities. Our liquidity and regulatory capital ratios remained strong at December 31, 2022, including:

- our Common Equity Tier 1 (CET1) ratio was 10.60% under the Standardized Approach (our binding ratio), which continued to exceed the regulatory minimum and buffers of 9.20%;
- our total loss absorbing capacity (TLAC) as a percentage of total risk-weighted assets was 23.27%, compared with the regulatory minimum of 21.50%; and
- our liquidity coverage ratio (LCR) was 122%, 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 $13.6 billion at December 31, 2022, decreased $179 million from December 31, 2021, reflecting reduced uncertainty around the economic impact of the COVID-19 pandemic on our loan portfolio. This decrease was partially offset by loan growth and a less favorable economic environment.
- Our provision for credit losses for loans was $1.5 billion in 2022, compared with $(4.2) billion in 2021, reflecting loan growth and a less favorable economic environment.
- The allowance coverage for total loans was 1.42% at December 31, 2022, compared with 1.54% at December 31, 2021.
- Commercial portfolio net loan charge-offs were $79 million, or 1 basis point of average commercial loans, in 2022, compared with net loan charge-offs of $295 million, or 6 basis points, in 2021, driven by lower losses in our commercial and industrial and commercial real estate mortgage portfolios.
- Consumer portfolio net loan charge-offs were $1.5 billion, or 39 basis points of average consumer loans, in 2022, compared with net loan charge-offs of $1.3 billion, or 33 basis points, in 2021, predominantly due to higher losses in our auto portfolio.
- Nonperforming assets (NPAs) of $5.8 billion at December 31, 2022, decreased $1.6 billion, or 21%, from December 31, 2021, driven by improved credit quality across our commercial loan portfolios, and a decrease in residential mortgage nonaccrual loans primarily due to sustained payment performance of borrowers after exiting COVID-19-related accommodation programs. NPAs represented 0.60% of total loans at December 31, 2022.

Table 1 presents a three-year summary of selected financial data and Table 2 presents selected ratios and per common share data.

Table 1: Summary of Selected Financial Data

	Year ended December 31,						
(in millions, except per share amounts)	**2022**	2021	$ Change 2022/ 2021	% Change 2022/ 2021	2020	$ Change 2021/ 2020	% Change 2021/ 2020
Income statement							
Net interest income	$ **44,950**	35,779	9,171	26 %	$ 39,956	(4,177)	(10)%
Noninterest income	**28,835**	42,713	(13,878)	(32)	34,308	8,405	24
Total revenue	**73,785**	78,492	(4,707)	(6)	74,264	4,228	6
Net charge-offs	**1,609**	1,582	27	2	3,370	(1,788)	(53)
Change in the allowance for credit losses	**(75)**	(5,737)	5,662	99	10,759	(16,496)	NM
Provision for credit losses	**1,534**	(4,155)	5,689	137	14,129	(18,284)	NM
Noninterest expense	**57,282**	53,831	3,451	6	57,630	(3,799)	(7)
Net income before noncontrolling interests	**12,882**	23,238	(10,356)	(45)	3,662	19,576	535
Less: Net income from noncontrolling interests	**(300)**	1,690	(1,990)	NM	285	1,405	493
Wells Fargo net income	**13,182**	21,548	(8,366)	(39)	3,377	18,171	538
Earnings per common share	**3.17**	4.99	(1.82)	(36)	0.43	4.56	NM
Diluted earnings per common share	**3.14**	4.95	(1.81)	(37)	0.43	4.52	NM
Dividends declared per common share	**1.10**	0.60	0.50	83	1.22	(0.62)	(51)
Balance sheet (at year end)							
Debt securities	**496,808**	537,531	(40,723)	(8)	501,207	36,324	7
Loans	**955,871**	895,394	60,477	7	887,637	7,757	1
Allowance for loan losses	**12,985**	12,490	495	4	18,516	(6,026)	(33)
Equity securities	**64,414**	72,886	(8,472)	(12)	60,008	12,878	21
Assets	**1,881,016**	1,948,068	(67,052)	(3)	1,952,911	(4,843)	—
Deposits	**1,383,985**	1,482,479	(98,494)	(7)	1,404,381	78,098	6
Long-term debt	**174,870**	160,689	14,181	9	212,950	(52,261)	(25)
Common stockholders' equity	**160,614**	168,331	(7,717)	(5)	164,570	3,761	2
Wells Fargo stockholders' equity	**179,889**	187,606	(7,717)	(4)	184,680	2,926	2
Total equity	**181,875**	190,110	(8,235)	(4)	185,712	4,398	2

NM – Not meaningful

Overview *(continued)*

Table 2: Ratios and Per Common Share Data

		Year ended December 31,	
	2022	2021	2020
Performance ratios			
Return on average assets (ROA) (1)	**0.70%**	1.11	0.17
Return on average equity (ROE) (2)	**7.5**	12.0	1.1
Return on average tangible common equity (ROTCE) (3)	**9.0**	14.3	1.3
Efficiency ratio (4)	**78**	69	78
Capital and other metrics (5)			
At year end:			
Wells Fargo common stockholders' equity to assets	**8.54**	8.64	8.43
Total equity to assets	**9.67**	9.76	9.51
Risk-based capital ratios and components:			
Standardized Approach:			
Common Equity Tier 1 (CET1)	**10.60**	11.35	11.59
Tier 1 capital	**12.11**	12.89	13.25
Total capital	**14.82**	15.84	16.47
Risk-weighted assets (RWAs) (in billions)	**$ 1,259.9**	1,239.0	1,193.7
Advanced Approach:			
Common Equity Tier 1 (CET1)	**12.00%**	12.60	11.94
Tier 1 capital	**13.72**	14.31	13.66
Total capital	**15.94**	16.72	16.14
Risk-weighted assets (RWAs) (in billions)	**$ 1,112.3**	1,116.1	1,158.4
Tier 1 leverage ratio	**8.26%**	8.34	8.32
Supplementary Leverage Ratio (SLR)	**6.86**	6.89	8.05
Total Loss Absorbing Capacity (TLAC) Ratio (6)	**23.27**	23.03	25.74
Liquidity Coverage Ratio (LCR) (7)	**122**	118	133
Average balances:			
Average Wells Fargo common stockholders' equity to average assets	**8.51**	8.73	8.43
Average total equity to average assets	**9.67**	9.85	9.51
Per common share data			
Dividend payout ratio (8)	**35.0**	12.1	283.7
Book value (9)	**$ 41.89**	43.32	39.71

(1) Represents Wells Fargo net income divided by average assets.
(2) Represents Wells Fargo net income applicable to common stock divided by average common stockholders' equity.
(3) Tangible common equity is a non-GAAP financial measure and represents total equity less preferred equity, noncontrolling interests, goodwill, certain identifiable intangible assets (other than mortgage servicing rights) and goodwill and other intangibles on investments in consolidated portfolio companies, net of applicable deferred taxes. The methodology of determining tangible common equity may differ among companies. Management believes that return on average tangible common equity, which utilizes tangible common equity, is a useful financial measure because it enables management, investors, and others to assess the Company's use of equity. For additional information, including a corresponding reconciliation to generally accepted accounting principles (GAAP) financial measures, see the "Capital Management – Tangible Common Equity" section in this Report.
(4) The efficiency ratio is noninterest expense divided by total revenue (net interest income and noninterest income).
(5) See the "Capital Management" section and Note 25 (Regulatory Capital Requirements and Other Restrictions) to Financial Statements in this Report for additional information.
(6) Represents TLAC divided by risk-weighted assets (RWAs), which is our binding TLAC ratio, determined by using the greater of RWAs under the Standardized and Advanced Approaches.
(7) Represents average high-quality liquid assets divided by average projected net cash outflows, as each is defined under the LCR rule.
(8) Dividend payout ratio is dividends declared per common share as a percentage of diluted earnings per common share.
(9) Book value per common share is common stockholders' equity divided by common shares outstanding.

Earnings Performance

Wells Fargo net income for 2022 was $13.2 billion ($3.14 diluted EPS), compared with $21.5 billion ($4.95 diluted EPS) in 2021. Net income decreased in 2022, compared with 2021, due to a $13.9 billion decrease in noninterest income, a $5.7 billion increase in provision for credit losses, and a $3.5 billion increase in noninterest expense, partially offset by a $9.2 billion increase in net interest income, a $3.5 billion decrease in income tax expense, and a $2.0 billion decrease in net income from noncontrolling interests.

For a discussion of our 2021 financial results, compared with 2020, see the "Earnings Performance" section of our Annual Report on Form 10-K for the year ended December 31, 2021.

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 on deposits, short-term borrowings and long-term debt. The net interest margin is the average yield on earning assets minus the average interest rate paid for deposits and our other sources of funding.

Net interest income and the net interest margin in any one period can be significantly affected by a variety of factors including the mix and overall size of our earning assets portfolio and the cost of funding those assets. In addition, variable sources of interest income, such as loan fees, periodic dividends, and collection of interest on nonaccrual loans, can fluctuate from period to period.

Net interest income and net interest margin increased in 2022, compared with 2021, due to the impact of higher interest rates on earning assets, higher loan balances, and lower mortgage-backed securities (MBS) premium amortization, partially offset by lower interest income from Paycheck Protection Program (PPP) loans and loans purchased from Government National Mortgage Association (GNMA) loan securitization pools, and higher expenses for interest-bearing deposits and long-term debt.

Table 3 presents the individual components of net interest income and net interest margin. Net interest income and net interest margin are presented on a taxable-equivalent basis in Table 3 to consistently reflect income from taxable and tax-exempt loans and debt and equity securities based on a 21% federal statutory tax rate for the periods ended December 31, 2022, 2021 and 2020.

Table 3: Average Balances, Yields and Rates Paid (Taxable-Equivalent Basis) (1)

							Year ended December 31,		
			2022			2021			2020
(in millions)	Average balance	Interest income/ expense	Interest rates	Average balance	Interest income/ expense	Interest rates	Average balance	Interest income/ expense	Interest rates
Assets									
Interest-earning deposits with banks	$ 145,802	2,245	1.54 %	$ 236,281	314	0.13 %	$ 186,386	547	0.29 %
Federal funds sold and securities purchased under resale agreements	62,137	859	1.38	69,720	14	0.02	82,798	393	0.47
Debt securities:									
Trading debt securities	91,515	2,490	2.72	88,282	2,107	2.39	94,731	2,544	2.69
Available-for-sale debt securities	141,404	3,167	2.24	189,237	2,924	1.55	229,077	5,248	2.29
Held-to-maturity debt securities	296,540	6,480	2.19	245,304	4,589	1.87	173,505	3,841	2.21
Total debt securities	529,459	12,137	2.29	522,823	9,620	1.84	497,313	11,633	2.34
Loans held for sale (2)	13,900	513	3.69	27,554	865	3.14	27,493	947	3.45
Loans:									
Commercial and industrial – U.S.	291,996	11,293	3.87	252,025	6,526	2.59	281,080	7,912	2.82
Commercial and industrial – Non-U.S.	80,033	2,681	3.35	71,114	1,448	2.04	66,915	1,673	2.50
Commercial real estate mortgage	131,304	4,974	3.79	121,638	3,276	2.69	122,482	3,842	3.14
Commercial real estate construction	21,510	991	4.61	21,589	667	3.09	21,608	760	3.52
Lease financing	14,555	607	4.17	15,519	692	4.46	17,801	877	4.93
Total commercial loans	539,398	20,546	3.81	481,885	12,609	2.62	509,886	15,064	2.95
Residential mortgage – first lien	249,985	7,912	3.17	249,862	7,903	3.16	288,105	9,661	3.35
Residential mortgage – junior lien	14,703	729	4.95	19,710	818	4.15	26,700	1,185	4.44
Credit card	41,275	4,752	11.51	35,471	4,086	11.52	37,093	4,315	11.63
Auto	55,429	2,366	4.27	51,576	2,317	4.49	48,362	2,379	4.92
Other consumer	29,030	1,489	5.13	25,784	962	3.73	31,642	1,719	5.43
Total consumer loans	390,422	17,248	4.42	382,403	16,086	4.21	431,902	19,259	4.46
Total loans (2)	929,820	37,794	4.06	864,288	28,695	3.32	941,788	34,323	3.64
Equity securities	30,575	708	2.31	31,946	608	1.91	28,950	557	1.92
Other	13,275	204	1.54	10,052	6	0.06	7,505	14	0.18
Total interest-earning assets	$ 1,724,968	54,460	3.16 %	$ 1,762,664	40,122	2.28 %	$ 1,772,233	48,414	2.73 %
Cash and due from banks	25,817	—		24,562	—		21,676	—	
Goodwill	25,177	—		26,087	—		26,387	—	
Other	118,347	—		128,592	—		121,413	—	
Total noninterest-earning assets	$ 169,341	—		179,241	—		169,476	—	
Total assets	$ 1,894,309	54,460		1,941,905	40,122		1,941,709	48,414	
Liabilities									
Deposits:									
Demand deposits	$ 432,745	1,356	0.31 %	$ 450,131	127	0.03 %	$ 98,182	184	0.19 %
Savings deposits	433,415	406	0.09	423,221	124	0.03	744,226	1,492	0.20
Time deposits	33,148	449	1.36	36,519	122	0.33	81,674	892	1.09
Deposits in non-U.S. offices	19,191	138	0.72	28,297	15	0.05	39,260	236	0.60
Total interest-bearing deposits	918,499	2,349	0.26	938,168	388	0.04	963,342	2,804	0.29
Short-term borrowings:									
Federal funds purchased and securities sold under agreements to repurchase	24,553	407	1.66	35,245	8	0.02	58,971	276	0.47
Other short-term borrowings	15,257	175	1.15	12,020	(48)	(0.41)	11,235	(25)	(0.22)
Total short-term borrowings	39,810	582	1.46	47,265	(40)	(0.09)	70,206	251	0.36
Long-term debt	157,742	5,505	3.49	178,742	3,173	1.78	224,587	4,471	1.99
Other liabilities	34,126	638	1.87	28,809	395	1.37	28,435	438	1.54
Total interest-bearing liabilities	$ 1,150,177	9,074	0.79 %	$ 1,192,984	3,916	0.33 %	$ 1,286,570	7,964	0.62 %
Noninterest-bearing demand deposits	505,770	—		499,644	—		412,669	—	
Other noninterest-bearing liabilities	55,138	—		58,058	—		57,781	—	
Total noninterest-bearing liabilities	$ 560,908	—		557,702	—		470,450	—	
Total liabilities	$ 1,711,085	9,074		1,750,686	3,916		1,757,020	7,964	
Total equity	183,224	—		191,219	—		184,689	—	
Total liabilities and equity	$ 1,894,309	9,074		1,941,905	3,916		1,941,709	7,964	
Interest rate spread on a taxable-equivalent basis (3)			2.37 %			1.95 %			2.11 %
Net interest margin and net interest income on a taxable-equivalent basis (3)		$ 45,386	2.63 %		$ 36,206	2.05 %		$ 40,450	2.28 %

(1) The average balance amounts represent amortized costs, except for certain held-to-maturity debt securities, which exclude unamortized basis adjustments related to the transfer of those securities from available-for-sale debt securities. The interest rates are based on interest income or expense amounts for the period and are annualized. Interest rates and amounts include the effects of hedge and risk management activities associated with the respective asset and liability categories.

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

(3) Includes taxable-equivalent adjustments of $436 million, $427 million and $494 million for the years ended December 31, 2022, 2021 and 2020, respectively, predominantly related to tax-exempt income on certain loans and securities.

Table 4 allocates the changes in net interest income on a taxable-equivalent basis to changes in either average balances or average rates for both interest-earning assets and interest-bearing liabilities. Because of the numerous simultaneous volume and rate changes during any period, it is not possible to precisely allocate such changes between volume and rate. For this table, changes that are not solely due to either volume or rate are allocated to these categories on a pro-rata basis based on the absolute value of the change due to average volume and average rate.

Table 4: Analysis of Changes in Net Interest Income

				Year ended December 31,		
	2022 vs. 2021			2021 vs. 2020		
(in millions)	Volume	Rate	Total	Volume	Rate	Total
Increase (decrease) in interest income:						
Interest-earning deposits with banks	$ **(162)**	**2,093**	**1,931**	119	(352)	(233)
Federal funds sold and securities purchased under resale agreements	**(2)**	**847**	**845**	(53)	(326)	(379)
Debt securities:						
Trading debt securities	**80**	**303**	**383**	(165)	(272)	(437)
Available-for-sale debt securities	**(858)**	**1,101**	**243**	(813)	(1,511)	(2,324)
Held-to-maturity debt securities	**1,039**	**852**	**1,891**	1,405	(657)	748
Total debt securities	**261**	**2,256**	**2,517**	427	(2,440)	(2,013)
Loans held for sale	**(484)**	**132**	**(352)**	2	(84)	(82)
Loans:						
Commercial and industrial – U.S.	**1,158**	**3,609**	**4,767**	(775)	(611)	(1,386)
Commercial and industrial – Non-U.S.	**201**	**1,032**	**1,233**	99	(324)	(225)
Commercial real estate mortgage	**276**	**1,422**	**1,698**	(26)	(540)	(566)
Commercial real estate construction	**(2)**	**326**	**324**	(1)	(92)	(93)
Lease financing	**(42)**	**(43)**	**(85)**	(106)	(79)	(185)
Total commercial loans	**1,591**	**6,346**	**7,937**	(809)	(1,646)	(2,455)
Residential mortgage – first lien	**1**	**8**	**9**	(1,232)	(526)	(1,758)
Residential mortgage – junior lien	**(230)**	**141**	**(89)**	(294)	(73)	(367)
Credit card	**670**	**(4)**	**666**	(188)	(41)	(229)
Auto	**166**	**(117)**	**49**	153	(215)	(62)
Other consumer	**132**	**395**	**527**	(281)	(476)	(757)
Total consumer loans	**739**	**423**	**1,162**	(1,842)	(1,331)	(3,173)
Total loans	**2,330**	**6,769**	**9,099**	(2,651)	(2,977)	(5,628)
Equity securities	**(26)**	**126**	**100**	54	(3)	51
Other	**3**	**195**	**198**	4	(12)	(8)
Total increase (decrease) in interest income	**1,920**	**12,418**	**14,338**	(2,098)	(6,194)	(8,292)
Increase (decrease) in interest expense:						
Deposits:						
Demand deposits	$ **(5)**	**1,234**	**1,229**	208	(265)	(57)
Savings deposits	**3**	**279**	**282**	(461)	(907)	(1,368)
Time deposits	**(12)**	**339**	**327**	(340)	(430)	(770)
Deposits in non-U.S. offices	**(7)**	**130**	**123**	(52)	(169)	(221)
Total interest-bearing deposits	**(21)**	**1,982**	**1,961**	(645)	(1,771)	(2,416)
Short-term borrowings:						
Federal funds purchased and securities sold under agreements to repurchase	**(3)**	**402**	**399**	(80)	(188)	(268)
Other short-term borrowings	**(10)**	**233**	**223**	(2)	(21)	(23)
Total short-term borrowings	**(13)**	**635**	**622**	(82)	(209)	(291)
Long-term debt	**(412)**	**2,744**	**2,332**	(855)	(443)	(1,298)
Other liabilities	**82**	**161**	**243**	6	(49)	(43)
Total increase (decrease) in interest expense	**(364)**	**5,522**	**5,158**	(1,576)	(2,472)	(4,048)
Increase (decrease) in net interest income on a taxable-equivalent basis	$ **2,284**	**6,896**	**9,180**	(522)	(3,722)	(4,244)

Noninterest Income

Table 5: Noninterest Income

					Year ended December 31,		
(in millions)	**2022**	2021	$ Change 2022/ 2021	% Change 2022/ 2021	2020	$ Change 2021/ 2020	% Change 2021/ 2020
Deposit-related fees	**$ 5,316**	5,475	(159)	(3)%	$ 5,221	254	5 %
Lending-related fees	**1,397**	1,445	(48)	(3)	1,381	64	5
Investment advisory and other asset-based fees	**9,004**	11,011	(2,007)	(18)	9,863	1,148	12
Commissions and brokerage services fees	**2,242**	2,299	(57)	(2)	2,384	(85)	(4)
Investment banking fees	**1,439**	2,354	(915)	(39)	1,865	489	26
Card fees	**4,355**	4,175	180	4	3,544	631	18
Net servicing income	**533**	194	339	175	(139)	333	240
Net gains on mortgage loan originations/sales	**850**	4,762	(3,912)	(82)	3,632	1,130	31
Mortgage banking	**1,383**	4,956	(3,573)	(72)	3,493	1,463	42
Net gains from trading activities	**2,116**	284	1,832	645	1,172	(888)	(76)
Net gains from debt securities	**151**	553	(402)	(73)	873	(320)	(37)
Net gains (losses) from equity securities	**(806)**	6,427	(7,233)	NM	665	5,762	866
Lease income	**1,269**	996	273	27	1,245	(249)	(20)
Other	**969**	2,738	(1,769)	(65)	2,602	136	5
Total	**$ 28,835**	42,713	(13,878)	(32)	$ 34,308	8,405	24

NM – Not meaningful

Full year 2022 vs. full year 2021

Deposit-related fees decreased reflecting:
- lower treasury management fees on commercial accounts driven by a higher earnings credit rate due to an increase in interest rates; and
- the elimination of non-sufficient funds and other fees as well as efforts to help customers avoid overdraft fees;

partially offset by:
- lower fee waivers as 2021 included additional accommodations to support customers.

Lending-related fees decreased reflecting lower commercial loan commitment fees.

Investment advisory and other asset-based fees decreased reflecting:
- lower asset-based and trust fees due to divestitures in 2021; and
- lower average market valuations.

For additional information on certain client investment assets, see the "Earnings Performance – Operating Segment Results – Wealth and Investment Management – WIM Advisory Assets" section in this Report.

Commissions and brokerage services fees decreased driven by lower transactional revenue.

Investment banking fees decreased due to lower market activity.

Card fees increased reflecting higher network revenue as well as higher interchange fees, net of rewards, driven by increased purchase and transaction volumes.

Net servicing income increased driven by a lower decline in residential mortgage servicing rights (MSRs) as a result of reduced prepayment rates, partially offset by net unfavorable hedge results due to interest rate volatility.

Net gains on mortgage loan originations/sales decreased driven by:
- lower residential mortgage origination volumes and lower gain on sale margins; and
- lower gains related to the resecuritization of loans we purchased from GNMA loan securitization pools.

For additional information on servicing income and net gains on mortgage loan originations/sales, see Note 6 (Mortgage Banking Activities) to Financial Statements in this Report.

Net gains from trading activities increased driven by higher commodities, foreign exchange, rates, and equities trading revenue.

Net gains from debt securities decreased due to lower gains on sales of corporate debt securities and agency MBS.

Net gains (losses) from equity securities decreased reflecting:
- lower unrealized gains on nonmarketable equity securities driven by our affiliated venture capital and private equity businesses;
- a $2.5 billion impairment of equity securities (before the impact of noncontrolling interests) in 2022 predominantly in our affiliated venture capital business driven by market conditions; and
- lower realized gains on the sales of equity securities.

Lease income increased driven by a $268 million impairment in 2021 of certain rail cars in our rail car leasing business that are used for the transportation of coal products.

Other income decreased driven by:
- gains in 2021 on the sales of our Corporate Trust Services business, our student loan portfolio, and Wells Fargo Asset Management (WFAM); and
- higher amortization due to growth in wind energy investments (offset by benefits and credits in income tax expense);

partially offset by:
- lower valuation losses related to the retained litigation risk associated with shares of Visa Class B common stock that we sold.

Noninterest Expense

Table 6: Noninterest Expense

					Year ended December 31,		
(in millions)	**2022**	2021	$ Change 2022/ 2021	% Change 2022/ 2021	2020	$ Change 2021/ 2020	% Change 2021/ 2020
Personnel	**$ 34,340**	35,541	(1,201)	(3)%	$ 34,811	730	2 %
Technology, telecommunications and equipment	**3,375**	3,227	148	5	3,099	128	4
Occupancy	**2,881**	2,968	(87)	(3)	3,263	(295)	(9)
Operating losses	**6,984**	1,568	5,416	345	3,523	(1,955)	(55)
Professional and outside services	**5,188**	5,723	(535)	(9)	6,706	(983)	(15)
Leases (1)	**750**	867	(117)	(13)	1,022	(155)	(15)
Advertising and promotion	**505**	600	(95)	(16)	600	—	—
Restructuring charges	**5**	76	(71)	(93)	1,499	(1,423)	(95)
Other	**3,254**	3,261	(7)	—	3,107	154	5
Total	**$ 57,282**	53,831	3,451	6	$ 57,630	(3,799)	(7)

(1) Represents expenses for assets we lease to customers.

Full year 2022 vs. full year 2021

Personnel expense decreased driven by:
- lower revenue-related compensation expense; and
- the impact of divestitures and efficiency initiatives;

partially offset by:
- higher severance expense primarily in Home Lending.

Technology, telecommunications and equipment expense increased due to higher expense for technology contracts.

Occupancy expense decreased driven by lower cleaning fees, supplies, and equipment expense.

Operating losses increased reflecting a $5.1 billion increase in expenses for litigation, regulatory, and customer remediation matters primarily related to a variety of historical matters.

As previously disclosed, we have outstanding litigation, regulatory, and customer remediation matters that could impact operating losses in the coming quarters.

Professional and outside services expense decreased driven by efficiency initiatives to reduce our spending on consultants and contractors.

Leases expense decreased driven by lower depreciation expense from a reduction in the size of our operating lease asset portfolio.

Advertising and promotion expense decreased due to lower marketing and brand campaign volumes.

Income Tax Expense

Table 7: Income Tax Expense

					Year ended December 31,		
(in millions)	**2022**	2021	$ Change 2022/ 2021	% Change 2022/ 2021	2020	$ Change 2021/ 2020	% Change 2021/ 2020
Income before income tax expense (benefit)	**$ 14,969**	28,816	(13,847)	(48)%	$ 2,505	26,311	NM
Income tax expense (benefit)	**2,087**	5,578	(3,491)	(63)	(1,157)	6,735	582 %
Effective Income tax rate	**13.7%**	20.6			(52.1)%		

NM – Not meaningful

Income tax expense for 2022, compared with 2021, decreased primarily due to lower pre-tax income. The effective income tax rate for 2022, compared with 2021, decreased reflecting the impact of income tax benefits, including tax credits, on lower pre-tax income and discrete tax benefits related to interest on overpayments in prior years.

For additional information on income taxes, see Note 22 (Income Taxes) to Financial Statements in this Report.

Operating Segment Results

Our management reporting is organized into four reportable operating segments: Consumer Banking and Lending; Commercial Banking; Corporate and Investment Banking; and Wealth and Investment Management. All other business activities that are not included in the reportable operating segments have been included in Corporate. For additional information, see Table 8. We define our reportable operating segments by type of product and customer segment, and their results are based on our management reporting process. The management reporting process measures the performance of the reportable operating segments based on the Company's management structure, and the results are regularly reviewed with our Chief Executive Officer and relevant senior management. The management reporting process is based on U.S. GAAP and includes specific adjustments, such as funds transfer pricing for asset/liability management, shared revenue and expenses, and taxable-equivalent adjustments to consistently reflect income from taxable and tax-exempt sources, which allows management to assess performance consistently across the operating segments.

Funds Transfer Pricing Corporate treasury manages a funds transfer pricing methodology that considers interest rate risk, liquidity risk, and other product characteristics. Operating segments pay a funding charge for their assets and receive a funding credit for their deposits, both of which are included in net interest income. The net impact of the funding charges or credits is recognized in corporate treasury.

Revenue and Expense Sharing When lines of business jointly serve customers, the line of business that is responsible for providing the product or service recognizes revenue or expense with a referral fee paid or an allocation of cost to the other line of business based on established internal revenue-sharing agreements.

When a line of business uses a service provided by another line of business or enterprise function (included in Corporate), expense is generally allocated based on the cost and use of the service provided.

Taxable-Equivalent Adjustments Taxable-equivalent adjustments related to tax-exempt income on certain loans and debt securities are included in net interest income, while taxable-equivalent adjustments related to income tax credits for low-income housing and renewable energy investments are included in noninterest income, in each case with corresponding impacts to income tax expense (benefit). Adjustments are included in Corporate, Commercial Banking, and Corporate and Investment Banking and are eliminated to reconcile to the Company's consolidated financial results.

Allocated Capital Reportable operating segments are allocated capital under a risk-sensitive framework that is primarily based on aspects of our regulatory capital requirements, and the assumptions and methodologies used to allocate capital are periodically assessed and revised. Management believes that return on allocated capital is a useful financial measure because it enables management, investors, and others to assess a reportable operating segment's use of capital.

Selected Metrics We present certain financial and nonfinancial metrics that management uses when evaluating reportable operating segment results. Management believes that these metrics are useful to investors and others to assess the performance, customer growth, and trends of reportable operating segments or lines of business.

Table 8: Management Reporting Structure

Wells Fargo & Company

Consumer Banking and Lending	Commercial Banking	Corporate and Investment Banking	Wealth and Investment Management	Corporate
• Consumer and Small Business Banking • Home Lending • Credit Card • Auto • Personal Lending	• Middle Market Banking • Asset-Based Lending and Leasing	• Banking • Commercial Real Estate • Markets	• Wells Fargo Advisors • The Private Bank	• Corporate Treasury • Enterprise Functions • Investment Portfolio • Affiliated venture capital and private equity businesses • Non-strategic businesses

Table 9 and the following discussion present our results by reportable operating segment. For additional information, see Note 19 (Operating Segments) to Financial Statements in this Report.

Table 9: Operating Segment Results – Highlights

(in millions)		Consumer Banking and Lending	Commercial Banking	Corporate and Investment Banking	Wealth and Investment Management	Corporate (1)	Reconciling Items (2)	Consolidated Company
Year ended December 31, 2022								
Net interest income	**$**	**27,044**	**7,289**	**8,733**	**3,927**	**(1,607)**	**(436)**	**44,950**
Noninterest income		**8,766**	**3,631**	**6,509**	**10,895**	**609**	**(1,575)**	**28,835**
Total revenue		**35,810**	**10,920**	**15,242**	**14,822**	**(998)**	**(2,011)**	**73,785**
Provision for credit losses		**2,276**	**(534)**	**(185)**	**(25)**	**2**	**—**	**1,534**
Noninterest expense		**26,277**	**6,058**	**7,560**	**11,613**	**5,774**	**—**	**57,282**
Income (loss) before income tax expense (benefit)		**7,257**	**5,396**	**7,867**	**3,234**	**(6,774)**	**(2,011)**	**14,969**
Income tax expense (benefit)		**1,816**	**1,366**	**1,989**	**812**	**(1,885)**	**(2,011)**	**2,087**
Net income (loss) before noncontrolling interests		**5,441**	**4,030**	**5,878**	**2,422**	**(4,889)**	**—**	**12,882**
Less: Net income (loss) from noncontrolling interests		**—**	**12**	**—**	**—**	**(312)**	**—**	**(300)**
Net income (loss)	**$**	**5,441**	**4,018**	**5,878**	**2,422**	**(4,577)**	**—**	**13,182**
Year ended December 31, 2021								
Net interest income	$	22,807	4,960	7,410	2,570	(1,541)	(427)	35,779
Noninterest income		12,070	3,589	6,429	11,776	10,036	(1,187)	42,713
Total revenue		34,877	8,549	13,839	14,346	8,495	(1,614)	78,492
Provision for credit losses		(1,178)	(1,500)	(1,439)	(95)	57	—	(4,155)
Noninterest expense		24,648	5,862	7,200	11,734	4,387	—	53,831
Income (loss) before income tax expense (benefit)		11,407	4,187	8,078	2,707	4,051	(1,614)	28,816
Income tax expense (benefit)		2,852	1,045	2,019	680	596	(1,614)	5,578
Net income before noncontrolling interests		8,555	3,142	6,059	2,027	3,455	—	23,238
Less: Net income (loss) from noncontrolling interests		—	8	(3)	—	1,685	—	1,690
Net income	$	8,555	3,134	6,062	2,027	1,770	—	21,548
Year ended December 31, 2020								
Net interest income	$	23,378	6,134	7,509	2,988	441	(494)	39,956
Noninterest income		10,638	3,041	6,419	10,225	4,916	(931)	34,308
Total revenue		34,016	9,175	13,928	13,213	5,357	(1,425)	74,264
Provision for credit losses		5,662	3,744	4,946	249	(472)	—	14,129
Noninterest expense		26,976	6,323	7,703	10,912	5,716	—	57,630
Income (loss) before income tax expense (benefit)		1,378	(892)	1,279	2,052	113	(1,425)	2,505
Income tax expense (benefit)		302	(208)	330	514	(670)	(1,425)	(1,157)
Net income (loss) before noncontrolling interests		1,076	(684)	949	1,538	783	—	3,662
Less: Net income (loss) from noncontrolling interests		—	5	(1)	—	281	—	285
Net income (loss)	$	1,076	(689)	950	1,538	502	—	3,377

(1) All other business activities that are not included in the reportable operating segments have been included in Corporate. For additional information, see the "Corporate" section below.
(2) Taxable-equivalent adjustments related to tax-exempt income on certain loans and debt securities are included in net interest income, while taxable-equivalent adjustments related to income tax credits for low-income housing and renewable energy investments are included in noninterest income, in each case with corresponding impacts to income tax expense (benefit). Adjustments are included in Corporate, Commercial Banking, and Corporate and Investment Banking and are eliminated to reconcile to the Company's consolidated financial results.

Consumer Banking and Lending offers diversified financial products and services for consumers and small businesses with annual sales generally up to $10 million. These financial products and services include checking and savings accounts, credit and debit cards as well as home, auto, personal, and small business lending. Table 9a and Table 9b provide additional information for Consumer Banking and Lending.

Table 9a: Consumer Banking and Lending – Income Statement and Selected Metrics

	Year ended December 31,						
($ in millions, unless otherwise noted)	**2022**	2021	$ Change 2022/ 2021	% Change 2022/ 2021	2020	$ Change 2021/ 2020	% Change 2021/ 2020
Income Statement							
Net interest income	**$ 27,044**	22,807	4,237	19 %	$ 23,378	(571)	(2)%
Noninterest income:							
Deposit-related fees	**3,093**	3,045	48	2	2,904	141	5
Card fees	**4,067**	3,930	137	3	3,318	612	18
Mortgage banking	**1,100**	4,490	(3,390)	(76)	3,224	1,266	39
Other	**506**	605	(99)	(16)	1,192	(587)	(49)
Total noninterest income	**8,766**	12,070	(3,304)	(27)	10,638	1,432	13
Total revenue	**35,810**	34,877	933	3	34,016	861	3
Net charge-offs	**1,693**	1,439	254	18	1,875	(436)	(23)
Change in the allowance for credit losses	**583**	(2,617)	3,200	122	3,787	(6,404)	NM
Provision for credit losses	**2,276**	(1,178)	3,454	293	5,662	(6,840)	NM
Noninterest expense	**26,277**	24,648	1,629	7	26,976	(2,328)	(9)
Income before income tax expense	**7,257**	11,407	(4,150)	(36)	1,378	10,029	728
Income tax expense	**1,816**	2,852	(1,036)	(36)	302	2,550	844
Net income	**$ 5,441**	8,555	(3,114)	(36)	$ 1,076	7,479	695
Revenue by Line of Business							
Consumer and Small Business Banking	**$ 23,421**	18,958	4,463	24	$ 18,684	274	1
Consumer Lending:							
Home Lending	**4,221**	8,154	(3,933)	(48)	7,875	279	4
Credit Card	**5,271**	4,928	343	7	4,685	243	5
Auto	**1,716**	1,733	(17)	(1)	1,575	158	10
Personal Lending	**1,181**	1,104	77	7	1,197	(93)	(8)
Total revenue	**$ 35,810**	34,877	933	3	$ 34,016	861	3
Selected Metrics							
Consumer Banking and Lending:							
Return on allocated capital (1)	**10.8%**	17.2			1.6 %		
Efficiency ratio (2)	**73**	71			79		
Retail bank branches (#)	**4,598**	4,777		(4)	5,032		(5)
Digital active customers (# in millions) (3)	**33.5**	33.0		2	32.0		3
Mobile active customers (# in millions) (3)	**28.3**	27.3		4	26.0		5
Consumer and Small Business Banking:							
Deposit spread (4)	**2.0%**	1.5			1.8 %		
Debit card purchase volume ($ in billions) (5)	**$ 486.6**	471.5	15.1	3	$ 391.9	79.6	20
Debit card purchase transactions (# in millions) (5)	**9,852**	9,808		—	8,792		12

(continued on following page)

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($ in millions, unless otherwise noted)	2022	2021	$ Change 2022/ 2021	% Change 2022/ 2021	2020	$ Change 2021/ 2020	% Change 2021/ 2020
							Year ended December 31,
Home Lending:							
Mortgage banking:							
Net servicing income	$ **368**	35	333	951 %	$ (160)	195	122 %
Net gains on mortgage loan originations/sales	**732**	4,455	(3,723)	(84)	3,384	1,071	32
Total mortgage banking	$ **1,100**	4,490	(3,390)	(76)	$ 3,224	1,266	39
Originations ($ in billions):							
Retail	$ **64.3**	138.5	(74.2)	(54)	$ 118.7	19.8	17
Correspondent	**43.8**	66.5	(22.7)	(34)	104.0	(37.5)	(36)
Total originations	$ **108.1**	205.0	(96.9)	(47)	$ 222.7	(17.7)	(8)
% of originations held for sale (HFS)	**52.5 %**	64.6			73.9 %		
Third-party mortgage loans serviced (period-end) ($ in billions) (6)	$ **679.2**	716.8	(37.6)	(5)	$ 856.7	(139.9)	(16)
Mortgage servicing rights (MSR) carrying value (period-end)	**9,310**	6,920	2,390	35	6,125	795	13
Ratio of MSR carrying value (period-end) to third-party mortgage loans serviced (period-end) (6)	**1.37 %**	0.97			0.71 %		
Home lending loans 30+ days delinquency rate (7)(8)(9)	**0.31**	0.39			0.64		
Credit Card:							
Point of sale (POS) volume ($ in billions)	$ **119.1**	95.3	23.8	25	$ 75.3	20.0	27
New accounts (# in thousands)	**2,153**	1,640		31	1,022		60
Credit card loans 30+ days delinquency rate	**2.08 %**	1.52			2.26 %		
Credit card loans 90+ days delinquency rate	**1.01**	0.72			1.04		
Auto:							
Auto originations ($ in billions)	$ **23.1**	33.9	(10.8)	(32)	$ 22.8	11.1	49
Auto loans 30+ days delinquency rate (8)	**2.64 %**	1.84			1.77 %		
Personal Lending:							
New volume ($ in billions)	$ **12.6**	9.8	2.8	29	$ 7.9	1.9	24

NM – Not meaningful
(1) Return on allocated capital is segment net income (loss) applicable to common stock divided by segment average allocated capital. Segment net income (loss) applicable to common stock is segment net income (loss) less allocated preferred stock dividends.
(2) Efficiency ratio is segment noninterest expense divided by segment total revenue (net interest income and noninterest income).
(3) Digital and mobile active customers is the number of consumer and small business customers who have logged on via a digital or mobile device, respectively, in the prior 90 days. Digital active customers includes both online and mobile customers.
(4) Deposit spread is (i) the internal funds transfer pricing credit on segment deposits minus interest paid to customers for segment deposits, divided by (ii) average segment deposits.
(5) Debit card purchase volume and transactions reflect combined activity for both consumer and business debit card purchases.
(6) Excludes residential mortgage loans subserviced for others.
(7) Excludes residential mortgage loans insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA) and loans held for sale.
(8) Excludes nonaccrual loans.
(9) Beginning in second quarter 2020, customer payment deferral activities instituted in response to the COVID-19 pandemic may have delayed the recognition of delinquencies for those customers who would have otherwise moved into past due or nonaccrual status.

Full year 2022 vs. full year 2021

Revenue increased driven by:
- higher net interest income reflecting higher interest rates and higher average deposit balances and deposit spreads;
- higher card fees reflecting higher network revenue as well as higher interchange fees, net of rewards, driven by increased purchase and transaction volumes; and
- higher deposit-related fees reflecting lower fee waivers as 2021 included additional accommodations to support customers, and a higher volume of monthly account service fees in 2022, partially offset by the elimination of non-sufficient funds and other fees in 2022 as well as initiatives to help customers avoid overdraft fees;

partially offset by:
- lower mortgage banking noninterest income due to lower origination volumes and gain on sale margins, and lower revenue related to the resecuritization of loans we purchased from GNMA loan securitization pools.

Provision for credit losses increased reflecting loan growth, a less favorable economic environment, and higher net charge-offs.

Noninterest expense increased driven by:
- higher operating losses reflecting higher expenses primarily related to a variety of historical matters, including litigation, regulatory, and customer remediation matters; and
- higher operating costs;

partially offset by:
- lower personnel expense driven by lower revenue-related incentive compensation in Home Lending due to lower production and the impact of efficiency initiatives, partially offset by higher severance expense;

- lower occupancy expense as well as lower professional and outside services expense related to efficiency initiatives; and
- lower donation expense due to higher donations of PPP processing fees in 2021.

Table 9b: Consumer Banking and Lending – Balance Sheet

					Year ended December 31,		
(in millions)	**2022**	2021	$ Change 2022/ 2021	% Change 2022/ 2021	2020	$ Change 2021/ 2020	% Change 2021/ 2020
Selected Balance Sheet Data (average)							
Loans by Line of Business:							
Consumer and Small Business Banking	**$ 10,132**	16,625	(6,493)	(39)%	$ 15,173	1,452	10 %
Consumer Lending:							
Home Lending	**219,157**	224,446	(5,289)	(2)	268,586	(44,140)	(16)
Credit Card	**34,151**	29,052	5,099	18	30,861	(1,809)	(6)
Auto	**55,994**	52,293	3,701	7	49,460	2,833	6
Personal Lending	**12,999**	11,469	1,530	13	12,383	(914)	(7)
Total loans	**$ 332,433**	333,885	(1,452)	—	$ 376,463	(42,578)	(11)
Total deposits	**883,130**	834,739	48,391	6	722,085	112,654	16
Allocated capital	**48,000**	48,000	—	—	48,000	—	—
Selected Balance Sheet Data (period-end)							
Loans by Line of Business:							
Consumer and Small Business Banking	**$ 9,704**	11,270	(1,566)	(14)	$ 17,743	(6,473)	(36)
Consumer Lending:							
Home Lending	**223,525**	214,407	9,118	4	253,942	(39,535)	(16)
Credit Card	**38,475**	31,671	6,804	21	30,178	1,493	5
Auto	**54,281**	57,260	(2,979)	(5)	49,072	8,188	17
Personal Lending	**14,544**	11,966	2,578	22	11,861	105	1
Total loans	**$ 340,529**	326,574	13,955	4	$ 362,796	(36,222)	(10)
Total deposits	**859,695**	883,674	(23,979)	(3)	784,565	99,109	13

Full year 2022 vs. full year 2021

Total loans (average) decreased driven by:
- a decline in PPP loans in Consumer and Small Business Banking; and
- a decline in Home Lending loan balances due to the resecuritization of loans we purchased from GNMA loan securitization pools and the continued pause in originating home equity loans;

partially offset by:
- higher customer purchase volume and the impact of new products in our Credit Card business; and
- higher loan balances in our Auto business.

Total loans (period-end) increased driven by:
- originations exceeding paydowns in Home Lending;
- higher customer purchase volume and the impact of new products in our Credit Card business; and
- growth in our Personal Lending business;

partially offset by:
- a decline in our Auto business due to lower origination volumes reflecting credit tightening actions and rising interest rates; and
- a decline in PPP loans in Consumer and Small Business Banking.

Total deposits (average) increased driven by higher levels of customer liquidity and savings in the first half of 2022, partially offset by increased consumer spending in the second half of 2022, customers continuing to allocate more cash into higher yielding liquid alternatives, and lower servicing escrow deposits.

Total deposits (period-end) decreased driven by increased consumer spending, customers continuing to allocate more cash into higher yielding liquid alternatives, and lower servicing escrow deposits.

Commercial Banking provides financial solutions to private, family owned and certain public companies. Products and services include banking and credit products across multiple industry sectors and municipalities, secured lending and lease products, and treasury management. Table 9c and Table 9d provide additional information for Commercial Banking.

Table 9c: Commercial Banking – Income Statement and Selected Metrics

	Year ended December 31,						
($ in millions)	**2022**	2021	$ Change 2022/ 2021	% Change 2022/ 2021	2020	$ Change 2021/ 2020	% Change 2021/ 2020
Income Statement							
Net interest income	**$ 7,289**	4,960	2,329	47 %	$ 6,134	(1,174)	(19)%
Noninterest income:							
Deposit-related fees	**1,131**	1,285	(154)	(12)	1,219	66	5
Lending-related fees	**491**	532	(41)	(8)	531	1	—
Lease income	**710**	682	28	4	646	36	6
Other	**1,299**	1,090	209	19	645	445	69
Total noninterest income	**3,631**	3,589	42	1	3,041	548	18
Total revenue	**10,920**	8,549	2,371	28	9,175	(626)	(7)
Net charge-offs	**4**	101	(97)	(96)	590	(489)	(83)
Change in the allowance for credit losses	**(538)**	(1,601)	1,063	66	3,154	(4,755)	NM
Provision for credit losses	**(534)**	(1,500)	966	64	3,744	(5,244)	NM
Noninterest expense	**6,058**	5,862	196	3	6,323	(461)	(7)
Income (loss) before income tax expense (benefit)	**5,396**	4,187	1,209	29	(892)	5,079	569
Income tax expense (benefit)	**1,366**	1,045	321	31	(208)	1,253	602
Less: Net income from noncontrolling interests	**12**	8	4	50	5	3	60
Net income (loss)	**$ 4,018**	3,134	884	28	$ (689)	3,823	555
Revenue by Line of Business							
Middle Market Banking	**$ 6,574**	4,642	1,932	42	$ 5,067	(425)	(8)
Asset-Based Lending and Leasing	**4,346**	3,907	439	11	4,108	(201)	(5)
Total revenue	**$ 10,920**	8,549	2,371	28	$ 9,175	(626)	(7)
Revenue by Product							
Lending and leasing	**$ 5,253**	4,835	418	9	$ 5,432	(597)	(11)
Treasury management and payments	**4,483**	2,825	1,658	59	3,205	(380)	(12)
Other	**1,184**	889	295	33	538	351	65
Total revenue	**$ 10,920**	8,549	2,371	28	$ 9,175	(626)	(7)
Selected Metrics							
Return on allocated capital	**19.7 %**	15.1			(4.5)%		
Efficiency ratio	**55**	69			69		

NM – Not meaningful

Full year 2022 vs. full year 2021

Revenue increased driven by:
- higher net interest income reflecting higher interest rates and deposit spreads as well as higher loan balances; and
- higher other noninterest income driven by higher net gains from equity securities and higher income from renewable energy investments;

partially offset by:
- lower deposit-related fees driven by the impact of higher earnings credit rates, which result in lower fees for commercial customers.

Provision for credit losses reflected loan growth and a less favorable economic environment, partially offset by lower net charge-offs.

Noninterest expense increased driven by higher operating costs and operating losses, partially offset by the impact of efficiency initiatives.

Table 9d: Commercial Banking – Balance Sheet

						Year ended December 31,	
(in millions)	**2022**	2021	$ Change 2022/ 2021	% Change 2022/ 2021	2020	$ Change 2021/ 2020	% Change 2021/ 2020
Selected Balance Sheet Data (average)							
Loans:							
Commercial and industrial	**$ 147,379**	120,396	26,983	22 %	$ 143,263	(22,867)	(16)%
Commercial real estate	**45,130**	47,018	(1,888)	(4)	52,220	(5,202)	(10)
Lease financing and other	**13,523**	13,823	(300)	(2)	15,953	(2,130)	(13)
Total loans	**$ 206,032**	181,237	24,795	14	$ 211,436	(30,199)	(14)
Loans by Line of Business:							
Middle Market Banking	**$ 114,634**	102,882	11,752	11	$ 112,848	(9,966)	(9)
Asset-Based Lending and Leasing	**91,398**	78,355	13,043	17	98,588	(20,233)	(21)
Total loans	**$ 206,032**	181,237	24,795	14	$ 211,436	(30,199)	(14)
Total deposits	**186,079**	197,269	(11,190)	(6)	178,946	18,323	10
Allocated capital	**19,500**	19,500	—	—	19,500	—	—
Selected Balance Sheet Data (period-end)							
Loans:							
Commercial and industrial	**$ 163,797**	131,078	32,719	25	$ 124,253	6,825	5
Commercial real estate	**45,816**	45,467	349	1	49,903	(4,436)	(9)
Lease financing and other	**13,916**	13,803	113	1	14,821	(1,018)	(7)
Total loans	**$ 223,529**	190,348	33,181	17	$ 188,977	1,371	1
Loans by Line of Business:							
Middle Market Banking	**$ 121,192**	106,834	14,358	13	$ 101,193	5,641	6
Asset-Based Lending and Leasing	**102,337**	83,514	18,823	23	87,784	(4,270)	(5)
Total loans	**$ 223,529**	190,348	33,181	17	$ 188,977	1,371	1
Total deposits	**173,942**	205,428	(31,486)	(15)	188,292	17,136	9

Full year 2022 vs. full year 2021

Total loans (average and period-end) increased driven by growth in new commitments with existing and new customers as well as higher line utilization and increased originations.

Total deposits (average and period-end) decreased reflecting:

- customers continuing to allocate more cash into higher yielding liquid alternatives;
- the transfer of certain customer accounts to the Consumer Banking and Lending operating segment in first quarter 2022; and
- actions taken in 2021 and early 2022 to manage under the asset cap.

Corporate and Investment Banking delivers a suite of capital markets, banking, and financial products and services to corporate, commercial real estate, government and institutional clients globally. Products and services include corporate banking, investment banking, treasury management, commercial real estate lending and servicing, equity and fixed income solutions as well as sales, trading, and research capabilities. Table 9e and Table 9f provide additional information for Corporate and Investment Banking.

Table 9e: Corporate and Investment Banking – Income Statement and Selected Metrics

							Year ended December 31,
($ in millions)	2022	2021	$ Change 2022/ 2021	% Change 2022/ 2021	2020	$ Change 2021/ 2020	% Change 2021/ 2020
Income Statement							
Net interest income	$ 8,733	7,410	1,323	18 %	$ 7,509	(99)	(1)%
Noninterest income:							
Deposit-related fees	1,068	1,112	(44)	(4)	1,062	50	5
Lending-related fees	769	761	8	1	684	77	11
Investment banking fees	1,492	2,405	(913)	(38)	1,952	453	23
Net gains from trading activities	1,886	272	1,614	593	1,190	(918)	(77)
Other	1,294	1,879	(585)	(31)	1,531	348	23
Total noninterest income	6,509	6,429	80	1	6,419	10	—
Total revenue	15,242	13,839	1,403	10	13,928	(89)	(1)
Net charge-offs	(48)	(22)	(26)	NM	742	(764)	NM
Change in the allowance for credit losses	(137)	(1,417)	1,280	90	4,204	(5,621)	NM
Provision for credit losses	(185)	(1,439)	1,254	87	4,946	(6,385)	NM
Noninterest expense	7,560	7,200	360	5	7,703	(503)	(7)
Income before income tax expense	7,867	8,078	(211)	(3)	1,279	6,799	532
Income tax expense	1,989	2,019	(30)	(1)	330	1,689	512
Less: Net loss from noncontrolling interests	—	(3)	3	100	(1)	(2)	NM
Net income	$ 5,878	6,062	(184)	(3)	$ 950	5,112	538
Revenue by Line of Business							
Banking:							
Lending	$ 2,222	1,948	274	14	$ 1,767	181	10
Treasury Management and Payments	2,369	1,468	901	61	1,680	(212)	(13)
Investment Banking	1,206	1,654	(448)	(27)	1,448	206	14
Total Banking	5,797	5,070	727	14	4,895	175	4
Commercial Real Estate	4,534	3,963	571	14	3,607	356	10
Markets:							
Fixed Income, Currencies, and Commodities (FICC)	3,660	3,710	(50)	(1)	4,314	(604)	(14)
Equities	1,115	897	218	24	1,204	(307)	(25)
Credit Adjustment (CVA/DVA) and Other	20	91	(71)	(78)	26	65	250
Total Markets	4,795	4,698	97	2	5,544	(846)	(15)
Other	116	108	8	7	(118)	226	192
Total revenue	$ 15,242	13,839	1,403	10	$ 13,928	(89)	(1)
Selected Metrics							
Return on allocated capital	15.3 %	16.9			1.8 %		
Efficiency ratio	50	52			55		

NM – Not meaningful

Full year 2022 vs. full year 2021

Revenue increased driven by:
- higher net interest income reflecting higher interest rates as well as higher loan balances; and
- higher net gains from trading activities driven by higher commodities, foreign exchange, rates, and equities trading revenue;

partially offset by:
- lower investment banking fees due to lower market activity; and
- lower other noninterest income driven by lower mortgage banking income due to lower commercial MBS gain on sale margins and volumes.

Provision for credit losses reflected loan growth and a less favorable economic environment.

Noninterest expense increased driven by higher operating costs and operating losses, partially offset by the impact of efficiency initiatives.

Table 9f: Corporate and Investment Banking – Balance Sheet

							Year ended December 31,
(in millions)	2022	2021	$ Change 2022/ 2021	% Change 2022/ 2021	2020	$ Change 2021/ 2020	% Change 2021/ 2020
Selected Balance Sheet Data (average)							
Loans:							
Commercial and industrial	**$ 198,424**	170,713	27,711	16 %	$ 172,492	(1,779)	(1)%
Commercial real estate	**98,560**	86,323	12,237	14	82,832	3,491	4
Total loans	**$ 296,984**	257,036	39,948	16	$ 255,324	1,712	1
Loans by Line of Business:							
Banking	**$ 106,440**	93,766	12,674	14	$ 93,501	265	—
Commercial Real Estate	**133,719**	110,978	22,741	20	108,279	2,699	2
Markets	**56,825**	52,292	4,533	9	53,544	(1,252)	(2)
Total loans	**$ 296,984**	257,036	39,948	16	$ 255,324	1,712	1
Trading-related assets:							
Trading account securities	**$ 112,213**	110,386	1,827	2	$ 109,803	583	1
Reverse repurchase agreements/securities borrowed	**50,491**	59,044	(8,553)	(14)	71,485	(12,441)	(17)
Derivative assets	**27,421**	25,315	2,106	8	21,986	3,329	15
Total trading-related assets	**$ 190,125**	194,745	(4,620)	(2)	$ 203,274	(8,529)	(4)
Total assets	**557,396**	523,344	34,052	7	521,514	1,830	—
Total deposits	**161,720**	189,176	(27,456)	(15)	234,332	(45,156)	(19)
Allocated capital	**36,000**	34,000	2,000	6	34,000	—	—
Selected Balance Sheet Data (period-end)							
Loans:							
Commercial and industrial	**$ 196,529**	191,391	5,138	3	$ 160,000	31,391	20
Commercial real estate	**101,848**	92,983	8,865	10	84,456	8,527	10
Total loans	**$ 298,377**	284,374	14,003	5	$ 244,456	39,918	16
Loans by Line of Business:							
Banking	**$ 101,183**	101,926	(743)	(1)	$ 84,640	17,286	20
Commercial Real Estate	**137,495**	125,926	11,569	9	107,207	18,719	17
Markets	**59,699**	56,522	3,177	6	52,609	3,913	7
Total loans	**$ 298,377**	284,374	14,003	5	$ 244,456	39,918	16
Trading-related assets:							
Trading account securities	**$ 111,801**	108,697	3,104	3	$ 109,311	(614)	(1)
Reverse repurchase agreements/securities borrowed	**55,407**	55,973	(566)	(1)	57,248	(1,275)	(2)
Derivative assets	**22,218**	21,398	820	4	25,916	(4,518)	(17)
Total trading-related assets	**$ 189,426**	186,068	3,358	2	$ 192,475	(6,407)	(3)
Total assets	**550,177**	546,549	3,628	1	508,518	38,031	7
Total deposits	**157,217**	168,609	(11,392)	(7)	203,004	(34,395)	(17)

Full year 2022 vs. full year 2021

Total assets (average and period-end) increased driven by higher loan balances reflecting broad-based loan demand driven by a modest increase in utilization rates due to increased client working capital needs.

Total deposits (average) decreased driven by customers continuing to allocate more cash into higher yielding liquid alternatives as well as actions taken in 2021 and early 2022 to manage under the asset cap.

Total deposits (period-end) decreased driven by customers continuing to allocate more cash into higher yielding liquid alternatives.

Wealth and Investment Management provides personalized wealth management, brokerage, financial planning, lending, private banking, trust and fiduciary products and services to affluent, high-net worth and ultra-high-net worth clients. We operate through financial advisors in our brokerage and wealth offices, consumer bank branches, independent offices, and digitally through WellsTrade® and Intuitive Investor®. Table 9g and Table 9h provide additional information for Wealth and Investment Management (WIM).

Table 9g: Wealth and Investment Management

					Year ended December 31,			
($ in millions, unless otherwise noted)	2022	2021	$ Change 2022/ 2021	% Change 2022/ 2021	2020	$ Change 2021/ 2020	% Change 2021/ 2020
Income Statement							
Net interest income	$ 3,927	2,570	1,357	53 %	$ 2,988	(418)	(14)%
Noninterest income:							
Investment advisory and other asset-based fees	8,847	9,574	(727)	(8)	8,085	1,489	18
Commissions and brokerage services fees	1,931	2,010	(79)	(4)	2,078	(68)	(3)
Other	117	192	(75)	(39)	62	130	210
Total noninterest income	10,895	11,776	(881)	(7)	10,225	1,551	15
Total revenue	14,822	14,346	476	3	13,213	1,133	9
Net charge-offs	(7)	10	(17)	NM	(3)	13	433
Change in the allowance for credit losses	(18)	(105)	87	83	252	(357)	NM
Provision for credit losses	(25)	(95)	70	74	249	(344)	NM
Noninterest expense	11,613	11,734	(121)	(1)	10,912	822	8
Income before income tax expense	3,234	2,707	527	19	2,052	655	32
Income tax expense	812	680	132	19	514	166	32
Net income	$ 2,422	2,027	395	19	$ 1,538	489	32
Selected Metrics							
Return on allocated capital	27.1 %	22.6			17.0 %		
Efficiency ratio	78	82			83		
Advisory assets ($ in billions)	$ 797	964	(167)	(17)	$ 853	111	13
Other brokerage assets and deposits ($ in billions)	1,064	1,219	(155)	(13)	1,152	67	6
Total client assets ($ in billions)	$ 1,861	2,183	(322)	(15)	$ 2,005	178	9
Annualized revenue per advisor ($ in thousands) (1)	1,219	1,114	105	9	939	175	19
Total financial and wealth advisors (#) (period-end)	12,027	12,367		(3)	13,513		(8)
Selected Balance Sheet Data (average)							
Total loans	$ 85,228	82,364	2,864	3	$ 78,775	3,589	5
Total deposits	164,883	176,562	(11,679)	(7)	162,476	14,086	9
Allocated capital	8,750	8,750	—	—	8,750	—	—
Selected Balance Sheet Data (period-end)							
Total loans	$ 84,273	84,101	172	—	$ 80,785	3,316	4
Total deposits	138,760	192,548	(53,788)	(28)	175,483	17,065	10

NM – Not meaningful
(1) Represents annualized segment total revenue divided by average total financial and wealth advisors for the period.

Full year 2022 vs. full year 2021

Revenue increased driven by:
- higher net interest income driven by higher interest rates, partially offset by lower deposit balances;

partially offset by:
- lower investment advisory and other asset-based fees due to lower average market valuations and net outflows of advisory assets; and
- lower commissions and brokerage services fees driven by lower transactional revenue.

Provision for credit losses reflected loan growth and a less favorable economic environment.

Noninterest expense decreased driven by:
- lower personnel expense driven by lower revenue-related compensation; and
- the impact of efficiency initiatives.

Total deposits (period-end) decreased as customers continued to allocate more cash into higher yielding liquid alternatives.

WIM Advisory Assets In addition to transactional accounts, WIM offers advisory account relationships to brokerage customers. Fees from advisory accounts are based on a percentage of the market value of the assets as of the beginning of the quarter, which vary across the account types based on the distinct services provided, and are affected by investment performance as well as asset inflows and outflows. Advisory accounts include assets that are financial advisor-directed and separately managed by third-party managers as well as certain client-directed brokerage assets where we earn a fee for advisory and other services, but do not have investment discretion.

WIM also manages personal trust and other assets for high net worth clients, with fee income earned based on a percentage of the market value of these assets. Table 9h presents advisory assets activity by WIM line of business. Management believes that advisory assets is a useful metric because it allows management, investors, and others to assess how changes in asset amounts may impact the generation of certain asset-based fees.

For the years ended December 31, 2022, 2021 and 2020, the average fee rate by account type ranged from 50 to 120 basis points.

Table 9h: WIM Advisory Assets

					Year ended
(in billions)	Balance, beginning of period	Inflows (1)	Outflows (2)	Market impact (3)	Balance, end of period
December 31, 2022					
Client-directed (4)	**$ 205.6**	**31.8**	**(39.0)**	**(33.2)**	**165.2**
Financial advisor-directed (5)	**255.5**	**41.6**	**(44.2)**	**(30.0)**	**222.9**
Separate accounts (6)	**203.3**	**24.6**	**(26.5)**	**(24.9)**	**176.5**
Mutual fund advisory (7)	**102.1**	**8.7**	**(15.0)**	**(17.2)**	**78.6**
Total Wells Fargo Advisors	**$ 766.5**	**106.7**	**(124.7)**	**(105.3)**	**643.2**
The Private Bank (8)	**198.0**	**27.4**	**(47.1)**	**(24.7)**	**153.6**
Total WIM advisory assets	**$ 964.5**	**134.1**	**(171.8)**	**(130.0)**	**796.8**
December 31, 2021					
Client-directed (4)	$ 186.3	41.5	(45.0)	22.8	205.6
Financial advisor-directed (5)	211.0	48.7	(41.1)	36.9	255.5
Separate accounts (6)	174.6	31.8	(30.7)	27.6	203.3
Mutual fund advisory (7)	91.4	15.6	(15.0)	10.1	102.1
Total Wells Fargo Advisors	$ 663.3	137.6	(131.8)	97.4	766.5
The Private Bank (8)	189.4	40.0	(51.1)	19.7	198.0
Total WIM advisory assets	$ 852.7	177.6	(182.9)	117.1	964.5
December 31, 2020					
Client directed (4)	$ 169.4	36.4	(38.2)	18.7	186.3
Financial advisor directed (5)	176.3	40.6	(33.6)	27.7	211.0
Separate accounts (6)	160.1	24.6	(27.4)	17.3	174.6
Mutual fund advisory (7)	83.7	11.3	(13.9)	10.3	91.4
Total Wells Fargo Advisors	$ 589.5	112.9	(113.1)	74.0	663.3
The Private Bank (8)	188.0	34.0	(45.8)	13.2	189.4
Total WIM advisory assets	$ 777.5	146.9	(158.9)	87.2	852.7

(1) Inflows include new advisory account assets, contributions, dividends and interest.
(2) Outflows include closed advisory account assets, withdrawals and client management fees.
(3) Market impact reflects gains and losses on portfolio investments.
(4) Investment advice and other services are provided to client, but decisions are made by the client and the fees earned are based on a percentage of the advisory account assets, not the number and size of transactions executed by the client.
(5) Professionally managed portfolios with fees earned based on respective strategies and as a percentage of certain client assets.
(6) Professional advisory portfolios managed by third-party asset managers. Fees are earned based on a percentage of certain client assets.
(7) Program with portfolios constructed of load-waived, no-load and institutional share class mutual funds. Fees are earned based on a percentage of certain client assets.
(8) Discretionary and non-discretionary portfolios held in personal trusts, investment agency, or custody accounts with fees earned based on a percentage of client assets.

Corporate includes corporate treasury and enterprise functions, net of allocations (including funds transfer pricing, capital, liquidity and certain expenses), in support of the reportable operating segments as well as our investment portfolio and affiliated venture capital and private equity businesses. In addition, Corporate includes all restructuring charges related to our efficiency initiatives. See Note 20 (Revenue and Expenses) to Financial Statements in this Report for additional information on restructuring charges. Corporate also includes certain lines of business that management has determined are no longer consistent with the long-term strategic goals of the Company as well as results for previously divested businesses. In fourth quarter 2021, we completed the sales of Wells Fargo Asset Management (WFAM) and our Corporate Trust Services business; however, we continue to provide certain services related to these businesses pursuant to transition services agreements. The transition services agreement related to the sale of our Institutional Retirement and Trust business terminated in June 2022. Table 9i and Table 9j provide additional information for Corporate.

Table 9i: Corporate – Income Statement

					Year ended December 31,			
(in millions)	**2022**	2021	$ Change 2022/ 2021	% Change 2022/ 2021	2020	$ Change 2021/ 2020	% Change 2021/ 2020
Income Statement							
Net interest income	**$ (1,607)**	(1,541)	(66)	(4)%	$ 441	(1,982)	NM
Noninterest income	**609**	10,036	(9,427)	(94)	4,916	5,120	104 %
Total revenue	**(998)**	8,495	(9,493)	NM	5,357	3,138	59
Net charge-offs	**(33)**	54	(87)	NM	166	(112)	(67)
Change in the allowance for credit losses	**35**	3	32	NM	(638)	641	100
Provision for credit losses	**2**	57	(55)	(96)	(472)	529	112
Noninterest expense	**5,774**	4,387	1,387	32	5,716	(1,329)	(23)
Income (loss) before income tax expense (benefit)	**(6,774)**	4,051	(10,825)	NM	113	3,938	NM
Income tax expense (benefit)	**(1,885)**	596	(2,481)	NM	(670)	1,266	189
Less: Net income (loss) from noncontrolling interests (1)	**(312)**	1,685	(1,997)	NM	281	1,404	500
Net income (loss)	**$ (4,577)**	1,770	(6,347)	NM	$ 502	1,268	253

NM – Not meaningful
(1) Reflects results attributable to noncontrolling interests predominantly associated with the Company's consolidated venture capital investments.

Full year 2022 vs. full year 2021

Revenue decreased driven by:
- lower net gains from equity securities due to lower unrealized and realized gains on nonmarketable equity securities from our affiliated venture capital and private equity businesses, and higher impairment driven by market conditions;
- lower investment advisory and other asset-based fees reflecting divestitures in 2021;
- lower gains on sales of corporate debt securities; and
- gains in 2021 on the sales of our Corporate Trust Services business, our student loan portfolio, and WFAM;

partially offset by:
- higher net gains from trading activities;
- lower valuation losses related to the retained litigation risk associated with shares of Visa Class B common stock that we sold; and
- higher lease income driven by a $268 million impairment in 2021 of certain rail cars in our rail car leasing business that are used for the transportation of coal products.

Provision for credit losses decreased due to lower net charge-offs driven by the sale of our student loan portfolio in 2021.

Noninterest expense increased due to:
- higher operating losses reflecting higher expenses primarily related to a variety of historical matters, including litigation and regulatory matters;

partially offset by:
- the impact of divestitures;
- a write-down of goodwill in 2021 related to the sale of our student loan portfolio;
- lower lease expense driven by lower depreciation expense from a reduction in the size of our rail car leasing business; and
- lower restructuring charges.

Corporate includes our rail car leasing business, which had long-lived operating lease assets, net of accumulated depreciation, of $4.7 billion and $5.1 billion as of December 31, 2022, and December 31, 2021, respectively. The average age of our rail cars is 22 years and the rail cars are typically leased to customers under short-term leases of 3 to 5 years. Our three largest concentrations, which represented 55% of our rail car fleet as of December 31, 2022, were rail cars used for the transportation of agricultural grain, coal, and cement/sand products. Impairment may result in the future based on changing economic and market conditions affecting the long-term demand and utility of specific types of rail cars. Our assumptions for impairment are sensitive to estimated utilization and rental rates as well as the estimated economic life of the leased asset. For additional information on the accounting for impairment of operating lease assets, see Note 1 (Summary of Significant Accounting Policies) and Note 8 (Leasing Activity) to Financial Statements in this Report.

Table 9j: Corporate – Balance Sheet

							Year ended December 31,
(in millions)	**2022**	2021	$ Change 2022/ 2021	% Change 2022/ 2021	2020	$ Change 2021/ 2020	% Change 2021/ 2020
Selected Balance Sheet Data (average)							
Cash, cash equivalents, and restricted cash	**$ 147,192**	236,124	(88,932)	(38)%	$ 183,420	52,704	29 %
Available-for-sale debt securities	**124,308**	181,841	(57,533)	(32)	221,493	(39,652)	(18)
Held-to-maturity debt securities	**290,087**	244,735	45,352	19	172,755	71,980	42
Equity securities	**15,695**	12,720	2,975	23	12,445	275	2
Total loans	**9,143**	9,766	(623)	(6)	19,790	(10,024)	(51)
Total assets	**638,017**	743,089	(105,072)	(14)	675,250	67,839	10
Total deposits	**28,457**	40,066	(11,609)	(29)	78,172	(38,106)	(49)
Selected Balance Sheet Data (period-end)							
Cash, cash equivalents, and restricted cash	**$ 127,106**	209,696	(82,590)	(39)	$ 235,262	(25,566)	(11)
Available-for-sale debt securities	**102,669**	165,926	(63,257)	(38)	208,694	(42,768)	(20)
Held-to-maturity debt securities	**294,141**	269,285	24,856	9	204,858	64,427	31
Equity securities	**15,508**	16,549	(1,041)	(6)	10,305	6,244	61
Total loans	**9,163**	9,997	(834)	(8)	10,623	(626)	(6)
Total assets	**601,214**	721,335	(120,121)	(17)	728,667	(7,332)	(1)
Total deposits	**54,371**	32,220	22,151	69	53,037	(20,817)	(39)

Full year 2022 vs. full year 2021

Total assets (average and period-end) decreased reflecting:
- a decrease in cash, cash equivalents, and restricted cash managed by corporate treasury as a result of payments on long-term debt and an increase in loans originated in the operating segments; and
- lower available-for-sale debt securities due to sales and net unrealized losses as well as a transfer from available-for-sale debt securities to held-to-maturity debt securities related to portfolio rebalancing to manage liquidity and interest rate risk.

Total deposits (average) decreased driven by the transition of deposits related to divested businesses.

Total deposits (period-end) increased driven by issuances of certificates of deposit (CDs), partially offset by the transition of deposits related to divested businesses.

Balance Sheet Analysis

At December 31, 2022, our assets totaled $1.88 trillion, down $67.1 billion from December 31, 2021.

The following discussion provides additional information about the major components of our consolidated balance sheet. See the "Capital Management" section in this Report for information on changes in our equity.

Available-for-Sale and Held-to-Maturity Debt Securities

Table 10: Available-for-Sale and Held-to-Maturity Debt Securities

				December 31, 2022					December 31, 2021
($ in millions)		**Amortized cost, net (1)**	**Net unrealized gains (losses)**	**Fair value**	**Weighted average expected maturity (yrs)**		Amortized cost, net (1)	Net unrealized gains (losses)	Fair value	Weighted average expected maturity (yrs)
Available-for-sale (2)	$	**121,725**	**(8,131)**	**113,594**	**5.4**	$	175,463	1,781	177,244	5.2
Held-to-maturity (3)		**297,059**	**(41,538)**	**255,521**	**8.1**		272,022	364	272,386	6.3
Total	$	**418,784**	**(49,669)**	**369,115**	**n/a**	$	447,485	2,145	449,630	n/a

(1) Represents amortized cost of the securities, net of the allowance for credit losses of $6 million and $8 million related to available-for-sale debt securities and $85 million and $96 million related to held-to-maturity debt securities at December 31, 2022 and 2021, respectively.
(2) Available-for-sale debt securities are carried on our consolidated balance sheet at fair value.
(3) Held-to-maturity debt securities are carried on our consolidated balance sheet at amortized cost, net of the allowance for credit losses.

Table 10 presents a summary of our portfolio of investments in available-for-sale (AFS) and held-to-maturity (HTM) debt securities. The size and composition of our AFS and HTM debt securities is dependent upon the Company's liquidity and interest rate risk management objectives. The AFS debt securities portfolio can be used to meet funding needs that arise in the normal course of business or due to market stress. Changes in our interest rate risk profile may occur due to changes in overall economic or market conditions, which could influence loan origination demand, prepayment rates, or deposit balances and mix. In response, the AFS debt securities portfolio can be rebalanced to meet the Company's interest rate risk management objectives. In addition to meeting liquidity and interest rate risk management objectives, the AFS and HTM debt securities portfolios may provide yield enhancement over other short-term assets. See the "Risk Management – Asset/Liability Management" section in this Report for additional information on liquidity and interest rate risk.

The AFS debt securities portfolio predominantly consists of liquid, high-quality U.S. Treasury and federal agency debt, and agency MBS. The portfolio also includes securities issued by U.S. states and political subdivisions and highly rated collateralized loan obligations (CLOs).

The HTM debt securities portfolio predominantly consists of liquid, high-quality U.S. Treasury and federal agency debt, and agency MBS. The portfolio also includes securities issued by U.S. states and political subdivisions and highly rated CLOs. Debt securities are classified as HTM at the time of purchase or when transferred from the AFS debt securities portfolio. Our intent is to hold these securities to maturity and collect the contractual cash flows. In January 2023, we changed our intent with respect to HTM debt securities with an amortized cost of $23.9 billion and reclassified them to AFS in connection with the adoption of a new accounting standard. For additional information, see the "Current Accounting Developments" section in this Report.

The amortized cost, net of the allowance for credit losses, of AFS and HTM debt securities decreased from December 31, 2021. Purchases of AFS and HTM debt securities were more than offset by portfolio runoff and AFS debt security sales. In addition, we transferred AFS debt securities with a fair value of $50.1 billion to HTM debt securities in 2022 due to actions taken to reposition the overall portfolio for capital management purposes. Debt securities transferred from AFS to HTM in 2022 had $4.5 billion of pre-tax unrealized losses at the time of the transfers.

The total net unrealized losses on AFS and HTM debt securities at December 31, 2022, were driven by higher interest rates and wider credit spreads.

At December 31, 2022, 99% of the combined AFS and HTM debt securities portfolio was rated AA- or above. Ratings are based on external ratings where available and, where not available, based on internal credit grades. See Note 3 (Available-for-Sale and Held-to-Maturity Debt Securities) to Financial Statements in this Report for additional information on AFS and HTM debt securities, including a summary of debt securities by security type.

Loan Portfolios

Table 11 provides a summary of total outstanding loans by portfolio segment. Commercial loans increased from December 31, 2021, predominantly due to an increase in the commercial and industrial loan portfolio, driven by higher loan demand resulting in increased originations and loan draws, partially offset by paydowns. Consumer loans increased from December 31, 2021, primarily driven by an increase in the residential mortgage portfolio due to loan originations, partially offset by loan paydowns and the transfer of first lien mortgage loans to loans held for sale (LHFS), which predominantly related to loans purchased from GNMA loan securitization pools in prior periods.

Table 11: Loan Portfolios

($ in millions)		December 31, 2022	December 31, 2021	$ Change	% Change
Commercial	$	557,516	513,120	44,396	9 %
Consumer		398,355	382,274	16,081	4
Total loans	$	955,871	895,394	60,477	7

Average loan balances and a comparative detail of average loan balances is included in Table 3 under "Earnings Performance – Net Interest Income" earlier in this Report. Additional information on total loans outstanding by portfolio segment and class of financing receivable is included in the "Risk Management – Credit Risk Management" section in this Report. Period-end balances and other loan related information are in Note 5 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report.

Table 12 shows loan maturities based on contractually scheduled repayment timing and the distribution by changes in interest rates for loans with a contractual maturity greater than one year. Nonaccrual loans and loans with indeterminate maturities have been classified as maturing within one year.

Table 12: Loan Maturities

							December 31, 2022	
		Loan maturities					Loans maturing after one year	
(in millions)		Within one year	After one year through five years	After five years through fifteen years	After fifteen years	Total	Fixed interest rates	Floating/variable interest rates
Commercial and industrial	$	134,858	229,197	21,255	1,496	386,806	21,507	230,441
Commercial real estate		43,307	88,576	22,431	1,488	155,802	19,679	92,816
Lease financing		3,283	10,159	1,400	66	14,908	11,625	—
Total commercial		181,448	327,932	45,086	3,050	557,516	52,811	323,257
Residential mortgage		10,666	30,464	87,675	140,312	269,117	179,246	79,205
Credit card		46,293	—	—	—	46,293	—	—
Auto		12,672	38,812	2,185	—	53,669	40,997	—
Other consumer		24,995	3,775	483	23	29,276	3,851	430
Total consumer		94,626	73,051	90,343	140,335	398,355	224,094	79,635
Total loans	$	276,074	400,983	135,429	143,385	955,871	276,905	402,892

Deposits

Deposits decreased from December 31, 2021, reflecting:

- customers continuing to allocate more cash into higher yielding liquid alternatives;
- increased consumer spending; and
- the transition of deposits related to divested businesses;

partially offset by:

- higher time deposits driven by issuances of certificates of deposit (CDs).

Table 13 provides additional information regarding deposit balances. Information regarding the impact of deposits on net interest income and a comparison of average deposit balances is provided in the "Earnings Performance – Net Interest Income" section and Table 3 earlier in this Report. In response to rising interest rates in 2022, our average deposit cost in fourth quarter 2022 increased to 0.46%, compared with 0.02% in fourth quarter 2021.

Table 13: Deposits

($ in millions)		Dec 31, 2022	% of total deposits		Dec 31, 2021	% of total deposits		$ Change	% Change
Noninterest-bearing demand deposits	$	458,010	33 %	$	527,748	36 %	$	(69,738)	(13)%
Interest-bearing demand deposits		428,877	31		465,887	31		(37,010)	(8)
Savings deposits		410,139	30		439,600	30		(29,461)	(7)
Time deposits		66,197	5		29,461	2		36,736	125
Interest-bearing deposits in non-U.S. offices		20,762	1		19,783	1		979	5
Total deposits	$	1,383,985	100 %	$	1,482,479	100 %	$	(98,494)	(7)

As of December 31, 2022 and 2021, total deposits that exceed Federal Deposit Insurance Corporation (FDIC) insurance limits, or are otherwise uninsured, were estimated to be $510 billion and $590 billion, respectively. Estimated uninsured domestic deposits reflect amounts disclosed in the U.S. regulatory reports of our subsidiary banks, with adjustments for amounts related to consolidated subsidiaries. All non-U.S. deposits are treated for these purposes as uninsured.

Table 14 presents the contractual maturities of estimated time deposits that exceed FDIC insurance limits, or are otherwise uninsured. All non-U.S. time deposits are uninsured.

Table 14: Uninsured Time Deposits by Maturity

(in millions)	Three months or less	After three months through six months	After six months through twelve months	After twelve months	Total
December 31, 2022					
Domestic time deposits	$ 4,514	826	857	906	7,103
Non-U.S. time deposits	499	176	—	15	690
Total	$ 5,013	1,002	857	921	7,793

Off-Balance Sheet Arrangements

In the ordinary course of business, we engage in financial transactions that are not recorded on our consolidated balance sheet, or may be recorded on our consolidated balance sheet in amounts that are different from the full contract or notional amount of the transaction. Our off-balance sheet arrangements include unfunded credit commitments, transactions with unconsolidated entities, guarantees, commitments to purchase debt and equity securities, derivatives, and other commitments. These transactions are designed to (1) meet the financial needs of customers, (2) manage our credit, market or liquidity risks, and/or (3) diversify our funding sources.

Unfunded Credit Commitments

Unfunded credit commitments are legally binding agreements to lend to customers with terms covering usage of funds, contractual interest rates, expiration dates, and any required collateral. The maximum credit risk for these commitments will generally be lower than the contractual amount because these commitments may expire without being used or may be cancelled at the customer's request. Our credit risk monitoring activities include managing the amount of commitments, both to individual customers and in total, and the size and maturity structure of these commitments. For additional information, see Note 5 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report.

Transactions with Unconsolidated Entities

In the normal course of business, we enter into various types of on- and off-balance sheet transactions with special purpose entities (SPEs), which are corporations, trusts, limited liability companies or partnerships that are established for a limited purpose. Generally, SPEs are formed in connection with securitization transactions and are considered variable interest entities (VIEs). For additional information, see Note 16 (Securitizations and Variable Interest Entities) to Financial Statements in this Report.

Guarantees and Other Arrangements

Guarantees are contracts that contingently require us to make payments to a guaranteed party based on an event or a change in an underlying asset, liability, rate or index. Guarantees are generally in the form of standby and direct pay letters of credit, written options, recourse obligations, exchange and clearing house guarantees, indemnifications, and other types of similar arrangements. For additional information, see Note 17 (Guarantees and Other Commitments) to Financial Statements in this Report.

Commitments to Purchase Debt and Equity Securities

We enter into commitments to purchase securities under resale agreements. We also may enter into commitments to purchase debt and equity securities to provide capital for customers' funding, liquidity or other future needs. For additional information, see Note 17 (Guarantees and Other Commitments) to Financial Statements in this Report.

Derivatives

We use derivatives to manage exposure to market risk, including interest rate risk, credit risk and foreign currency risk, and to assist customers with their risk management objectives. Derivatives are recorded on our consolidated balance sheet at fair value, and volume can be measured in terms of the notional amount, which is generally not exchanged, but is used only as the basis on which interest and other payments are determined. The notional amount is not recorded on our consolidated balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments. For additional information, see Note 14 (Derivatives) to Financial Statements in this Report.

Risk Management

Wells Fargo manages a variety of risks that can significantly affect our financial performance and our ability to meet the expectations of our customers, shareholders, regulators and other stakeholders.

Risk is Part of our Business Model. Risk is the possibility of an event occurring that could adversely affect the Company's ability to achieve its strategic or business objectives. The Company routinely takes risks to achieve its business goals and to serve its customers. These risks include financial risks, such as interest rate, credit, liquidity, and market risks, and non-financial risks, such as operational risk, which includes compliance and model risks, and strategic and reputation risks.

Risk Profile. The Company's risk profile is an assessment of the aggregate risks associated with the Company's exposures and business activities after taking into consideration risk management effectiveness. The Company monitors its risk profile, and the Board reviews risk profile reports and analysis.

Risk Capacity. Risk capacity is the maximum level of risk that the Company could assume given its current level of resources before triggering regulatory and other constraints on its capital and liquidity needs.

Risk Appetite. Risk appetite is the amount of risk, within its risk capacity, the Company is comfortable taking given its current level of resources. Risk appetite is articulated in our Statement of Risk Appetite, which establishes acceptable risks and at what level and includes risk appetite principles. The Company's Statement of Risk Appetite is defined by senior management, approved at least annually by the Board, and helps guide the Company's business and risk leaders. The Company continuously monitors its risk appetite, and the Board reviews reports which include risk appetite information and analysis.

Risk and Strategy. The Chief Executive Officer (CEO) drives the Company's strategic planning process, which identifies the Company's most significant opportunities and challenges, develops options to address them, and evaluates the risks and trade-offs of each. The Company's risk profile, risk capacity, risk appetite, and risk management effectiveness are considered in the strategic planning process, which is linked with the Company's capital planning process. The Company's Independent Risk Management (IRM) organization participates in strategic planning, providing challenge to and independent assessment of the risks associated with strategic initiatives. IRM also independently assesses and challenges the impact of the strategic plan on risk capacity, risk appetite, and risk management effectiveness at the principal lines of business, enterprise functions, and aggregate Company level. After review, the strategic plan is presented to the Board each year with IRM's evaluation.

Risk and Climate Change. The Company is committed to helping mitigate the impacts of climate change related to its activities and to partner with key stakeholders, including communities and customers, to do the same. The Company expects that climate change will increasingly impact the risk types it manages, and the Company will continue to integrate climate considerations into its risk management framework as its understanding of climate change and risks driven by it evolve.

Risk is Managed by Everyone. Every employee, in the course of their daily activities, creates risk and is responsible for managing risk. Every employee has a role to play in risk management, including establishing and maintaining the Company's control environment. Every employee must comply with applicable laws, regulations, and Company policies.

Risk and Culture. Senior management sets the tone at the top by supporting a strong culture, defined by the Company's expectations, that guides how employees conduct themselves and make decisions. The Board oversees senior management in establishing and maintaining this culture and effectively managing risk. Senior management expects employees to speak up when they see something that could cause harm to the Company's customers, communities, employees, shareholders, or reputation. Because risk management is everyone's responsibility, all employees are empowered to and expected to challenge risk decisions when appropriate and to escalate their concerns when they have not been addressed. The Company's performance management and incentive compensation programs are designed to establish a balanced framework for risk and reward under core principles that employees are expected to know and practice. The Board, through its Human Resources Committee, plays an important role in overseeing and providing credible challenge to the Company's performance management and incentive compensation programs. Effective risk management is a central component of employee performance evaluations.

Risk Management Framework. The Company's risk management framework sets forth the Company's core principles for managing and governing its risk. It is approved by the Board's Risk Committee and reviewed and updated annually. Many other documents and policies flow from its core principles.

Wells Fargo's top priority is to strengthen our company by building an appropriate risk and control infrastructure. We continue to enhance and mature our risk management programs, including operational and compliance risk management programs as required by the FRB's February 2, 2018, and the CFPB/OCC's April 20, 2018, consent orders.

Risk Governance

Role of the Board. The Board oversees the Company's business, including its risk management. It assesses senior management's performance and holds senior management accountable for maintaining and adhering to an effective risk management program.

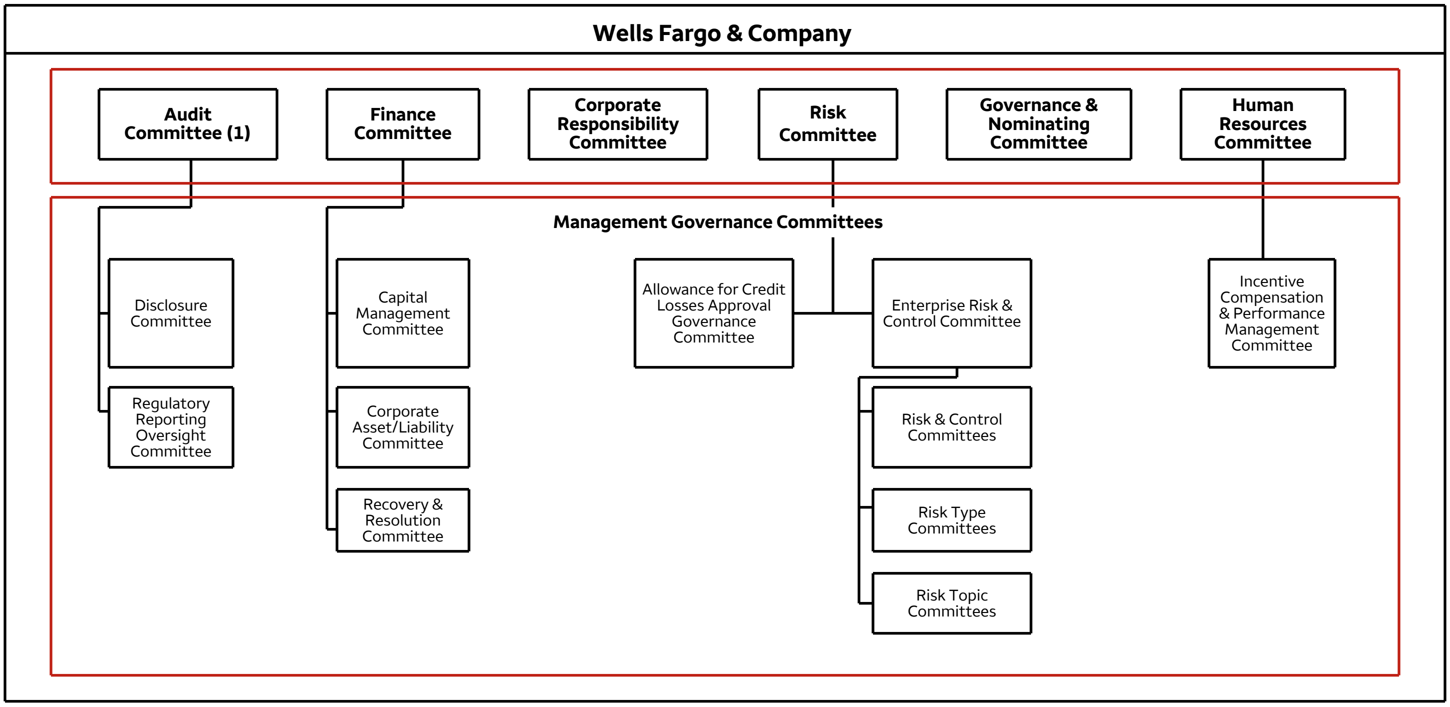
Board Committee Structure. The Board carries out its risk oversight responsibilities directly and through its committees. The Risk Committee reviews and approves the Company's risk management framework and oversees management's implementation of the framework, including how the Company manages and governs risk. The Risk Committee also oversees the Company's adherence to its risk appetite. In addition, the Risk Committee supports the stature, authority and independence of IRM and oversees and receives reports on its operation. The Chief Risk Officer (CRO) reports functionally to the Risk Committee and administratively to the CEO.

Management Committee Structure. The Company has established management committees, including those focused on risk, that support management in carrying out its governance and risk management responsibilities. One type of management committee is a governance committee, which is a decision-making body that operates for a particular purpose and may report to a Board committee.

Each management governance committee, in accordance with its charter, is expected to discuss, document, and make decisions regarding high priority and significant risks, emerging risks, risk acceptances, and risks and issues escalated to it; review and monitor progress related to critical and high-risk issues and remediation efforts, including lessons learned; and report key challenges, decisions, escalations, other actions, and open issues as appropriate.

Table 15 presents, as of December 31, 2022, the structure of the Company's Board committees and escalation paths of relevant management governance committees reporting to a Board committee.

Table 15: Board and Relevant Management-level Governance Committee Structure



(1) The Audit Committee assists the Board in its oversight of the Company's financial statements and disclosures to shareholders and regulatory agencies; oversees the internal audit function and external auditor independence, activities, and performance; and assists the Board and the Risk Committee in the oversight of the Company's compliance with legal and regulatory requirements.

Management Governance Committees Reporting to the Risk Committee of the Board. The Enterprise Risk & Control Committee (ERCC) is a decision-making and escalation body that governs the management of all risk types. The ERCC receives information about risk and control issues, addresses escalated risks and issues, and actively oversees risk controls. The ERCC also makes decisions related to significant risks and changes to the Company's risk appetite. The Risk Committee receives regular updates from the ERCC chairs and senior management regarding current and emerging risks and senior management's assessment of the effectiveness of the Company's risk management program.

The ERCC is co-chaired by the CEO and CRO, and its membership is comprised of principal line of business and certain enterprise function heads. The Chief Auditor or a designee attends all meetings of the ERCC. The ERCC has a direct escalation path to the Risk Committee. The ERCC also has an escalation path for certain human capital risks and issues to the Human Resources Committee. In addition, the CRO may escalate anything directly to the Board. Risks and issues are escalated to the ERCC in accordance with the Company's escalation management policy.

Each principal line of business and enterprise function has a risk and control committee, which is a management governance committee with a mandate that aligns with the ERCC but with its scope limited to the respective principal line of business or enterprise function. These committees focus on and consider risks that the respective principal line of business or enterprise function generate and manage, and the controls the principal line of business or enterprise function are expected to have in place.

As a complement to these risk and control committees, management governance committees dedicated to specific risk types and risk topics also report to the ERCC to enable more comprehensive governance of risks.

Risk Operating Model – Roles and Responsibilities

The Company has three lines of defense for managing risk: the Front Line, Independent Risk Management, and Internal Audit.

- **Front Line** The Front Line, which comprises principal line of business and certain enterprise function activities, is the first line of defense. The Front Line is responsible for understanding the risks generated by its activities, applying adequate controls, and managing risk in the course of its business activities. The Front Line identifies, measures and assesses, controls, monitors, and reports on risk generated by or associated with its business activities and balances risk and reward in decision making while operating within the Company's risk appetite.
- **Independent Risk Management** IRM is the second line of defense. It establishes and maintains the Company's risk management program and provides oversight, including

challenge to and independent assessment of, the Front Line's execution of its risk management responsibilities.
- **Internal Audit** Internal Audit is the third line of defense. It is responsible for acting as an independent assurance function and validates that the risk management program is adequately designed and functioning effectively.

Risk Type Classifications

The Company uses common classifications, hierarchies, and ratings to enable consistency across risk management programs and aggregation of information. Risk type classifications permit the Company to identify and prioritize its risk exposures, including emerging risk exposures.

Operational Risk Management

Operational risk, which in addition to those discussed in this section, includes compliance risk and model risk, is the risk resulting from inadequate or failed internal processes, people and systems, or from external events.

The Board's Risk Committee has primary oversight responsibility for all aspects of operational risk, including significant supporting programs and/or policies regarding the Company's business resiliency and disaster recovery, change management, data management, information security, technology, and third-party risk management. As part of its oversight responsibilities, the Board's Risk Committee reviews and approves significant operational risk policies and oversees the Company's operational risk management program.

At the management level, Operational Risk Management, which is part of IRM, has oversight responsibility for operational risk. Operational Risk Management reports to the CRO and provides periodic reports related to operational risk to the Board's Risk Committee. Operational Risk Management's oversight responsibilities include change management risk, data management risk, fraud risk, human capital risk, information management risk, information security risk, technology risk, and third-party risk.

Information security is a significant operational risk for financial institutions such as Wells Fargo and includes the risk arising from unauthorized access, use, disclosure, disruption, modification, or destruction of information or information systems. The Board is actively engaged in the oversight of the Company's information security risk management and cyber defense programs. The Board's Risk Committee has primary oversight responsibility for information security risk and approves the Company's information security program, which includes the information security policy and the cyber defense program.

Wells Fargo and other financial institutions, as well as our third-party service providers, continue to be the target of various evolving and adaptive information security threats, including cyber attacks, malware, ransomware, other malicious software intended to exploit hardware or software vulnerabilities, phishing, credential validation, and distributed denial-of-service, in an effort to disrupt the operations of financial institutions, test their cybersecurity capabilities, commit fraud, or obtain confidential, proprietary or other information. Cyber attacks have also focused on targeting online applications and services, such as online banking, as well as cloud-based and other products and services provided by third parties, and have targeted the infrastructure of the internet causing the widespread unavailability of websites and degrading website performance. As a result, information security and the continued development and enhancement of our controls, processes and systems designed to protect our networks, computers, software and data from attack, damage or unauthorized access remain a priority for Wells Fargo. Wells Fargo is also proactively involved in industry cybersecurity efforts and working with other parties, including our third-party service providers and governmental agencies, to continue to enhance defenses and improve resiliency to information security threats. See the "Risk Factors" section in this Report for additional information regarding the risks associated with a failure or breach of our operational or security systems or infrastructure, including as a result of cyber attacks.

Compliance Risk Management

Compliance risk (a type of operational risk) is the risk resulting from the failure to comply with laws (legislation, regulations and rules) and regulatory guidance, and the failure to appropriately address associated impact, including to customers. Compliance risk encompasses violations of applicable internal policies, program requirements, procedures, and standards related to ethical principles applicable to the Company.

The Board's Risk Committee has primary oversight responsibility for all aspects of compliance risk, including financial crimes risk. As part of its oversight responsibilities, the Board's Risk Committee reviews and approves significant supporting compliance risk and financial crimes risk policies and programs and oversees the Company's compliance risk management and financial crimes risk management programs.

Conduct risk, a sub-category of compliance risk, is the risk of inappropriate, unethical, or unlawful behavior on the part of employees or individuals acting on behalf of the Company, caused by deliberate or unintentional actions or business practices. In connection with its oversight of conduct risk, the Board oversees the alignment of employee conduct to the Company's risk appetite (which the Board approves annually). The Board's Risk Committee has primary oversight responsibility for conduct risk and risk management components of the Company's culture, while the responsibilities of the Board's Human Resources Committee include oversight of the Company's culture, Code of Ethics and Business Conduct, human capital management (including talent management and succession planning), performance management program, and incentive compensation risk management program.

At the management level, the Compliance function, which is part of IRM, monitors the implementation of the Company's compliance and conduct risk programs. Financial Crimes Risk Management, which is part of the Compliance function, oversees and monitors financial crimes risk. The Compliance function reports to the CRO and provides periodic reports related to compliance risk to the Board's Risk Committee.

Model Risk Management

Model risk (a type of operational risk) is the risk arising from the potential for adverse consequences of decisions made based on model output that may be incorrect or used inappropriately.

The Board's Risk Committee has primary oversight responsibility for model risk. As part of its oversight responsibilities, the Board's Risk Committee oversees the Company's model risk management policy, model governance, model performance, model issue remediation status, and adherence to model risk appetite metrics.

At the management level, the Model Risk function, which is part of IRM, has oversight responsibility for model risk and is responsible for governance, validation and monitoring of model risk across the Company. The Model Risk function reports to the CRO and provides periodic reports related to model risk to the Board's Risk Committee.

Strategic Risk Management

Strategic risk is the risk to earnings, capital, or liquidity arising from adverse business decisions, improper implementation of strategic initiatives, or inadequate responses to changes in the external operating environment.

The Board has primary oversight responsibility for strategic planning and oversees management's development and implementation of and approves the Company's strategic plan, and considers whether it is aligned with the Company's risk appetite and risk management effectiveness. Management develops, executes and recommends significant strategic corporate transactions and the Board evaluates management's proposals, including their impact on the Company's risk profile and financial position. The Board's Risk Committee has primary oversight responsibility for the Company's strategic risk and the adequacy of the Company's strategic risk management program, including associated risk management practices, processes and controls. The Board's Risk Committee also receives updates from management regarding new business initiatives activity and risks related to new or changing products, as appropriate.

At the management level, the Strategic Risk Oversight function, which is part of IRM, has oversight responsibility for strategic risk. The Strategic Risk Oversight function reports into the CRO and supports periodic reports related to strategic risk provided to the Board's Risk Committee.

Reputation Risk Management

Reputation risk is the risk arising from the potential that negative stakeholder opinion or negative publicity regarding the Company's business practices, whether true or not, will adversely impact current or projected financial conditions and resilience, cause a decline in the customer base, or result in costly litigation. Key stakeholders include customers, employees, communities, shareholders, regulators, elected officials, advocacy groups, and media organizations.

The Board's Risk Committee has primary oversight responsibility for reputation risk, while each Board committee has reputation risk oversight responsibilities related to their primary oversight responsibilities. As part of its oversight responsibilities, the Board's Risk Committee receives reports from management that help it monitor how effectively the Company is managing reputation risk. As part of its oversight responsibilities for social and public responsibility matters, the Board's Corporate Responsibility Committee receives reports from management relating to stakeholder perceptions of the Company.

At the management level, the Reputation Risk Oversight function, which is part of IRM, has oversight responsibility for reputation risk. The Reputation Risk Oversight function reports into the CRO and supports periodic reports related to reputation risk provided to the Board's Risk Committee.

Credit Risk Management

We define credit risk as the risk of loss associated with a borrower or counterparty default (failure to meet obligations in accordance with agreed upon terms). Credit risk exists with many of the Company's assets and exposures such as debt security holdings, certain derivatives, and loans.

The Board's Risk Committee has primary oversight responsibility for credit risk. A Credit Subcommittee of the Risk Committee assists the Risk Committee in providing oversight of credit risk. At the management level, Corporate Credit Risk, which is part of Independent Risk Management, has oversight responsibility for credit risk. Corporate Credit Risk reports to the CRO and supports periodic reports related to credit risk provided to the Board's Risk Committee or its Credit Subcommittee.

Loan Portfolio Our loan portfolios represent the largest component of assets on our consolidated balance sheet for which we have credit risk. Table 16 presents our total loans outstanding by portfolio segment and class of financing receivable.

Table 16: Total Loans Outstanding by Portfolio Segment and Class of Financing Receivable

(in millions)	Dec 31, 2022	Dec 31, 2021
Commercial and industrial	$ **386,806**	350,436
Commercial real estate	**155,802**	147,825
Lease financing	**14,908**	14,859
Total commercial	**557,516**	513,120
Residential mortgage	**269,117**	258,888
Credit card	**46,293**	38,453
Auto	**53,669**	56,659
Other consumer	**29,276**	28,274
Total consumer	**398,355**	382,274
Total loans	$ **955,871**	895,394

We manage our credit risk by establishing what we believe are sound credit policies for underwriting new business, while monitoring and reviewing the performance of our existing loan portfolios. We employ various credit risk management and monitoring activities to mitigate risks associated with multiple risk factors affecting loans we hold including:

- Loan concentrations and related credit quality;
- Counterparty credit risk;
- Economic and market conditions;
- Legislative or regulatory mandates;
- Changes in interest rates;
- Merger and acquisition activities; and
- Reputation risk.

In addition, the Company will continue to integrate climate considerations into its credit risk management activities.

Our credit risk management oversight process is governed centrally, but provides for direct management and accountability by our lines of business. Our overall credit process includes comprehensive credit policies, disciplined credit underwriting, frequent and detailed risk measurement and modeling, extensive credit training programs, and a continual loan review and audit process.

A key to our credit risk management is adherence to a well-controlled underwriting process, which we believe is appropriate for the needs of our customers as well as investors who purchase the loans or securities collateralized by the loans.

Credit Quality Overview Table 17 provides credit quality trends.

Table 17: Credit Quality Overview

(in millions)		Dec 31, 2022	Dec 31, 2021
Nonaccrual loans			
Commercial loans	$	1,823	2,376
Consumer loans		3,803	4,836
Total nonaccrual loans	$	5,626	7,212
Nonaccrual loans as a % of total loans		0.59%	0.81
Net loan charge-offs as a % of:			
Average commercial loans		0.01%	0.06
Average consumer loans		0.39	0.33
Allowance for credit losses (ACL) for loans	$	13,609	13,788
ACL for loans as a % of total loans		1.42%	1.54

Additional information on our loan portfolios and our credit quality trends follows.

Significant Loan Portfolio Reviews Measuring and monitoring our credit risk is an ongoing process that tracks delinquencies, collateral values, Fair Isaac Corporation (FICO) scores, economic trends by geographic areas, loan-level risk grading for certain portfolios (typically commercial) and other indications of credit risk. Our credit risk monitoring process is designed to enable early identification of developing risk and to support our determination of an appropriate allowance for credit losses. The following discussion provides additional characteristics and analysis of our significant portfolios. See Note 5 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report for more analysis and credit metric information for each of the following portfolios.

COMMERCIAL AND INDUSTRIAL LOANS AND LEASE FINANCING For purposes of portfolio risk management, we aggregate commercial and industrial loans and lease financing according to market segmentation and standard industry codes. We generally subject commercial and industrial loans and lease financing to individual risk assessment using our internal borrower and collateral quality ratings. Our ratings are aligned to regulatory definitions of pass and criticized categories with criticized segmented among special mention, substandard, doubtful and loss categories.

We had $12.6 billion of the commercial and industrial loans and lease financing portfolio internally classified as criticized in accordance with regulatory guidance at December 31, 2022, compared with $13.0 billion at December 31, 2021. The decline was driven by decreases in the technology, telecom and media, real estate and construction, and oil, gas and pipelines industries, as these industries continued to recover from the economic impacts of the COVID-19 pandemic, partially offset by an increase in the materials and commodities, and equipment, machinery and parts manufacturing industries.

The majority of our commercial and industrial loans and lease financing portfolio is secured by short-term assets, such as accounts receivable, inventory and debt securities, as well as long-lived assets, such as equipment and other business assets. Generally, the primary source of repayment for this portfolio is the operating cash flows of customers, with the collateral securing this portfolio representing a secondary source of repayment.

The portfolio increased at December 31, 2022, compared with December 31, 2021, driven by higher loan demand resulting in increased originations and loan draws, partially offset by paydowns. Table 18 provides our commercial and industrial loans and lease financing by industry. The industry categories are based on the North American Industry Classification System.

Table 18: Commercial and Industrial Loans and Lease Financing by Industry

	December 31, 2022				December 31, 2021			
($ in millions)	Nonaccrual loans	Loans outstanding balance	% of total loans	Total commitments (1)	Nonaccrual loans	Loans outstanding balance	% of total loans	Total commitments (1)
Financials except banks	$ 44	147,171	15%	$ 247,936	104	142,283	16%	$ 236,133
Technology, telecom and media	31	27,767	3	78,230	64	23,345	3	62,984
Real estate and construction	73	24,478	3	57,138	78	25,035	3	55,304
Equipment, machinery and parts manufacturing	83	23,675	2	54,807	24	18,130	2	43,729
Retail	47	19,487	2	54,260	27	17,645	2	41,344
Materials and commodities	86	16,610	2	41,707	32	14,684	2	36,660
Oil, gas and pipelines	55	9,991	1	39,329	197	8,828	*	28,978
Food and beverage manufacturing	17	17,393	2	35,094	7	13,242	1	30,882
Health care and pharmaceuticals	21	14,861	2	30,463	24	12,847	1	28,808
Auto related	10	13,168	1	28,545	31	10,629	1	25,735
Commercial services	50	11,418	1	27,989	78	10,492	1	24,617
Utilities	18	9,457	*	26,918	77	6,982	*	22,406
Entertainment and recreation	28	13,085	1	24,535	23	9,907	1	17,893
Diversified or miscellaneous	2	8,161	*	22,432	3	7,493	*	18,317
Banks	—	14,403	2	16,733	—	16,178	2	16,612
Transportation services	237	8,389	*	16,342	288	8,162	*	14,710
Insurance and fiduciaries	1	4,691	*	15,741	1	3,387	*	13,993
Agribusiness	24	6,180	*	14,063	35	6,086	*	11,576
Government and education	25	6,482	*	12,590	5	5,863	*	11,193
Other (2)	13	4,847	*	14,325	30	4,077	*	11,583
Total	$ 865	401,714	42%	$ 859,177	1,128	365,295	41%	$ 753,457

* Less than 1%.
(1) Total commitments consist of loans outstanding plus unfunded credit commitments, excluding issued letters of credit. For additional information on issued letters of credit, see Note 17 (Guarantees and Other Commitments) to Financial Statements in this Report.
(2) No other single industry had total loans in excess of $3.4 billion and $3.1 billion at December 31, 2022 and 2021, respectively.

Table 18a provides further loan segmentation for our largest industry category, financials except banks. This category includes loans to investment firms, financial vehicles, nonbank creditors, rental and leasing companies, securities firms, and investment banks. These loans are generally secured and have features to help manage credit risk, such as structural credit enhancements, collateral eligibility requirements, contractual re-margining of collateral supporting the loans, and loan amounts limited to a percentage of the value of the underlying assets considering underlying credit risk, asset duration, and ongoing performance.

Table 18a: Financials Except Banks Industry Category

	December 31, 2022				December 31, 2021			
($ in millions)	Nonaccrual loans	Loans outstanding balance	% of total loans	Total commitments (1)	Nonaccrual loans	Loans outstanding balance	% of total loans	Total commitments (1)
Asset managers and funds (2)	$ 1	52,254	5 %	$ 100,537	1	60,518	7 %	$ 101,035
Commercial finance (3)	31	53,269	5	76,334	82	46,043	5	69,923
Real estate finance (4)	8	24,620	3	41,589	9	23,231	3	37,997
Consumer finance (5)	4	17,028	2	29,476	12	12,491	1	27,178
Total	$ 44	147,171	15%	$ 247,936	104	142,283	16%	$ 236,133

(1) Total commitments consist of loans outstanding plus unfunded credit commitments, excluding issued letters of credit. For additional information on issued letters of credit, see Note 17 (Guarantees and Other Commitments) to Financial Statements in this Report.
(2) Includes loans for subscription or capital calls and loans to prime brokerage customers and securities firms.
(3) Includes asset-based lending and leasing, including loans to special purpose entities, loans to commercial leasing entities, structured lending facilities to commercial loan managers, and also includes collateralized loan obligations (CLOs) in loan form, all of which were rated AA or above, of $7.8 billion and $8.1 billion at December 31, 2022 and 2021, respectively.
(4) Includes originators or servicers of financial assets collateralized by commercial or residential real estate loans.
(5) Includes originators or servicers of financial assets collateralized by consumer loans such as auto loans and leases, and credit cards.

Our commercial and industrial loans and lease financing portfolio also included non-U.S. loans of $79.7 billion and $78.0 billion at December 31, 2022 and 2021, respectively. Significant industry concentrations of non-U.S. loans at December 31, 2022 and 2021, respectively, included:

- $45.7 billion and $46.7 billion in the financials except banks industry;
- $14.1 billion and $15.9 billion in the banks industry; and
- $1.2 billion and $1.7 billion in the oil, gas and pipelines industry.

Risk mitigation actions, including the restructuring of repayment terms, securing collateral or guarantees, and entering into extensions, are based on a re-underwriting of the loan and our assessment of the borrower's ability to perform under the agreed-upon terms. Extension terms generally range from six to thirty-six months and may require that the borrower provide additional economic support in the form of partial repayment, or additional collateral or guarantees. In cases where the value of collateral or financial condition of the borrower is insufficient to repay our loan, we may rely upon the support of an outside repayment guarantee in providing the extension.

Our ability to seek performance under a guarantee is directly related to the guarantor's creditworthiness, capacity and willingness to perform, which is evaluated on an annual basis, or more frequently as warranted. Our evaluation is based on the most current financial information available and is focused on various key financial metrics, including net worth, leverage, and current and future liquidity. We consider the guarantor's reputation, creditworthiness, and willingness to work with us based on our analysis as well as other lenders' experience with the guarantor. Our assessment of the guarantor's credit strength is reflected in our loan risk ratings for such loans. The loan risk rating and accruing status are important factors in our allowance for credit losses methodology.

In considering the accrual status of the loan, we evaluate the collateral and future cash flows as well as the anticipated support of any repayment guarantor. In many cases, the strength of the guarantor provides sufficient assurance that full repayment of the loan is expected. When full and timely collection of the loan becomes uncertain, including the performance of the guarantor, we place the loan on nonaccrual status. As appropriate, we also charge the loan down in accordance with our charge-off policies, generally to the net realizable value of the collateral securing the loan, if any.

COMMERCIAL REAL ESTATE (CRE) Our CRE loan portfolio is comprised of CRE mortgage and CRE construction loans. We generally subject CRE loans to individual risk assessment using our internal borrower and collateral quality ratings. We had $11.3 billion of CRE mortgage loans classified as criticized at December 31, 2022, compared with $13.1 billion at December 31, 2021, and $1.1 billion of CRE construction loans classified as criticized at December 31, 2022, compared with $1.7 billion at December 31, 2021. The decrease in criticized CRE loans was driven by the hotel/motel and shopping center property types, as these property types continued to recover from the economic impacts of the COVID-19 pandemic, partially offset by an increase in the office buildings and apartment property types. Criticized CRE loans at December 31, 2022, increased compared with September 30, 2022, primarily due to an increase in the office buildings property type. The credit quality of the office buildings property type could continue to be adversely affected if weakened demand for office space continues to drive higher vacancy rates and deteriorating operating performance. At December 31, 2022, nearly one-third of the CRE loans in the office buildings property type had recourse to a guarantor, typically through a repayment guarantee, in addition to the related collateral.

The total CRE loan portfolio increased $8.0 billion from December 31, 2021, predominantly driven by an increase in loans for apartments and industrial/warehouse property types, partially offset by a decrease in loans for the shopping center property type. The CRE loan portfolio included $7.6 billion of non-U.S. CRE loans at December 31, 2022, down from $8.7 billion at December 31, 2021. The portfolio is diversified both geographically and by property type. The largest geographic concentrations of CRE loans are in California, New York, Texas, and Florida, which represented a combined 49% of the total CRE portfolio. The largest property type concentrations are apartments at 26% and office buildings at 23% of the portfolio. The unfunded credit commitments were $8.8 billion and $11.5 billion at December 31, 2022 and 2021, respectively, for CRE mortgage loans and $20.7 billion and $20.0 billion, respectively, for CRE construction loans.

Table 19 provides our CRE loans by state and property type.

Table 19: CRE Loans by State and Property Type

								Dec 31, 2022	Dec 31, 2021	
	Real estate mortgage		**Real estate construction**		**Total commercial real estate**				Total commercial real estate	
($ in millions)	**Nonaccrual loans**	**Loans outstanding balance**	**Nonaccrual loans**	**Loans outstanding balance**	**Nonaccrual loans**	**Loans outstanding balance**	**Loans as % of total loans**	**Total commitments (1)**	Loans outstanding balance	Total commitments (1)
By state:										
California	**$ 121**	**29,531**	**1**	**4,754**	**122**	**34,285**	**4%**	**$ 39,594**	34,668	40,241
New York	**106**	**15,009**	**—**	**2,285**	**106**	**17,294**	**2**	**19,360**	15,636	17,967
Texas	**23**	**11,564**	**—**	**1,243**	**23**	**12,807**	**1**	**14,941**	10,605	12,263
Florida	**10**	**9,833**	**—**	**1,585**	**10**	**11,418**	**1**	**14,690**	10,435	13,219
Washington	**80**	**4,253**	**—**	**1,350**	**80**	**5,603**	*****	**6,868**	5,301	7,013
Georgia	**69**	**4,661**	**—**	**767**	**69**	**5,428**	*****	**6,651**	4,662	5,857
North Carolina	**4**	**4,345**	**—**	**882**	**4**	**5,227**	*****	**6,650**	4,755	6,160
Arizona	**14**	**4,761**	**—**	**541**	**14**	**5,302**	*****	**6,288**	5,046	5,975
New Jersey	**7**	**2,738**	**—**	**1,381**	**7**	**4,119**	*****	**5,660**	3,625	4,793
Illinois	**11**	**3,988**	**—**	**603**	**11**	**4,591**	*****	**5,394**	4,042	4,560
Other (2)	**511**	**41,546**	**1**	**8,182**	**512**	**49,728**	**5**	**59,224**	49,050	61,235
Total	**$ 956**	**132,229**	**2**	**23,573**	**958**	**155,802**	**16%**	**$ 185,320**	147,825	179,283
By property:										
Apartments	**$ 8**	**31,205**	**—**	**8,538**	**8**	**39,743**	**4%**	**$ 51,567**	31,901	42,119
Office buildings	**186**	**32,478**	**—**	**3,666**	**186**	**36,144**	**4**	**40,827**	36,736	42,781
Industrial/warehouse	**42**	**17,244**	**—**	**3,390**	**42**	**20,634**	**2**	**24,546**	17,714	20,967
Hotel/motel	**153**	**11,212**	**—**	**1,539**	**153**	**12,751**	**1**	**13,758**	12,764	13,179
Retail (excl shopping center)	**197**	**11,621**	**2**	**132**	**199**	**11,753**	**1**	**12,486**	12,450	13,014
Shopping center	**259**	**9,014**	**—**	**520**	**259**	**9,534**	*****	**10,131**	10,448	11,082
Institutional	**33**	**5,201**	**—**	**2,524**	**33**	**7,725**	*****	**9,178**	7,743	9,588
Mixed use properties	**54**	**4,906**	**—**	**981**	**54**	**5,887**	*****	**7,139**	6,303	10,718
Collateral pool	**—**	**3,031**	**—**	**31**	**—**	**3,062**	*****	**3,662**	3,509	4,106
Storage facility	**—**	**2,772**	**—**	**157**	**—**	**2,929**	*****	**3,201**	2,257	2,742
Other	**24**	**3,545**	**—**	**2,095**	**24**	**5,640**	*****	**8,825**	6,000	8,987
Total	**$ 956**	**132,229**	**2**	**23,573**	**958**	**155,802**	**16 %**	**$ 185,320**	147,825	179,283

* Less than 1%.

(1) Total commitments consist of loans outstanding plus unfunded credit commitments, excluding issued letters of credit. For additional information on issued letters of credit, see Note 17 (Guarantees and Other Commitments) to Financial Statements in this Report.

(2) Includes 40 states; no state in Other had loans in excess of $4.1 billion and $3.7 billion at December 31, 2022 and 2021, respectively.

NON-U.S. LOANS Our classification of non-U.S. loans is based on whether the borrower's primary address is outside of the United States. At December 31, 2022, non-U.S. loans totaled $87.5 billion, representing approximately 9% of our total consolidated loans outstanding, compared with $86.9 billion, or approximately 10% of our total consolidated loans outstanding, at December 31, 2021. Non-U.S. loans were approximately 5% and 4% of our total consolidated assets at December 31, 2022 and 2021, respectively.

COUNTRY RISK EXPOSURE Our country risk monitoring process incorporates centralized monitoring of economic, political, social, legal, and transfer risks in countries where we do or plan to do business, along with frequent dialogue with our customers, counterparties and regulatory agencies. We establish exposure limits for each country through a centralized oversight process based on customer needs, and through consideration of the relevant and distinct risk of each country. We monitor exposures closely and adjust our country limits in response to changing conditions. We evaluate our individual country risk exposure based on our assessment of the borrower's ability to repay, which gives consideration for allowable transfers of risk, such as guarantees and collateral, and may be different from the reporting based on the borrower's primary address.

Our largest single country exposure outside the U.S. at December 31, 2022, was the United Kingdom, which totaled $33.2 billion, or approximately 2% of our total assets, and included $5.5 billion of sovereign claims. Our United Kingdom sovereign claims arise from deposits we have placed with the Bank of England pursuant to regulatory requirements in support of our London branch.

Table 20 provides information regarding our top 20 exposures by country (excluding the U.S.), based on our assessment of risk, which gives consideration to the country of any guarantors and/or underlying collateral. With respect to Table 20:

- Lending and deposits exposure includes outstanding loans, unfunded credit commitments, and deposits with non-U.S. banks. These balances are presented prior to the deduction of allowance for credit losses or collateral received under the terms of the credit agreements, if any.

- Securities exposure represents debt and equity securities of non-U.S. issuers. Long and short positions are netted, and net short positions are reflected as negative exposure.
- Derivatives and other exposure represents foreign exchange contracts, derivative contracts, securities resale agreements, and securities lending agreements.

Table 20: Select Country Exposures

									December 31, 2022
	Lending and deposits		Securities		Derivatives and other		Total exposure		
($ in millions)	Sovereign	Non-sovereign	Sovereign	Non-sovereign	Sovereign	Non-sovereign	Sovereign	Non-sovereign (1)	Total
Top 20 country exposures:									
United Kingdom	$ 5,513	24,291	—	1,102	2	2,299	5,515	27,692	33,207
Canada	1	18,051	1	582	69	294	71	18,927	18,998
Cayman Islands	—	8,464	—	—	—	179	—	8,643	8,643
Luxembourg	—	6,719	—	32	—	177	—	6,928	6,928
Japan	5,658	700	—	365	—	46	5,658	1,111	6,769
Ireland	6	4,888	—	223	—	107	6	5,218	5,224
France	57	4,138	—	108	175	72	232	4,318	4,550
Germany	—	3,910	—	29	—	202	—	4,141	4,141
Bermuda	—	3,600	—	35	—	30	—	3,665	3,665
Guernsey	—	3,375	—	—	—	12	—	3,387	3,387
South Korea	—	2,983	(1)	381	1	15	—	3,379	3,379
China	17	2,966	1	259	17	35	35	3,260	3,295
Netherlands	—	3,165	—	(6)	—	124	—	3,283	3,283
Chile	—	1,939	—	212	—	—	—	2,151	2,151
Australia	—	1,969	—	5	—	30	—	2,004	2,004
Brazil	—	1,499	—	1	9	—	9	1,500	1,509
United Arab Emirates	—	1,477	—	11	—	—	—	1,488	1,488
Switzerland	—	1,202	—	(4)	—	170	—	1,368	1,368
India	250	1,072	(64)	(5)	—	1	186	1,068	1,254
Belgium	—	1,103	—	1	—	4	—	1,108	1,108
Total top 20 country exposures	$ 11,502	97,511	(63)	3,331	273	3,797	11,712	104,639	116,351

(1) Total non-sovereign exposure comprised $51.2 billion exposure to financial institutions and $53.4 billion to non-financial corporations at December 31, 2022.

RESIDENTIAL MORTGAGE LOANS Our residential mortgage loan portfolio is comprised of 1–4 family first and junior lien mortgage loans. Residential mortgage – first lien loans comprised 95% of the total residential mortgage loan portfolio at December 31, 2022, compared with 94% at December 31, 2021.

The residential mortgage loan portfolio includes loans with adjustable-rate features. We monitor the risk of default as a result of interest rate increases on adjustable-rate mortgage (ARM) loans, which may be mitigated by product features that limit the amount of the increase in the contractual interest rate. The default risk of these loans is considered in our ACL for loans. ARM loans were 7% of total loans at both December 31, 2022 and 2021, with an initial reset date in 2025 or later for the majority of this portfolio at December 31, 2022. We do not offer option ARM products, nor do we offer variable-rate mortgage products with fixed payment amounts, commonly referred to within the financial services industry as negative amortizing mortgage loans.

The residential mortgage – junior lien portfolio consists of residential mortgage lines of credit and loans that are subordinate in rights to an existing lien on the same property. These lines and loans may have draw periods, interest-only payments, balloon payments, adjustable rates and similar features. Junior lien loan products are primarily amortizing payment loans with fixed interest rates and repayment periods between five to 30 years. We continuously monitor the credit performance of our residential mortgage – junior lien portfolio for trends and factors that influence the frequency and severity of losses, such as junior lien performance when the first lien loan is delinquent.

The outstanding balance of residential mortgage lines of credit was $18.3 billion at December 31, 2022. The unfunded credit commitments for these lines of credit totaled $35.5 billion at December 31, 2022. Our residential mortgage lines of credit (both first and junior lien) generally have draw periods of 10, 15 or 20 years with variable interest rate and payment options available during the draw period of (1) interest-only or (2) 1.5% of outstanding principal balance plus accrued interest. As of December 31, 2022, a significant portion of the lines of credit in a draw period used the interest-only option. The lines that enter their amortization period may experience higher delinquencies and higher loss rates than the ones in their draw or term period. We have considered this increased risk in our ACL for loans estimate. Interest-only lines and loans were approximately 2% and 3% of total loans at December 31, 2022 and 2021, respectively.

During the draw period, the borrower has the option of converting all or a portion of the line from a variable interest rate to a fixed rate with terms including interest-only payments for a fixed period between three to seven years or a fully amortizing payment with a fixed period between five to 30 years. At the end of the draw period, a line of credit generally converts to an amortizing payment schedule with repayment terms of up to 30 years based on the balance at time of conversion. Certain lines and loans have been structured with a balloon payment, which requires full repayment of the outstanding balance at the end of the term period. The conversion of lines or loans to fully amortizing or balloon payoff may result in a significant payment increase, which can affect some borrowers' ability to repay the outstanding balance.

In anticipation of our residential mortgage line of credit borrowers reaching the end of their draw period, we have created a program to inform, educate and help these borrowers transition from interest-only to fully-amortizing payments or full repayment. We monitor the performance of the borrowers moving through the program in an effort to refine our ongoing program strategy.

We monitor changes in real estate values and underlying economic or market conditions for all geographic areas of our residential mortgage portfolio as part of our credit risk management process. Our periodic review of this portfolio includes original appraisals adjusted for the change in Home Price Index (HPI) or estimates from automated valuation models (AVMs) to support property values. AVMs are computer-based tools used to estimate the market value of homes. We have processes to periodically validate AVMs and specific risk management guidelines addressing the circumstances when AVMs may be used. For additional information about our use of appraisals and AVMs, see Note 5 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report.

Part of our credit monitoring includes tracking delinquency, current FICO scores and loan/combined loan to collateral values (LTV/CLTV) on the entire residential mortgage loan portfolio. CLTV represents the ratio of the total loan balance of first and junior lien mortgages (including unused line amounts for credit line products) to property collateral value. For additional information regarding credit quality indicators, see Note 5 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report.

We continue to modify residential mortgage loans to assist homeowners and other borrowers experiencing financial difficulties. Under these programs, we may provide concessions such as interest rate reductions, forbearance of principal, and in some cases, principal forgiveness. These programs generally include trial payment periods of three to four months, and after successful completion and compliance with terms during this period, the loan is permanently modified. Loans included under these programs are accounted for as troubled debt restructurings (TDRs) at the start of the trial period or at the time of permanent modification, if no trial period is used. Customer payment deferral activities instituted in response to the COVID-19 pandemic could continue to delay the recognition of delinquencies. For additional information on customer accommodations, including loan modifications, in response to the COVID-19 pandemic, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

Residential Mortgage – First Lien Portfolio Our residential mortgage – first lien portfolio increased $13.5 billion from December 31, 2021, driven by originations, partially offset by loan paydowns and the transfer of first lien mortgage loans to loans held for sale (LHFS), which predominantly related to loans purchased from GNMA loan securitization pools in prior periods.

Table 21 shows certain delinquency and loss information for the residential mortgage – first lien portfolio and lists the top five states by outstanding balance.

Table 21: Residential Mortgage – First Lien Portfolio Performance

	Outstanding balance		% of total loans		% of loans 30 days or more past due		Net loan charge-off rate (1)	
	December 31,		December 31,		December 31,		Year ended December 31,	
($ in millions)	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
California (2)	**$ 110,877**	100,933	**11.60%**	11.27	**0.45**	0.95	**—**	(0.01)
New York	**31,753**	30,039	**3.32**	3.35	**0.80**	1.34	**(0.02)**	0.12
Florida	**10,535**	9,978	**1.10**	1.11	**1.13**	1.93	**(0.08)**	0.09
Washington	**10,523**	8,636	**1.10**	0.96	**0.30**	0.47	**—**	—
New Jersey	**10,416**	10,205	**1.09**	1.14	**1.24**	1.95	**0.01**	0.08
Other (3)	**72,843**	69,321	**7.62**	7.74	**0.93**	1.48	**0.01**	0.01
Total	**246,947**	229,112	**25.83**	25.57	**0.69**	1.23	**—**	0.02
Government insured/guaranteed loans (4)	**8,860**	13,158	**0.93**	1.47				
Total first lien mortgage portfolio	**$ 255,807**	242,270	**26.76%**	27.04				

(1) The net loan charge-off rate for the year ended December 31, 2021, includes $120 million of loan charge-offs related to a change in practice to fully charge-off certain delinquent legacy residential mortgage loans.
(2) Our residential mortgage loans to borrowers in California are located predominantly within the larger metropolitan areas, with no single California metropolitan area consisting of more than 4% of total loans.
(3) Consists of 45 states; no state in Other had loans in excess of $7.7 billion and $7.2 billion at December 31, 2022, and 2021, respectively.
(4) Represents loans, substantially all of which were purchased from GNMA loan securitization pools, where the repayment of the loans is predominantly insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA). For additional information on GNMA loan securitization pools, see the “Risk Management – Credit Risk Management – Mortgage Banking Activities” section in this Report.

Residential Mortgage – Junior Lien Portfolio Our residential mortgage – junior lien portfolio decreased $3.3 billion from December 31, 2021, driven by loan paydowns.

Table 22 shows certain delinquency and loss information for the residential mortgage – junior lien portfolio and lists the top five states by outstanding balance.

Table 22: Residential Mortgage – Junior Lien Portfolio Performance

	Outstanding balance		% of total loans		% of loans 30 days or more past due		Net loan charge-off rate (1)	
	December 31,		December 31,		December 31,		Year ended December 31,	
($ in millions)	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
California	**$ 3,550**	4,310	**0.37 %**	0.48	**2.02**	3.52	**(0.26)**	(0.59)
New Jersey	**1,383**	1,728	**0.14**	0.19	**2.76**	2.98	**0.10**	0.04
Florida	**1,165**	1,533	**0.12**	0.17	**2.69**	2.54	**(0.71)**	(0.13)
Pennsylvania	**832**	1,039	**0.09**	0.12	**2.76**	2.19	**(0.17)**	(0.12)
New York	**794**	975	**0.08**	0.11	**2.86**	4.05	**(0.09)**	0.57
Other (2)	**5,586**	7,033	**0.58**	0.79	**2.05**	2.25	**(0.53)**	(0.51)
Total junior lien mortgage portfolio	**$ 13,310**	16,618	**1.38 %**	1.86	**2.27**	2.91	**(0.36)**	(0.36)

(1) The net loan charge-off rate for the year ended December 31, 2021, includes $32 million of loan charge-offs related to a change in practice to fully charge-off certain delinquent legacy residential mortgage loans.
(2) Consists of 45 states; no state in Other had loans in excess of $790 million and $980 million at December 31, 2022, and 2021, respectively.

CREDIT CARD, AUTO, AND OTHER CONSUMER LOANS Table 23 shows the outstanding balance of our credit card, auto, and other consumer loan portfolios. For information regarding credit quality indicators for these portfolios, see Note 5 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report.

Table 23: Credit Card, Auto, and Other Consumer Loans

	December 31, 2022		December 31, 2021	
($ in millions)	**Outstanding balance**	**% of total loans**	Outstanding balance	% of total loans
Credit card	**$ 46,293**	**4.84%**	$ 38,453	4.29%
Auto	**53,669**	**5.61**	56,659	6.33
Other consumer (1)	**29,276**	**3.06**	28,274	3.16
Total	**$ 129,238**	**13.51%**	$ 123,386	13.78%

(1) Includes $19.4 billion and $18.6 billion at December 31, 2022 and 2021, respectively, of commercial and consumer securities-based loans originated by the WIM operating segment.

Credit Card The increase in the outstanding balance at December 31, 2022, compared with December 31, 2021, was due to higher purchase volume and the launch of new products.

Auto The decrease in the outstanding balance at December 31, 2022, compared with December 31, 2021, was due to lower origination volumes reflecting credit tightening actions and continued price competition due to rising interest rates.

Other Consumer The increase in the outstanding balance at December 31, 2022, compared with December 31, 2021, was primarily due to originations of personal lines and loans.

NONPERFORMING ASSETS (NONACCRUAL LOANS AND FORECLOSED ASSETS) We generally place loans on nonaccrual status when:

- the full and timely collection of interest or principal becomes uncertain (generally based on an assessment of the borrower's financial condition and the adequacy of collateral, if any), such as in bankruptcy or other circumstances;
- they are 90 days (120 days with respect to residential mortgage loans) past due for interest or principal, unless the loan is both well-secured and in the process of collection;
- part of the principal balance has been charged off; or
- for junior lien mortgage loans, we have evidence that the related first lien mortgage may be 120 days past due or in the process of foreclosure regardless of the junior lien delinquency status.

Certain nonaccrual loans may be returned to accrual status after they perform for a period of time. Consumer credit card loans are not placed on nonaccrual status, but are generally fully charged off when the loan reaches 180 days past due.

Customer payment deferral activities in the residential mortgage portfolio instituted in response to the COVID-19 pandemic could continue to delay the recognition of nonaccrual loans for those residential mortgage customers who would have otherwise moved into nonaccrual status. For additional information on customer accommodations, including loan modifications, in response to the COVID-19 pandemic, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

Table 24 summarizes nonperforming assets (NPAs).

Table 24: Nonperforming Assets (Nonaccrual Loans and Foreclosed Assets)

		December 31,
($ in millions)	**2022**	2021
Nonaccrual loans:		
Commercial and industrial	**$ 746**	980
Commercial real estate	**958**	1,248
Lease financing	**119**	148
Total commercial	**1,823**	2,376
Residential mortgage (1)	**3,611**	4,604
Auto	**153**	198
Other consumer	**39**	34
Total consumer	**3,803**	4,836
Total nonaccrual loans	**$ 5,626**	7,212
As a percentage of total loans	**0.59 %**	0.81
Foreclosed assets:		
Government insured/guaranteed (2)	**$ 22**	16
Non-government insured/guaranteed	**115**	96
Total foreclosed assets	**137**	112
Total nonperforming assets	**$ 5,763**	7,324
As a percentage of total loans	**0.60 %**	0.82

(1) Residential mortgage loans predominantly insured by the FHA or guaranteed by the VA are not placed on nonaccrual status because they are insured or guaranteed.
(2) Consistent with regulatory reporting requirements, foreclosed real estate resulting from government insured/guaranteed loans are classified as nonperforming. Both principal and interest related to these foreclosed real estate assets are collectible because the loans were predominantly insured by the FHA or guaranteed by the VA. Receivables related to the foreclosure of certain government guaranteed real estate mortgage loans are excluded from this table and included in Accounts Receivable in Other Assets. For additional information on the classification of certain government-guaranteed mortgage loans upon foreclosure, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

Commercial nonaccrual loans decreased $553 million from December 31, 2021, due to improved credit quality across our commercial loan portfolios. For additional information on commercial nonaccrual loans, see the "Risk Management – Credit Risk Management – Commercial and Industrial Loans and Lease Financing" and "Risk Management – Credit Risk Management – Commercial Real Estate" sections in this Report.

Consumer nonaccrual loans decreased $1.0 billion from December 31, 2021, driven by a decrease in residential mortgage nonaccrual loans primarily due to sustained payment performance of borrowers after exiting COVID-19-related accommodation programs.

Table 25 provides an analysis of the changes in nonaccrual loans. Typically, changes to nonaccrual loans period-over-period represent inflows for loans that are placed on nonaccrual status in accordance with our policies, offset by reductions for loans that are paid down, charged off, sold, foreclosed, or are no longer classified as nonaccrual as a result of continued performance and an improvement in the borrower's financial condition and loan repayment capabilities.

Table 25: Analysis of Changes in Nonaccrual Loans

		Year ended December 31,	
(in millions)		**2022**	2021
Commercial nonaccrual loans			
Balance, beginning of period	$	**2,376**	4,779
Inflows		**1,391**	2,113
Outflows:			
Returned to accruing		**(451)**	(1,003)
Foreclosures		**(20)**	(13)
Charge-offs		**(247)**	(533)
Payments, sales and other		**(1,226)**	(2,967)
Total outflows		**(1,944)**	(4,516)
Balance, end of period		**1,823**	2,376
Consumer nonaccrual loans			
Balance, beginning of period		**4,836**	3,949
Inflows		**1,728**	3,281
Outflows:			
Returned to accruing		**(1,599)**	(828)
Foreclosures		**(85)**	(69)
Charge-offs		**(245)**	(252)
Payments, sales and other		**(832)**	(1,245)
Total outflows		**(2,761)**	(2,394)
Balance, end of period		**3,803**	4,836
Total nonaccrual loans	$	**5,626**	7,212

We considered the risk of losses on nonaccrual loans in developing our allowance for loan losses. We believe exposure to losses on nonaccrual loans is mitigated by the following factors at December 31, 2022:

- 97% of total commercial nonaccrual loans are secured, the majority of which are secured by real estate.
- 81% of commercial nonaccrual loans were current on interest and 77% of commercial nonaccrual loans were current on both principal and interest, but were on nonaccrual status because the full or timely collection of interest or principal had become uncertain.
- 99% of total consumer nonaccrual loans are secured, of which 95% are secured by real estate and 98% have a combined LTV (CLTV) ratio of 80% or less.
- $588 million of the $743 million of consumer loans in bankruptcy or discharged in bankruptcy, and classified as nonaccrual, were current.

Table 26 provides a summary of foreclosed assets and an analysis of changes in foreclosed assets.

Table 26: Foreclosed Assets

		December 31,	
(in millions)		**2022**	2021
Summary by loan segment			
Government insured/guaranteed	$	**22**	16
Commercial		**65**	54
Consumer		**50**	42
Total foreclosed assets	$	**137**	112
		Year ended December 31,	
(in millions)		**2022**	2021
Analysis of changes in foreclosed assets			
Balance, beginning of period	$	**112**	159
Net change in government insured/guaranteed (1)		**6**	(2)
Additions to foreclosed assets (2)		**420**	370
Reductions from sales and write-downs		**(401)**	(415)
Balance, end of period	$	**137**	112

(1) Foreclosed government insured/guaranteed loans are temporarily transferred to and held by us as servicer, until reimbursement is received from FHA or VA.
(2) Includes loans moved into foreclosed assets from nonaccrual status and repossessed autos.

As part of our actions to support customers during the COVID-19 pandemic, we temporarily suspended certain residential mortgage foreclosure activities through December 31, 2021. Beginning January 1, 2022, we resumed these mortgage foreclosure activities. For additional information on loans in process of foreclosure, see Note 5 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report.

TROUBLED DEBT RESTRUCTURINGS (TDRs) Table 27 provides information regarding the recorded investment of loans modified in TDRs. TDRs decreased from December 31, 2021, predominantly driven by a decrease in residential mortgage loans, partially offset by an increase in trial modifications. The decrease in residential mortgage loans was due to paydowns and transfers to LHFS, which related to loans purchased from GNMA loan securitization pools. In January 2023, we adopted a new accounting standard that eliminates the accounting and reporting guidance for TDRs. For additional information, see the "Current Accounting Developments" section in this Report.

The amount of our TDRs at December 31, 2022, would have otherwise been higher without the TDR relief provided by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the *Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised)* (Interagency Statement). Customers who are unable to resume making their contractual loan payments upon exiting from these deferral programs may require further assistance and may receive or be eligible to receive modifications, which may be classified as TDRs. For additional information on customer accommodations, including loan modifications, in response to the COVID-19 pandemic, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

Table 27: TDR Balances

		December 31,
(in millions)	**2022**	2021
Commercial and industrial	$ **543**	793
Commercial real estate	**431**	545
Lease financing	**5**	10
Total commercial TDRs	**979**	1,348
Residential mortgage	**7,429**	8,228
Credit card	**407**	309
Auto	**118**	169
Other consumer	**58**	57
Trial modifications	**242**	71
Total consumer TDRs	**8,254**	8,834
Total TDRs	$ **9,233**	10,182
TDRs on nonaccrual status	$ **3,223**	3,142
TDRs on accrual status:		
Government insured/guaranteed	**1,870**	2,462
Non-government insured/guaranteed	**4,140**	4,578
Total TDRs	$ **9,233**	10,182

Our nonaccrual policies are generally the same for all loan types when a restructuring is involved. We may re-underwrite loans at the time of restructuring to determine whether there is sufficient evidence of sustained repayment capacity based on the borrower's documented income, debt to income ratios, and other factors. Loans that are not re-underwritten or loans that lack sufficient evidence of sustained repayment capacity at the time of modification are charged down to the fair value of the collateral, if applicable. For an accruing loan that has been modified, if the borrower has demonstrated performance under the previous terms and the underwriting process shows the capacity to continue to perform under the restructured terms, the loan will generally remain in accruing status. Otherwise, the loan will be placed in nonaccrual status and may be returned to accruing status when the borrower demonstrates a sustained period of performance, generally six consecutive months of payments, or equivalent, inclusive of consecutive payments made prior to modification. Loans will also be placed on nonaccrual status, and a corresponding charge-off is recorded to the loan balance, when we believe that principal and interest contractually due under the modified agreement will not be collectible. See Note 5 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report for additional information regarding TDRs.

Table 28 provides an analysis of the changes in TDRs. Loans modified more than once as a TDR are reported as inflows only in the period they are first modified. In addition to foreclosures, sales and transfers to held for sale, we may remove loans from TDR classification, but only if they have been refinanced or restructured at market terms and qualify as a new loan.

Table 28: Analysis of Changes in TDRs

		Year ended December 31,	
(in millions)		**2022**	2021
Commercial TDRs			
Balance, beginning of period	$	**1,348**	2,731
Inflows (1)		**544**	746
Outflows			
Charge-offs		**(10)**	(141)
Foreclosure		**—**	(5)
Payments, sales and other (2)		**(903)**	(1,983)
Balance, end of period		**979**	1,348
Consumer TDRs			
Balance, beginning of period		**8,834**	11,792
Inflows (1)		**1,892**	1,665
Outflows			
Charge-offs		**(150)**	(185)
Foreclosure		**(54)**	(56)
Payments, sales and other (2)		**(2,439)**	(4,363)
Net change in trial modifications (3)		**171**	(19)
Balance, end of period		**8,254**	8,834
Total TDRs	$	**9,233**	10,182

(1) Inflows include loans that modify, even if they resolve within the period, as well as gross advances on term loans that modified in a prior period and net advances on revolving TDRs that modified in a prior period.
(2) Other outflows include normal amortization/accretion of loan basis adjustments and loans transferred to LHFS. Occasionally, loans that have been refinanced or restructured at market terms qualify as new loans, which are also included as other outflows.
(3) Net change in trial modifications includes: inflows of new TDRs entering the trial payment period, net of outflows for modifications that either (i) successfully perform and enter into a permanent modification or (ii) did not successfully perform according to the terms of the trial period plan and are subsequently charged-off, foreclosed upon, or otherwise resolved.

NET CHARGE-OFFS Table 29 presents net loan charge-offs.

Table 29: Net Loan Charge-offs

	Quarter ended December 31,								Year ended December 31,					
	2022			2021				2022			2021			
($ in millions)		**Net loan charge-offs**	**% of avg. loans (1)**		Net loan charge-offs	% of avg. loans (1)		**Net loan charge-offs**	**% of avg. loans**		Net loan charge-offs	% of avg. loans		
Commercial and industrial	**$**	**66**	**0.07 %**	$	3	— %	**$**	**83**	**0.02 %**	$	218	0.07 %		
Commercial real estate		**10**	**0.03**		22	0.06		**(11)**	**(0.01)**		53	0.04		
Lease financing		**3**	**0.06**		3	0.09		**7**	**0.04**		24	0.15		
Total commercial		**79**	**0.06**		28	0.02		**79**	**0.01**		295	0.06		
Residential mortgage		**(12)**	**(0.02)**		118	0.18		**(63)**	**(0.02)**		(17)	(0.01)		
Credit card		**274**	**2.42**		150	1.61		**851**	**2.06**		800	2.26		
Auto		**137**	**1.00**		58	0.41		**422**	**0.76**		181	0.35		
Other consumer		**82**	**1.13**		67	0.96		**319**	**1.11**		315	1.22		
Total consumer		**481**	**0.48**		393	0.41		**1,529**	**0.39**		1,279	0.33		
Total	**$**	**560**	**0.23 %**	$	421	0.19 %	**$**	**1,608**	**0.17 %**	$	1,574	0.18 %		

(1) Net loan charge-offs as a percentage of average respective loans are annualized.

The decrease in commercial net loan charge-offs in 2022, compared with 2021, was driven by lower losses in our commercial and industrial and commercial real estate mortgage portfolios.

The increase in consumer net loan charge-offs in 2022, compared with 2021, was predominantly due to higher losses in our auto portfolio, driven by loans originated in 2021.

The COVID-19 pandemic may continue to impact the credit quality of our loan portfolio. Although the potential impacts were considered in our allowance for credit losses for loans, payment deferral activities in our residential mortgage portfolio instituted in response to the COVID-19 pandemic could continue to delay the recognition of residential mortgage loan charge-offs. For additional information on customer accommodations in response to the COVID-19 pandemic, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

ALLOWANCE FOR CREDIT LOSSES We maintain an allowance for credit losses (ACL) for loans, which is management's estimate of the expected life-time credit losses in the loan portfolio and unfunded credit commitments, at the balance sheet date, excluding loans and unfunded credit commitments carried at fair value or held for sale. Additionally, we maintain an ACL for debt securities classified as either AFS or HTM, other financial assets measured at amortized cost, net investments in leases, and other off-balance sheet credit exposures.

We apply a disciplined process and methodology to establish our ACL each quarter. The process for establishing the ACL for loans takes into consideration many factors, including historical and forecasted loss trends, loan-level credit quality ratings and loan grade-specific characteristics. The process involves subjective and complex judgments. In addition, we review a variety of credit metrics and trends. These credit metrics and trends, however, do not solely determine the amount of the allowance as we use several analytical tools. For additional information on our ACL, see the "Critical Accounting Policies – Allowance for Credit Losses" section and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report. For additional information on our ACL for loans, see Note 5 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report, and for additional information on our ACL for debt securities, see Note 3 (Available-for-Sale and Held-to-Maturity Debt Securities) to Financial Statements in this Report.

Table 30 presents the allocation of the ACL for loans by loan portfolio segment and class.

Table 30: Allocation of the ACL for Loans

	Dec 31, 2022			Dec 31, 2021		
($ in millions)	ACL	ACL as % of loan class	Loans as % of total loans	ACL	ACL as % of loan class	Loans as % of total loans
Commercial and industrial	**$ 4,507**	**1.17 %**	**40**	$ 4,873	1.39 %	39
Commercial real estate	**2,231**	**1.43**	**16**	2,516	1.70	17
Lease financing	**218**	**1.46**	**2**	402	2.71	2
Total commercial	**6,956**	**1.25**	**58**	7,791	1.52	58
Residential mortgage (1)	**1,096**	**0.41**	**28**	1,286	0.50	29
Credit card	**3,567**	**7.71**	**5**	3,290	8.56	4
Auto	**1,380**	**2.57**	**6**	928	1.64	6
Other consumer	**610**	**2.08**	**3**	493	1.74	3
Total consumer	**6,653**	**1.67**	**42**	5,997	1.57	42
Total	**$ 13,609**	**1.42 %**	**100**	$ 13,788	1.54 %	100
Components:						
Allowance for loan losses			**$ 12,985**			12,490
Allowance for unfunded credit commitments			**624**			1,298
Allowance for credit losses			**$ 13,609**			13,788
Ratio of allowance for loan losses to total net loan charge-offs			**8.08x**			7.94
Ratio of allowance for loan losses to total nonaccrual loans			**2.31**			1.73
Allowance for loan losses as a percentage of total loans			**1.36 %**			1.39

(1) Includes negative allowance for expected recoveries of amounts previously charged off.

The ratios for the allowance for loan losses and the ACL for loans presented in Table 30 may fluctuate from period to period due to such factors as the mix of loan types in the portfolio, borrower credit strength, and the value and marketability of collateral.

The ACL for loans decreased $179 million, or 1%, from December 31, 2021, reflecting reduced uncertainty around the economic impact of the COVID-19 pandemic on our loan portfolio. This decrease was partially offset by loan growth and a less favorable economic environment. The detail of the changes in the ACL for loans by portfolio segment (including charge-offs and recoveries by loan class) is included in Note 5 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report.

We consider multiple economic scenarios to develop our estimate of the ACL for loans, which generally include a base scenario, along with an optimistic (upside) and one or more pessimistic (downside) scenarios. We weighted the base scenario and the downside scenarios in our estimate of the ACL for loans at December 31, 2022. The base scenario assumed elevated inflation and economic contraction in the near term, reflecting increased unemployment rates from historically low levels. The downside scenarios assumed a more substantial economic contraction due to high inflation, declining property values, and lower business and consumer confidence.

Additionally, we consider qualitative factors that represent the risk of limitations inherent in our processes and assumptions such as economic environmental factors, modeling assumptions and performance, and other subjective factors, including industry trends and emerging risk assessments.

The forecasted key economic variables used in our estimate of the ACL for loans at December 31 and September 30, 2022, are presented in Table 31.

Table 31: Forecasted Key Economic Variables

	2Q 2023	4Q 2023	2Q 2024
Weighted blend of economic scenarios:			
U.S. unemployment rate (1):			
December 31, 2022	**4.3 %**	**5.5**	**6.2**
September 30, 2022	5.4	6.1	6.4
U.S. real GDP (2):			
December 31, 2022	**(2.5)**	**(1.0)**	**1.1**
September 30, 2022	(1.1)	1.0	1.9
Home price index (3):			
December 31, 2022	**(4.7)**	**(7.0)**	**(6.2)**
September 30, 2022	(2.2)	(3.7)	(3.7)
Commercial real estate asset prices (3):			
December 31, 2022	**(3.8)**	**(6.7)**	**(5.8)**
September 30, 2022	(1.7)	(4.7)	(4.2)

(1) Quarterly average.
(2) Percent change from the preceding period, seasonally adjusted annualized rate.
(3) Percent change year over year of national average; outlook differs by geography and property type.

Future amounts of the ACL for loans will be based on a variety of factors, including loan balance changes, portfolio credit quality and mix changes, and changes in general economic conditions and expectations (including for unemployment and real GDP), among other factors.

We believe the ACL for loans of $13.6 billion at December 31, 2022, was appropriate to cover expected credit losses, including unfunded credit commitments, at that date. The entire allowance is available to absorb credit losses from the total loan portfolio. The ACL for loans is subject to change and reflects existing factors as of the date of determination, including economic or market conditions and ongoing internal and external examination processes. Due to the sensitivity of the ACL for loans to changes in the economic and business environment, it is possible that we will incur incremental credit losses not anticipated as of the balance sheet date. Our process for determining the ACL is discussed in the "Critical Accounting Policies – Allowance for Credit Losses" section and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

MORTGAGE BANKING ACTIVITIES We sell residential and commercial mortgage loans to various parties, including (1) government-sponsored entities (GSEs), Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA), who include the mortgage loans in GSE-guaranteed mortgage securitizations, (2) SPEs that issue private label MBS, and (3) other financial institutions that purchase mortgage loans for investment or private label securitization. In addition, we pool FHA-insured and VA-guaranteed residential mortgage loans that are then used to back securities guaranteed by the Government National Mortgage Association (GNMA). We may be required to repurchase these mortgage loans, indemnify the securitization trust, investor or insurer, or reimburse the securitization trust, investor or insurer for credit losses incurred on loans (collectively, repurchase) in the event of a breach of contractual representations or warranties that is not remedied within a period (usually 90 days or less) after we receive notice of the breach.

In connection with our sales and securitization of residential mortgage loans, we have established a mortgage repurchase liability, initially at fair value, related to various representations and warranties that reflect management's estimate of losses for loans for which we could have a repurchase obligation, whether or not we currently service those loans, based on a combination of factors. See Note 16 (Securitizations and Variable Interest Entities) to Financial Statements in this Report for additional information about our liability for mortgage loan repurchase losses.

We provide recourse to GSEs for commercial mortgage loans sold under various programs and arrangements. The terms of these programs require that we incur a pro-rata share of actual losses in the event of borrower default. See Note 17 (Guarantees and Other Commitments) to Financial Statements in this Report for additional information about our exposure to loss related to these programs.

In addition to servicing loans in our portfolio, we act as servicer and/or master servicer of residential and commercial mortgage loans included in GSE-guaranteed mortgage securitizations, GNMA-guaranteed mortgage securitizations of FHA-insured/VA-guaranteed mortgages and private label mortgage securitizations, as well as for unsecuritized loans owned by institutional investors.

The loans we service were originated by us or by other mortgage loan originators. As servicer, our primary duties are typically to (1) collect payments due from borrowers, (2) advance certain delinquent payments of principal and interest on the mortgage loans, (3) maintain and administer any hazard, title or primary mortgage insurance policies relating to the mortgage loans, (4) maintain any required escrow accounts for payment of taxes and insurance and administer escrow payments, and (5) foreclose on defaulted mortgage loans or, to the extent consistent with the related servicing agreement, consider alternatives to foreclosure, such as loan modifications or short sales, and for certain investors, manage the foreclosed property through liquidation. As master servicer, our primary duties are typically to (1) supervise, monitor and oversee the servicing of the mortgage loans by the servicer, and (2) advance delinquent amounts required by non-affiliated servicers who fail to perform their advancing obligations. The amount and timing of reimbursement for advances of delinquent payments vary by investor and the applicable servicing agreements. See Note 6 (Mortgage Banking Activities) to Financial Statements in this Report for additional information about residential and commercial servicing rights, servicer advances and servicing fees.

In accordance with applicable servicing guidelines, upon transfer as servicer, we retain the option to repurchase loans from GNMA loan securitization pools, which generally becomes exercisable when three scheduled loan payments remain unpaid by the borrower. We generally repurchase these loans for cash and as a result, our total consolidated assets do not change. At December 31, 2022 and 2021, these repurchased loan balances were $9.8 billion and $17.3 billion, respectively, which included $8.6 billion and $12.9 billion, respectively, in loans held for investment, with the remainder in loans held for sale.

Repurchased loans that regain current status or are otherwise modified in accordance with applicable servicing guidelines may be included in future GNMA loan securitization pools. However, in accordance with guidance issued by GNMA, certain loans repurchased after June 30, 2020, are ineligible for inclusion in future GNMA loan securitization pools until the borrower has timely made six consecutive payments. This requirement may delay our ability to transfer loans into the securitization market. See Note 16 (Securitizations and Variable Interest Entities) to Financial Statements in this Report for additional information about our involvement with mortgage loan securitizations.

Each agreement under which we act as servicer or master servicer generally specifies a standard of responsibility for actions we take in such capacity. We are required to indemnify the securitization trustee against any failure by us, as servicer or master servicer, to perform our servicing obligations. In addition, if we commit a breach of our obligations as servicer or master servicer, we may be subject to termination if the breach is not cured within a specified period. The standards governing servicing in GSE-guaranteed securitizations, and the possible remedies for violations of such standards, vary, and those standards and remedies are determined by servicing guides maintained by the GSEs, contracts between the GSEs and individual servicers and topical guides published by the GSEs from time to time. Such remedies could include indemnification or repurchase of an affected mortgage loan. In addition, in connection with our servicing activities, we could become subject to consent orders and settlement agreements with federal and state regulators for alleged servicing issues and practices. In general, these can require us to provide customers with loan modification relief, refinancing relief, and foreclosure prevention and assistance, and can result in business restrictions or the imposition of certain monetary penalties on us. For example, 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. For additional information on certain consent orders applicable to the Company, see the "Overview" section in this Report.

Asset/Liability Management

Asset/liability management involves evaluating, monitoring and managing interest rate risk, market risk, liquidity and funding. Primary oversight of interest rate risk and market risk resides with the Finance Committee of the Board, which oversees the administration and effectiveness of financial risk management policies and processes used to assess and manage these risks. Primary oversight of liquidity and funding resides with the Risk Committee of the Board.

At the management level, the Corporate Asset/Liability Committee (Corporate ALCO), which consists of management from finance, risk and business groups, oversees these risks and supports periodic reports provided to the Board's Finance Committee and Risk Committee as appropriate. As discussed in more detail for market risk activities below, we employ separate management level oversight specific to market risk.

INTEREST RATE RISK Interest rate risk is the risk that market fluctuations in interest rates, credit spreads, or foreign exchange can cause a loss of the Company's earnings and capital stemming from mismatches in the Company's asset and liability cash flows primarily arising from customer-related activities such as lending and deposit-taking. We are subject to interest rate risk because:

- assets and liabilities may mature or reprice at different times. If assets reprice faster than liabilities and interest rates are generally rising, earnings will initially increase;
- assets and liabilities may reprice at the same time but by different amounts;
- short-term and long-term market interest rates may change by different amounts. For example, the shape of the yield curve may affect yield for new loans and funding costs differently;
- the remaining maturity for various assets or liabilities may shorten or lengthen as interest rates change. For example, if long-term mortgage interest rates increase sharply, mortgage-related products may pay down at a slower rate than anticipated, which could impact portfolio income; or
- interest rates may have a direct or indirect effect on loan demand, collateral values, credit losses, mortgage origination volume, and the fair value of MSRs and other financial instruments.

We assess interest rate risk by comparing outcomes under various net interest income simulations 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. These simulations require assumptions regarding drivers of earnings and balance sheet composition such as loan originations, prepayment rates on loans and debt securities, deposit flows and mix, as well as pricing strategies.

Our most recent simulations, as presented in Table 32, estimate net interest income sensitivity over the next 12 months using instantaneous movements across the yield curve with both lower and higher interest rates relative to our base scenario. Steeper and flatter scenarios measure non-parallel changes in the yield curve, with long-term interest rates defined as all tenors three years and longer and short-term interest rates defined as all tenors less than three years. Where applicable, U.S. dollar interest rates are floored at 0.00%. The following describes the simulation assumptions for the scenarios presented in Table 32:

- Simulations are dynamic and reflect anticipated changes to our assets and liabilities.
- Other macroeconomic variables that could be correlated with the changes in interest rates are held constant.
- Mortgage prepayment and origination assumptions vary across scenarios and reflect only the impact of the higher or lower interest rates.
- Our base scenario deposit forecast incorporates mix changes consistent with the base interest rate trajectory. Deposit mix is modeled to be the same in the base scenario and the alternative scenarios. In higher interest rate scenarios, customer deposit activity that shifts balances into higher yielding products could impact expected net interest income.
- The interest rate sensitivity of deposits is modeled using the historical behavior of our deposits portfolio and reflects the expectations of deposit products repricing as market interest rates change (referred to as deposit betas). Our actual experience in base and alternative scenarios may differ from expectations due to the lag or acceleration of deposit repricing, changes in consumer behavior, and other factors.
- We hold the size of the projected debt and equity securities portfolios constant across scenarios.

Table 32: Net Interest Income Sensitivity Over the Next 12 Months Using Instantaneous Movements

($ in billions)		Dec 31, 2022	Dec 31, 2021
Parallel shift:			
+100 bps shift in interest rates	$	**2.3**	7.1
-100 bps shift in interest rates		**(1.7)**	(3.3)
Steeper yield curve: (1)			
+100 bps shift in long-term interest rates		**0.8**	n/a
-100 bps shift in short-term interest rates		**(1.0)**	n/a
+50 bps shift in long-term interest rates		**0.4**	1.2
-50 bps shift in short-term interest rates		**(0.5)**	(0.9)
Flatter yield curve: (1)			
+100 bps shift in short-term interest rates		**1.5**	n/a
-100 bps shift in long-term interest rates		**(0.7)**	n/a
+50 bps shift in short-term interest rates		**0.7**	2.6
-50 bps shift in long-term interest rates		**(0.4)**	(1.0)

(1) In fourth quarter 2022, given the higher levels of interest rates and volatility, we presented 100 bps shifts in our steeper and flatter scenarios.

The changes in our interest rate sensitivity from December 31, 2021, to December 31, 2022, in Table 32 reflected updates to our base scenario, including expectations for balance sheet composition and interest rates. Our interest rate sensitivity indicates that we would expect to benefit from higher interest rates as our assets would reprice faster and to a greater degree than our liabilities, while in the case of lower interest rates, our assets would reprice downward and to a greater degree than our liabilities resulting in lower net interest income. For the December 31, 2021, simulations with downward shifts in interest rates, the 0.00% interest rate floor limited the amount of the decline in net interest income.

The sensitivity results above do not capture noninterest income or expense impacts. Our interest rate sensitive noninterest income and expense are impacted by mortgage banking activities that may have sensitivity impacts that move in the opposite direction of our net interest income. See the "Risk Management – Asset/Liability Management – Mortgage Banking Interest Rate and Market Risk" section in this Report for additional information.

Interest rate sensitive noninterest income is also impacted by changes in earnings credit for noninterest-bearing deposits that reduce treasury management deposit-related service fees on commercial accounts, and by trading assets. In addition, the impact to net interest income does not include the fair value changes of trading securities, which, along with the effects of related economic hedges, are recorded in noninterest income. In addition to changes in interest rates, net interest income and noninterest income from trading securities may be impacted by the actual composition of the trading portfolio. For additional information on our trading assets and liabilities, see Note 2 (Trading Activities) to Financial Statements in this Report.

We use the debt securities portfolio and exchange-traded and over-the-counter (OTC) interest rate derivatives to manage our interest rate exposures. As interest rates increase, changes in the fair value of AFS debt securities may negatively affect accumulated other comprehensive income (AOCI), which lowers the amount of our regulatory capital. AOCI also includes unrealized gains or losses related to the transfer of debt securities from AFS to HTM, which are subsequently amortized into earnings over the life of the security with no further impact from interest rate changes. See Note 1 (Summary of Significant Accounting Policies) and Note 3 (Available-for-Sale and Held-to-Maturity Debt Securities) to Financial Statements in this Report for additional information on the debt securities portfolios. We use derivatives for asset/liability management in two main ways:

- to convert the cash flows from selected asset and/or liability instruments/portfolios including investments, commercial loans and long-term debt, from floating-rate payments to fixed-rate payments, or vice versa; and
- to economically hedge our mortgage origination pipeline, funded mortgage loans, and MSRs.

In 2022, we entered into interest rate swap hedges to reduce AOCI sensitivity of our AFS debt securities portfolio. Additionally, we entered into interest rate swaps to convert the interest cash flows of some floating-rate assets, such as commercial loans and certain interest-earning deposits with banks, to fixed-rates. Derivatives used to hedge our interest rate risk exposures are presented in Note 14 (Derivatives) to Financial Statements in this Report.

MORTGAGE BANKING INTEREST RATE AND MARKET RISK We originate, fund and service mortgage loans, which subjects us to various risks, including market, interest rate, credit, and liquidity risks that can be substantial. Based on market conditions and other factors, we reduce credit and liquidity risks by selling or securitizing mortgage loans. We determine whether mortgage loans will be held for investment or held for sale at the time of commitment, but may change our intent to hold loans for investment or sale as part of our corporate asset/liability management activities. We may also retain securities in our investment portfolio at the time we securitize mortgage loans.

Changes in interest rates may impact mortgage banking noninterest income, including origination and servicing fees, and the fair value of our residential MSRs, LHFS, and derivative loan commitments (interest rate “locks”) extended to mortgage applicants. Interest rate changes will generally impact our mortgage banking noninterest income on a lagging basis due to the time it takes for the market to reflect a shift in customer demand, as well as the time required for processing a new application, providing the commitment, and securitizing and selling the loan. The amount and timing of the impact will depend on the magnitude, speed and duration of the changes in interest rates.

The valuation of our residential MSRs can be highly subjective and involve complex judgments by management about matters that are inherently unpredictable. Changes in interest rates influence a variety of significant assumptions captured in the periodic valuation of residential MSRs, including prepayment rates, expected returns and potential risks on the servicing asset portfolio, costs to service, the value of escrow balances and other servicing valuation elements. See the “Critical Accounting Policies – Valuation of Residential Mortgage Servicing Rights” section in this Report for additional information on the valuation of our residential MSRs.

An increase in interest rates generally reduces the propensity for refinancing, extends the expected duration of the servicing portfolio, and therefore increases the estimated fair value of the MSRs. However, an increase in interest rates can also reduce mortgage loan demand, including refinancing activity, which reduces noninterest income from origination activities. A decline in interest rates would generally have an opposite impact.

To reduce our exposure to changes in interest rates, our residential MSRs are economically hedged with a combination of derivative instruments, including interest rate swaps, Eurodollar futures, highly liquid mortgage forward contracts and interest rate options. Hedging the various sources of interest rate risk in mortgage banking is a complex process that requires sophisticated modeling and constant monitoring. There are several potential risks to earnings from mortgage banking related to origination volumes and mix, valuation of MSRs and associated hedging results, the relationship and degree of volatility between short-term and long-term interest rates, and changes in servicing and foreclosures costs. While we attempt to balance our mortgage banking interest rate and market risks, the financial instruments we use may not perfectly correlate with the values and income being hedged.

The size of the hedge and the particular combination of hedging instruments at any point in time is designed to reduce the volatility of our earnings over various time frames within a range of mortgage interest rates. Market factors, the composition of the mortgage servicing portfolio, and the relationship between the origination and servicing sides of our mortgage businesses change continually, and therefore the types of instruments used in our hedging are reviewed daily and rebalanced based on our evaluation of current market factors and the interest rate risk inherent in our portfolio.

For additional information on mortgage banking, including key assumptions and the sensitivity of the fair value of MSRs, see Note 6 (Mortgage Banking Activities), Note 14 (Derivatives), and Note 15 (Fair Values of Assets and Liabilities) to Financial Statements in this Report.

MARKET RISK Market risk is the risk of possible economic loss from adverse changes in market risk factors such as interest rates, credit spreads, foreign exchange rates, equity and commodity prices, and the risk of possible loss due to counterparty exposure. This applies to implied volatility risk, basis risk, and market liquidity risk. It includes price risk in the trading book, mortgage servicing rights and the hedge effectiveness risk associated with mortgage loans held at fair value, and impairment of private equity investments.

The Board’s Finance Committee has primary oversight responsibility for market risk and oversees the Company’s market risk exposure and market risk management strategies. In addition, the Board’s Risk Committee has certain oversight responsibilities with respect to market risk, including counterparty risk. The Finance Committee reports key market risk matters to the Risk Committee.

At the management level, the Market and Counterparty Risk Management function, which is part of IRM, has oversight responsibility for market risk across the enterprise. The Market and Counterparty Risk Management function reports into Corporate and Investment Banking Risk and provides periodic reports related to market risk to the Board's Finance Committee.

MARKET RISK – TRADING ACTIVITIES We engage in trading activities to accommodate the investment and risk management activities of our customers and to execute economic hedging to manage certain balance sheet risks. These trading activities predominantly occur within our CIB businesses and, to a lesser extent, other businesses of the Company. Debt securities held for trading, equity securities held for trading, trading loans and trading derivatives are financial instruments used in our trading activities, and all are carried at fair value. Income earned on the financial instruments used in our trading activities include net interest income, changes in fair value and realized gains and losses. Net interest income earned from our trading activities is reflected in the interest income and interest expense components of our consolidated statement of income. Changes in fair value of the financial instruments used in our trading activities are reflected in net gains from trading activities. For additional information on the financial instruments used in our trading activities and the income from these trading activities, see Note 2 (Trading Activities) to Financial Statements in this Report.

Value-at-risk (VaR) is a statistical risk measure used to estimate the potential loss from adverse moves in the financial markets. The Company uses VaR metrics complemented with sensitivity analysis and stress testing in measuring and monitoring market risk. These market risk measures are monitored at both the business unit level and at aggregated levels on a daily basis. Our corporate market risk management function aggregates and monitors exposures against our established risk appetite. Changes to the market risk profile are analyzed and reported on a daily basis. The Company monitors various market risk exposure measures from a variety of perspectives, including line of business, product, risk type, and legal entity.

Trading VaR is the measure used to provide insight into the market risk exhibited by the Company's trading positions. The Company calculates Trading VaR for risk management purposes to establish line of business and Company-wide risk limits. Trading VaR is calculated based on all trading positions on our consolidated balance sheet.

Table 33 shows the Company's Trading General VaR by risk category. Our Trading General VaR uses a historical simulation model which assumes that historical changes in market values are representative of the potential future outcomes and measures the expected earnings loss of the Company over a 1-day time interval at a 99% confidence level. Our historical simulation model is based on equally weighted data from a 12-month historical look-back period. We believe using a 12-month look-back period helps ensure the Company's VaR is responsive to current market conditions. The 99% confidence level equates to an expectation that the Company would incur single-day trading losses in excess of the VaR estimate on average once every 100 trading days.

Average Company Trading General VaR was $35 million for the year ended December 31, 2022, compared with $49 million for the year ended December 31, 2021. The decrease in average Company Trading General VaR for the year ended December 31, 2022, compared with the year ended December 31, 2021, was primarily driven by changes in portfolio composition.

Table 33: Trading 1-Day 99% General VaR by Risk Category

	Year ended December 31,							
	2022				2021			
(in millions)	**Period end**	**Average**	**Low**	**High**	Period end	Average	Low	High
Company Trading General VaR Risk Categories								
Credit	**$ 29**	**32**	**19**	**85**	19	38	12	112
Interest rate	**25**	**25**	**9**	**88**	15	25	4	120
Equity	**27**	**23**	**13**	**38**	15	30	13	72
Commodity	**4**	**6**	**2**	**20**	10	7	2	28
Foreign exchange	**1**	**1**	**0**	**2**	1	1	0	1
Diversification benefit (1)	**(47)**	**(52)**			(40)	(52)		
Company Trading General VaR	**$ 39**	**35**			20	49		

(1) The period-end VaR was less than the sum of the VaR components described above, which is due to portfolio diversification. The diversification effect arises because the risks are not perfectly correlated causing a portfolio of positions to usually be less risky than the sum of the risks of the positions alone. The diversification benefit is not meaningful for low and high metrics since they may occur on different days.

Sensitivity Analysis Given the inherent limitations of the VaR models, the Company uses other measures, including sensitivity analysis, to measure and monitor risk. Sensitivity analysis is the measure of exposure to a single risk factor, such as a 0.01% increase in interest rates or a 1% increase in equity prices. We conduct and monitor sensitivity on interest rates, credit spreads, volatility, equity, commodity, and foreign exchange exposure. Sensitivity analysis complements VaR as it provides an indication of risk relative to each factor irrespective of historical market moves.

Stress Testing While VaR captures the risk of loss due to adverse changes in markets using recent historical market data, stress testing is designed to capture the Company's exposure to extreme but low probability market movements. Stress scenarios estimate the risk of losses based on management's assumptions of abnormal but severe market movements such as severe credit spread widening or a large decline in equity prices. These scenarios assume that the market moves happen instantaneously and no repositioning or hedging activity takes place to mitigate losses as events unfold (a conservative approach since experience demonstrates otherwise).

An inventory of scenarios is maintained representing both historical and hypothetical stress events that affect a broad range of market risk factors with varying degrees of correlation and differing time horizons. Hypothetical scenarios assess the impact of large movements in financial variables on portfolio values. Typical examples include a 1% (100 basis point) increase across the yield curve or a 10% decline in equity market indexes. Historical scenarios utilize an event-driven approach: the stress scenarios are based on plausible but rare events, and the analysis addresses how these events might affect the risk factors relevant to a portfolio.

The Company's stress testing framework is also used in calculating results in support of the Federal Reserve Board's Comprehensive Capital Analysis and Review (CCAR) and internal stress tests. Stress scenarios are regularly reviewed and updated to address potential market events or concerns. For more detail on the CCAR process, see the "Capital Management" section in this Report.

MARKET RISK – EQUITY SECURITIES We are directly and indirectly affected by changes in the equity markets. We make and manage direct 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. The Board reviews business developments, key risks and historical returns for the private equity investment portfolio at least annually. Management reviews these investments at least quarterly to assess them for impairment and observable price changes. For nonmarketable equity securities, the analysis is based on facts and circumstances of each individual investment and the expectations for that investment's cash flows, capital needs, the viability of its business model, our exit strategy, and observable price changes that are similar to the investments held. Investments in nonmarketable equity securities include private equity investments accounted for under the equity method, fair value through net income, and the measurement alternative.

As part of our business to support our customers, we trade public equities, listed/OTC equity derivatives and convertible bonds. We have parameters that govern these activities. We also have marketable equity securities that include investments relating to our venture capital activities. We manage these marketable equity securities within capital risk limits approved by management and the Board and monitored by Corporate ALCO and the Market Risk Committee. The fair value changes in these marketable equity securities are recognized in net income. For additional information, see Note 4 (Equity Securities) to Financial Statements in this Report.

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

LIQUIDITY RISK AND FUNDING Liquidity risk is the risk arising from the inability of the Company to meet obligations when they come due, or roll over funds at a reasonable cost, without incurring heightened costs. In the ordinary course of business, we enter into contractual obligations that may require future cash payments, including funding for customer loan requests, customer deposit maturities and withdrawals, debt service, leases for premises and equipment, and other cash commitments. The objective of effective liquidity management is to ensure that we can meet our contractual obligations and other cash commitments efficiently under both normal operating conditions and under periods of Wells Fargo-specific and/or market stress. For additional information on these obligations, see the following sections and Notes to Financial Statements in this Report:

- "Unfunded Credit Commitments" section within Loans and Related Allowance for Credit Losses (Note 5)
- Leasing Activity (Note 8)
- Deposits (Note 9)
- Long-Term Debt (Note 10)
- Guarantees and Other Commitments (Note 17)
- Employee Benefits (Note 21)
- Income Taxes (Note 22)

To help achieve this objective, the Board establishes liquidity guidelines that require sufficient asset-based liquidity to cover potential funding requirements and to avoid over-dependence on volatile, less reliable funding markets. These guidelines are monitored on a monthly basis by the Corporate ALCO and on a quarterly basis by the Board. These guidelines are established and monitored for both the Company and the Parent on a stand-alone basis so that the Parent is a source of strength for its banking subsidiaries.

Liquidity Stress Tests Liquidity stress tests are performed to help ensure that the Company has sufficient liquidity to meet contractual and contingent outflows modeled under a variety of stress scenarios. Our scenarios utilize market-wide as well as corporate-specific events, including a range of stress conditions and time horizons. Stress testing results facilitate evaluation of the Company's projected liquidity position during stress and inform future needs in the Company's funding plan.

Contingency Funding Plan Our contingency funding plan (CFP), which is approved by Corporate ALCO and the Board's Risk Committee, sets out the Company's strategies and action plans to address potential liquidity needs during market-wide or idiosyncratic liquidity events. The CFP establishes measures for monitoring emerging liquidity events and describes the processes for communicating and managing stress events should they occur. The CFP also identifies alternate funding and liquidity strategies available to the Company in a period of stress.

Liquidity Standards We are subject to a rule issued by the FRB, OCC and FDIC that establishes a quantitative minimum liquidity requirement consistent with the liquidity coverage ratio (LCR) established by the Basel Committee on Banking Supervision (BCBS). The rule requires a covered banking organization to hold high-quality liquid assets (HQLA) in an amount equal to or greater than its projected net cash outflows during a 30-day stress period. Our HQLA under the rule predominantly consists of central bank deposits, government debt securities, and mortgage-backed securities of federal agencies. The LCR applies to the Company and to our insured depository institutions (IDIs) with total assets of $10 billion or more. In addition, rules issued by the FRB impose enhanced liquidity risk management standards on large bank holding companies (BHCs), such as Wells Fargo.

The FRB, OCC and FDIC have also issued a rule implementing a stable funding requirement, known as the net stable funding ratio (NSFR), which requires a covered banking organization, such as Wells Fargo, to maintain a minimum amount of stable funding, including common equity, long-term debt and most types of deposits, in relation to its assets, derivative exposures and commitments over a one-year horizon period. The NSFR applies to the Company and to our IDIs with total assets of $10 billion or more. As of December 31, 2022, we were compliant with the NSFR requirement.

Liquidity Coverage Ratio As of December 31, 2022, the Company, Wells Fargo Bank, N.A., and Wells Fargo National Bank West exceeded the minimum LCR requirement of 100%. Table 34 presents the Company's quarterly average values for the daily-calculated LCR and its components calculated pursuant to the LCR rule requirements. The LCR represents average HQLA divided by average projected net cash outflows, as each is defined under the LCR rule.

Table 34: Liquidity Coverage Ratio

	Average for quarter ended		
(in millions, except ratio)	**Dec 31, 2022**	Sep 30, 2022	Dec 31, 2021
HQLA (1):			
Eligible cash	**$ 123,446**	125,576	210,527
Eligible securities (2)	**231,337**	238,678	172,761
Total HQLA	**354,783**	364,254	383,288
Projected net cash outflows (3)	**292,001**	296,495	325,015
LCR	**122%**	123	118

(1) Excludes excess HQLA at certain subsidiaries that are not transferable to other Wells Fargo entities.
(2) Net of applicable haircuts required under the LCR rule.
(3) Projected net cash outflows are calculated by applying a standardized set of outflow and inflow assumptions, defined by the LCR rule, to various exposures and liability types, such as deposits and unfunded loan commitments, which are prescribed based on a number of factors including the type of customer and the nature of the account.

Liquidity Sources We maintain liquidity in the form of cash, interest-earning deposits with banks, and unencumbered high-quality, liquid debt securities. These assets make up our primary sources of liquidity. Our primary sources of liquidity are substantially the same in composition as HQLA under the LCR rule; however, our primary sources of liquidity will generally exceed HQLA calculated under the LCR rule due to the applicable haircuts to HQLA and the exclusion of excess HQLA at our subsidiary IDIs required under the LCR rule. Our primary sources of liquidity are presented in Table 35 at fair value, which also includes encumbered securities that are not included as available HQLA in the calculation of the LCR.

Our cash is predominantly on deposit with the Federal Reserve. Debt securities included as part of our primary sources of liquidity are comprised of U.S. Treasury and federal agency debt, and MBS issued by federal agencies within our debt securities portfolio. We believe these debt securities provide quick sources of liquidity through sales or by pledging to obtain financing, regardless of market conditions. Some of these debt securities are within our HTM portfolio and, as such, are not intended for sale but may be pledged to obtain financing.

Table 35: Primary Sources of Liquidity

	December 31, 2022			December 31, 2021		
(in millions)	**Total**	**Encumbered**	**Unencumbered**	Total	Encumbered	Unencumbered
Interest-earning deposits with banks	**$ 124,561**	**—**	**124,561**	209,614	—	209,614
Debt securities of U.S. Treasury and federal agencies	**59,570**	**12,080**	**47,490**	56,486	4,066	52,420
Federal agency mortgage-backed securities	**230,881**	**34,151**	**196,730**	293,870	58,955	234,915
Total	**$ 415,012**	**46,231**	**368,781**	559,970	63,021	496,949

In addition to our primary sources of liquidity shown in Table 35, liquidity is also available through the sale or financing of other debt securities including trading and/or AFS debt securities as well as through the sale, securitization or financing of loans, to the extent such debt securities and loans are not encumbered.

Funding Sources The Parent acts as a source of funding for the Company through the issuance of long-term debt and equity. WFC Holdings, LLC (the "IHC") is an intermediate holding company and subsidiary of the Parent, which provides funding support for the ongoing operational requirements of the Parent and certain of its direct and indirect subsidiaries. For additional information on the IHC, see the "Regulatory Matters – 'Living Will' Requirements and Related Matters" section in this Report. Additional subsidiary funding is provided by deposits, short-term borrowings and long-term debt.

Deposits have historically provided a sizable source of relatively low-cost funds. Deposits were 145% and 166% of total loans at December 31, 2022 and 2021, respectively.

As of December 31, 2022, we had approximately $209.0 billion of available borrowing capacity at various Federal Home Loan Banks and the Federal Reserve Discount Window. Although available, we do not view the borrowing capacity at the Federal Reserve Discount Window as a primary source of liquidity. Table 36 presents a summary of our short-term borrowings, which generally mature in less than 30 days. For additional information on the classification of our short-term borrowings, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report. We pledge certain financial instruments that we own to collateralize repurchase agreements and other securities financings. For additional information, see the "Pledged Assets" section of Note 18 (Pledged Assets and Collateral) to Financial Statements in this Report.

Table 36: Short-Term Borrowings

(in millions)		December 31, 2022	December 31, 2021
Federal funds purchased and securities sold under agreements to repurchase	$	**30,623**	21,191
Other short-term borrowings (1)		**20,522**	13,218
Total	$	**51,145**	34,409

(1) Includes $7.0 billion and $0 of Federal Home Loan Bank (FHLB) advances at December 31, 2022 and 2021, respectively.

We access domestic and international capital markets for long-term funding through issuances of registered debt securities, private placements and asset-backed secured funding. We issue long-term debt in a variety of maturities and currencies to achieve cost-efficient funding and to maintain an appropriate maturity profile. Proceeds from securities issued were used for general corporate purposes unless otherwise specified in the applicable prospectus or prospectus supplement, and we expect the proceeds from securities issued in the future will be used for the same purposes. Depending on market conditions and our liquidity position, we may redeem or repurchase, and subsequently retire, our outstanding debt securities in privately negotiated or open market transactions, by tender offer, or otherwise.

Table 37 presents a summary of our long-term debt. For additional information on our long-term debt, including contractual maturities, see Note 10 (Long-Term Debt), and for information on the classification of our long-term debt, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

Table 37: Long-Term Debt

(in millions)		December 31, 2022	December 31, 2021
Wells Fargo & Company (Parent Only)	$	**134,401**	146,286
Wells Fargo Bank, N.A., and other bank entities (Bank) (1)		**39,189**	12,858
Other consolidated subsidiaries		**1,280**	1,545
Total	$	**174,870**	160,689

(1) Includes $27.0 billion and $0 of FHLB advances at December 31, 2022 and 2021, respectively. For additional information, see Note 10 (Long-Term Debt) to Financial Statements in this Report.

Credit Ratings Investors in the long-term capital markets, as well as other market participants, generally will consider, among other factors, a company's debt rating in making investment decisions. Rating agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix, the level and quality of earnings, and rating agency assumptions regarding the probability and extent of federal financial assistance or support for certain large financial institutions. Adverse changes in these factors could result in a reduction of our credit rating; however, our debt securities do not contain credit rating covenants.

There were no actions undertaken by the rating agencies with regard to our credit ratings during fourth quarter 2022.

See the "Risk Factors" section in this Report for additional information regarding our credit ratings and the potential impact a credit rating downgrade would have on our liquidity and operations as well as Note 14 (Derivatives) to Financial Statements in this Report for information regarding additional collateral and funding obligations required for certain derivative instruments in the event our credit ratings were to fall below investment grade.

The credit ratings of the Parent and Wells Fargo Bank, N.A., as of December 31, 2022, are presented in Table 38.

Table 38: Credit Ratings as of December 31, 2022

	Wells Fargo & Company		Wells Fargo Bank, N.A.	
	Senior debt	Short-term borrowings	Long-term deposits	Short-term borrowings
Moody's	A1	P-1	Aa1	P-1
S&P Global Ratings	BBB+	A-2	A+	A-1
Fitch Ratings	A+	F1	AA	F1+
DBRS Morningstar	AA (low)	R-1 (middle)	AA	R-1 (high)

Capital Management

We have an active program for managing capital through a comprehensive process for assessing the Company's overall capital adequacy. Our objective is to maintain capital at an amount commensurate with our risk profile and risk tolerance objectives, and to meet both regulatory and market expectations. We primarily fund our capital needs through the retention of earnings net of both dividends and share repurchases, as well as through the issuance of preferred stock and long- and short-term debt. Retained earnings at December 31, 2022, increased $7.3 billion from December 31, 2021, predominantly as a result of $13.2 billion of Wells Fargo net income, partially offset by $5.4 billion of common and preferred stock dividends. During 2022, we issued $1.8 billion of common stock, substantially all of which was issued in connection with employee compensation and benefits. In 2022, we repurchased 110 million shares of common stock at a cost of $6 billion. In 2022, our AOCI decreased $11.7 billion, predominantly due to net unrealized losses on AFS debt securities. As interest rates increase, changes in the fair value of AFS debt securities may negatively affect AOCI, which lowers the amount of our risk-based capital. For additional information about capital planning, see the "Capital Planning and Stress Testing" section below.

In 2022, we redeemed $609 million of preferred stock. For additional information, see Note 11 (Preferred Stock) to Financial Statements in this Report.

Regulatory Capital Requirements

The Company and each of our IDIs are subject to various regulatory capital adequacy requirements administered by the FRB and the OCC. Risk-based capital rules establish risk-adjusted ratios relating regulatory capital to different categories of assets and off-balance sheet exposures as discussed below.

RISK-BASED CAPITAL AND RISK-WEIGHTED ASSETS The Company is subject to rules issued by federal banking regulators to implement Basel III capital requirements for U.S. banking organizations. The rules contain two frameworks for calculating capital requirements, a Standardized Approach and an Advanced Approach applicable to certain institutions, including Wells Fargo, and we must calculate our risk-based capital ratios under both approaches. The Company is required to satisfy the risk-based capital ratio requirements to avoid restrictions on capital distributions and discretionary bonus payments. Table 39 and Table 40 present the risk-based capital requirements applicable to the Company under the Standardized Approach and Advanced Approach, respectively, as of December 31, 2022.

Table 39: Risk-Based Capital Requirements – Standardized Approach as of December 31, 2022

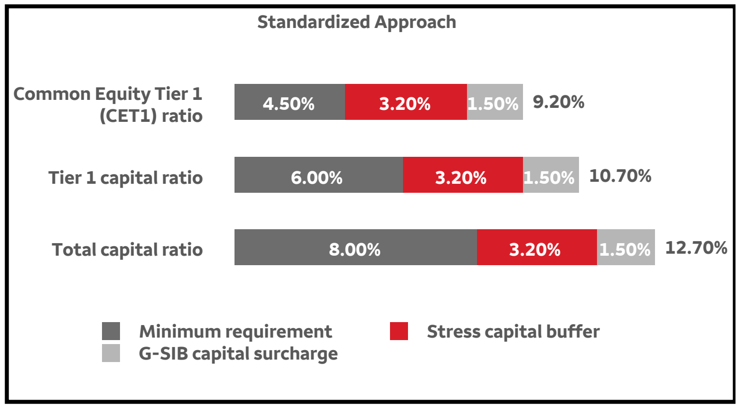
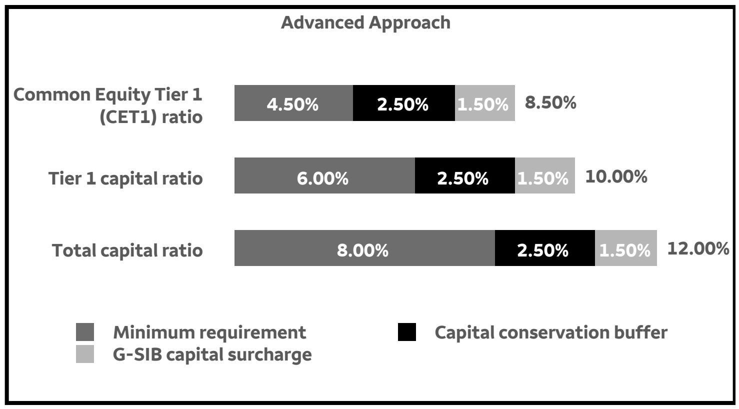


Table 40: Risk-Based Capital Requirements – Advanced Approach as of December 31, 2022



In addition to the risk-based capital requirements described in Table 39 and Table 40, if the FRB determines that a period of excessive credit growth is contributing to an increase in systemic risk, a countercyclical buffer of up to 2.50% could be added to the risk-based capital ratio requirements under federal banking regulations. The countercyclical buffer in effect at December 31, 2022, was 0.00%.

The capital conservation buffer is applicable to certain institutions, including Wells Fargo, under the Advanced Approach and is intended to absorb losses during times of economic or financial stress.

The stress capital buffer is calculated based on the decrease in a BHC's risk-based capital ratios under the severely adverse scenario in the FRB's annual supervisory stress test and related Comprehensive Capital Analysis and Review (CCAR), plus four quarters of planned common stock dividends. Because the stress capital buffer is calculated annually based on data that can differ over time, our stress capital buffer, and thus our risk-based capital ratio requirements under the Standardized Approach, are subject to change in future periods. Our stress capital buffer for the period October 1, 2022, through September 30, 2023, is 3.20%.

As a global systemically important bank (G-SIB), we are also subject to the FRB's rule implementing an additional capital surcharge between 1.00-4.50% on the risk-based capital ratio requirements of G-SIBs. Under the rule, we must annually calculate our surcharge under two methods and use the higher of the two surcharges. The first method (method one) considers our size, interconnectedness, cross-jurisdictional activity, substitutability, and complexity, consistent with the methodology developed by the BCBS and the Financial Stability Board (FSB). The second method (method two) uses similar inputs, but replaces substitutability with use of short-term wholesale funding and will generally result in higher surcharges than under method one. Because the G-SIB capital surcharge is calculated annually based on data that can differ over time, the amount of the surcharge is subject to change in future years. If our annual calculation results in a decrease to our G-SIB capital surcharge, the decrease takes effect the next calendar year. If our annual calculation results in an increase to our G-SIB capital surcharge, the increase takes effect in two calendar years. Our G-SIB capital surcharge will continue to be 1.50% in 2023.

Under the risk-based capital rules, on-balance sheet assets and credit equivalent amounts of derivatives and off-balance sheet items are assigned to one of several broad risk categories according to the obligor, or, if relevant, the guarantor or the nature of any collateral. The aggregate dollar amount in each risk category is then multiplied by the risk weight associated with that category. The resulting weighted values from each of the risk categories are aggregated for determining total risk-weighted assets (RWAs).

The tables that follow provide information about our risk-based capital and related ratios as calculated under Basel III capital rules. Table 41 summarizes our CET1, Tier 1 capital, total capital, RWAs and capital ratios.

Table 41: Capital Components and Ratios

		Standardized Approach			Advanced Approach		
($ in millions)		**Required Capital Ratios (1)**	**Dec 31, 2022**	Dec 31, 2021	**Required Capital Ratios (1)**	**Dec 31, 2022**	Dec 31, 2021
Common Equity Tier 1	(A)		**$ 133,527**	140,643		**133,527**	140,643
Tier 1 capital	(B)		**152,567**	159,671		**152,567**	159,671
Total capital	(C)		**186,747**	196,281		**177,258**	186,553
Risk-weighted assets	(D)		**1,259,889**	1,239,026		**1,112,307**	1,116,068
Common Equity Tier 1 capital ratio	(A)/(D)	**9.20 %**	**10.60 ***	11.35	**8.50**	**12.00**	12.60
Tier 1 capital ratio	(B)/(D)	**10.70**	**12.11 ***	12.89	**10.00**	**13.72**	14.31
Total capital ratio	(C)/(D)	**12.70**	**14.82 ***	15.84	**12.00**	**15.94**	16.72

* Denotes the binding ratio under the Standardized and Advanced Approaches at December 31, 2022.
(1) Represents the minimum ratios required to avoid restrictions on capital distributions and discretionary bonus payments at December 31, 2022.

Table 42 provides information regarding the calculation and composition of our risk-based capital under the Standardized and Advanced Approaches.

Table 42: Risk-Based Capital Calculation and Components

(in millions)			Dec 31, 2022	Dec 31, 2021
Total equity		$	**181,875**	190,110
Adjustments:				
Preferred stock (1)			**(19,448)**	(20,057)
Additional paid-in capital on preferred stock (1)			**173**	136
Unearned Employee Stock Ownership Plan (ESOP) shares (1)			**—**	646
Noncontrolling interests			**(1,986)**	(2,504)
Total common stockholders' equity		$	**160,614**	168,331
Adjustments:				
Goodwill			**(25,173)**	(25,180)
Certain identifiable intangible assets (other than MSRs)			**(152)**	(225)
Goodwill and other intangibles on investments in consolidated portfolio companies (included in other assets)			**(2,427)**	(2,437)
Applicable deferred taxes related to goodwill and other intangible assets (2)			**890**	765
CECL transition provision (3)			**180**	241
Other			**(405)**	(852)
Common Equity Tier 1 under the Standardized and Advanced Approaches		$	**133,527**	140,643
Preferred stock (1)			**19,448**	20,057
Additional paid-in capital on preferred stock (1)			**(173)**	(136)
Unearned ESOP shares (1)			**—**	(646)
Other			**(235)**	(247)
Total Tier 1 capital under the Standardized and Advanced Approaches	(A)	$	**152,567**	159,671
Long-term debt and other instruments qualifying as Tier 2			**20,503**	22,740
Qualifying allowance for credit losses (4)			**13,959**	14,149
Other			**(282)**	(279)
Total Tier 2 capital under the Standardized Approach	(B)	$	**34,180**	36,610
Total qualifying capital under the Standardized Approach	(A)+(B)	$	**186,747**	196,281
Long-term debt and other instruments qualifying as Tier 2			**20,503**	22,740
Qualifying allowance for credit losses (4)			**4,470**	4,421
Other			**(282)**	(279)
Total Tier 2 capital under the Advanced Approach	(C)	$	**24,691**	26,882
Total qualifying capital under the Advanced Approach	(A)+(C)	$	**177,258**	186,553

(1) In fourth quarter 2022, we redeemed all outstanding shares of our ESOP Cumulative Convertible Preferred Stock in exchange for shares of the Company's common stock. For additional information, see Note 11 (Preferred Stock) to Financial Statements in this Report.
(2) Determined by applying the combined federal statutory rate and composite state income tax rates to the difference between book and tax basis of the respective goodwill and intangible assets at period-end.
(3) In second quarter 2020, the Company elected to apply a modified transition provision issued by federal banking regulators related to the impact of the current expected credit loss accounting standard (CECL) on regulatory capital. The rule permits certain banking organizations to exclude from regulatory capital the initial adoption impact of CECL, plus 25% of the cumulative changes in the allowance for credit losses (ACL) under CECL for each period until December 31, 2021, followed by a three-year phase-out period in which the benefit is reduced by 25% in year one, 50% in year two and 75% in year three.
(4) Differences between the approaches are driven by the qualifying amounts of ACL includable in Tier 2 capital. Under the Advanced Approach, eligible credit reserves represented by the amount of qualifying ACL in excess of expected credit losses (using regulatory definitions) is limited to 0.60% of Advanced credit RWAs, whereas the Standardized Approach includes ACL in Tier 2 capital up to 1.25% of Standardized credit RWAs. Under both approaches, any excess ACL is deducted from the respective total RWAs.

Table 43 provides the composition of our RWAs under the Standardized and Advanced Approaches.

Table 43: Risk-Weighted Assets

		Standardized Approach		Advanced Approach (1)	
(in millions)		Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Risk-weighted assets (RWAs):					
Credit risk	$	**1,218,006**	1,186,810	**757,436**	747,714
Market risk		**41,883**	52,216	**41,883**	52,216
Operational risk		**—**	—	**312,988**	316,138
Total RWAs	$	**1,259,889**	1,239,026	**1,112,307**	1,116,068

(1) RWAs calculated under the Advanced Approach utilize a risk-sensitive methodology, which relies upon the use of internal credit models based upon our experience with internal rating grades. Advanced Approach also includes an operational risk component, which reflects the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Table 44 provides an analysis of the changes in CET1.

Table 44: Analysis of Changes in Common Equity Tier 1

(in millions)		
Common Equity Tier 1 at December 31, 2021	$	140,643
Net income applicable to common stock		12,067
Common stock dividends		(4,184)
Common stock issued, repurchased, and stock compensation-related items		(3,930)
Changes in accumulated other comprehensive income		(11,677)
Goodwill		7
Certain identifiable intangible assets (other than MSRs)		73
Goodwill and other intangibles on investments in consolidated portfolio companies (included in other assets)		10
Applicable deferred taxes related to goodwill and other intangible assets (1)		125
CECL transition provision (2)		(61)
Other		454
Change in Common Equity Tier 1		(7,116)
Common Equity Tier 1 at December 31, 2022	**$**	**133,527**

(1) Determined by applying the combined federal statutory rate and composite state income tax rates to the difference between book and tax basis of the respective goodwill and intangible assets at period-end.
(2) In second quarter 2020, the Company elected to apply a modified transition provision issued by federal banking regulators related to the impact of CECL on regulatory capital. The rule permits certain banking organizations to exclude from regulatory capital the initial adoption impact of CECL, plus 25% of the cumulative changes in the allowance for credit losses (ACL) under CECL for each period until December 31, 2021, followed by a three-year phase-out period in which the benefit is reduced by 25% in year one, 50% in year two and 75% in year three.

Table 45 presents net changes in the components of RWAs under the Standardized and Advanced Approaches.

Table 45: Analysis of Changes in RWAs

(in millions)		Standardized Approach	Advanced Approach
Risk-weighted assets (RWAs) at December 31, 2021	$	1,239,026	1,116,068
Net change in credit risk RWAs		31,196	9,722
Net change in market risk RWAs		(10,333)	(10,333)
Net change in operational risk RWAs		—	(3,150)
Total change in RWAs		20,863	(3,761)
RWAs at December 31, 2022	**$**	**1,259,889**	**1,112,307**

TANGIBLE COMMON EQUITY We also evaluate our business based on certain ratios that utilize tangible common equity. Tangible common equity is a non-GAAP financial measure and represents total equity less preferred equity, noncontrolling interests, goodwill, certain identifiable intangible assets (other than MSRs) and goodwill and other intangibles on investments in consolidated portfolio companies, net of applicable deferred taxes. The ratios are (i) tangible book value per common share, which represents tangible common equity divided by common shares outstanding; and (ii) return on average tangible common equity (ROTCE), which represents our annualized earnings as a percentage of tangible common equity. The methodology of determining tangible common equity may differ among companies. Management believes that tangible book value per common share and return on average tangible common equity, which utilize tangible common equity, are useful financial measures because they enable management, investors, and others to assess the Company's use of equity.

Table 46 provides a reconciliation of these non-GAAP financial measures to GAAP financial measures.

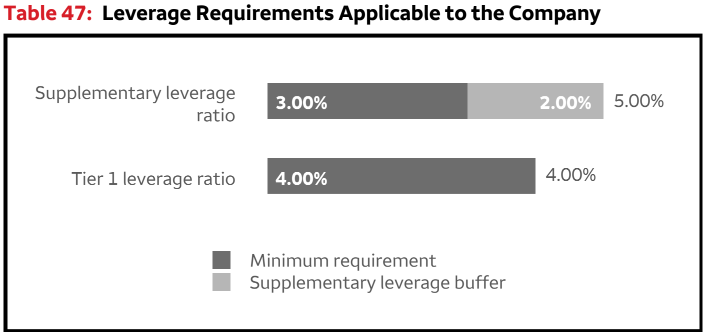
Table 46: Tangible Common Equity

		Balance at period-end			Average balance		
		Quarter ended			Year ended		
(in millions, except ratios)		**Dec 31, 2022**	Dec 31, 2021	Dec 31, 2020	**Dec 31, 2022**	Dec 31, 2021	Dec 31, 2020
Total equity		**$ 181,875**	190,110	185,712	**183,224**	191,219	184,689
Adjustments:							
Preferred stock (1)		**(19,448)**	(20,057)	(21,136)	**(19,930)**	(21,151)	(21,364)
Additional paid-in capital on preferred stock (1)		**173**	136	152	**143**	137	148
Unearned ESOP shares (1)		**—**	646	875	**512**	874	1,007
Noncontrolling interests		**(1,986)**	(2,504)	(1,033)	**(2,323)**	(1,601)	(769)
Total common stockholders' equity	(A)	**160,614**	168,331	164,570	**161,626**	169,478	163,711
Adjustments:							
Goodwill		**(25,173)**	(25,180)	(26,392)	**(25,177)**	(26,087)	(26,387)
Certain identifiable intangible assets (other than MSRs)		**(152)**	(225)	(342)	**(190)**	(294)	(389)
Goodwill and other intangibles on investments in consolidated portfolio companies (included in other assets)		**(2,427)**	(2,437)	(1,965)	**(2,359)**	(2,226)	(2,002)
Applicable deferred taxes related to goodwill and other intangible assets (2)		**890**	765	856	**864**	867	834
Tangible common equity	(B)	**$ 133,752**	141,254	136,727	**134,764**	141,738	135,767
Common shares outstanding	(C)	**3,833.8**	3,885.8	4,144.0	**N/A**	N/A	N/A
Net income applicable to common stock	(D)	**N/A**	N/A	N/A	**$ 12,067**	20,256	1,786
Book value per common share	(A)/(C)	**$ 41.89**	43.32	39.71	**N/A**	N/A	N/A
Tangible book value per common share	(B)/(C)	**34.89**	36.35	32.99	**N/A**	N/A	N/A
Return on average common stockholders' equity (ROE)	(D)/(A)	**N/A**	N/A	N/A	**7.47 %**	11.95	1.09
Return on average tangible common equity (ROTCE)	(D)/(B)	**N/A**	N/A	N/A	**8.95**	14.29	1.32

(1) In fourth quarter 2022, we redeemed all outstanding shares of our ESOP Cumulative Convertible Preferred Stock in exchange for shares of the Company's common stock. For additional information, see Note 11 (Preferred Stock) to Financial Statements in this Report.
(2) Determined by applying the combined federal statutory rate and composite state income tax rates to the difference between book and tax basis of the respective goodwill and intangible assets at period-end.

LEVERAGE REQUIREMENTS As a BHC, we are required to maintain a supplementary leverage ratio (SLR) to avoid restrictions on capital distributions and discretionary bonus payments and maintain a minimum Tier 1 leverage ratio. Table 47 presents the leverage requirements applicable to the Company as of December 31, 2022.

Table 47: Leverage Requirements Applicable to the Company



In addition, our IDIs are required to maintain an SLR of at least 6.00% to be considered well capitalized under applicable regulatory capital adequacy rules and maintain a minimum Tier 1 leverage ratio of 4.00%.

The FRB and OCC have proposed amendments to the SLR rules (Proposed SLR rules) that would replace the 2.00% supplementary leverage buffer with a buffer equal to one-half of our G-SIB capital surcharge. The Proposed SLR rules would similarly tailor the current 6.00% SLR requirement for our IDIs.

At December 31, 2022, the Company's SLR was 6.86%, and each of our IDIs exceeded their applicable SLR requirements. Table 48 presents information regarding the calculation and components of the Company's SLR and Tier 1 leverage ratio.

Table 48: Leverage Ratios for the Company

($ in millions)			Quarter ended December 31, 2022
Tier 1 capital	(A)	$	152,567
Total average assets			1,875,396
Less: Goodwill and other permitted Tier 1 capital deductions (net of deferred tax liabilities)			28,442
Total adjusted average assets			1,846,954
Plus adjustments for off-balance sheet exposures:			
Derivatives (1)			63,277
Repo-style transactions (2)			3,250
Other (3)			311,308
Total off-balance sheet exposures			377,835
Total leverage exposure	(B)	$	2,224,789
Supplementary leverage ratio	(A)/(B)		6.86%
Tier 1 leverage ratio (4)			8.26%

(1) Adjustment represents derivatives and collateral netting exposures as defined for supplementary leverage ratio determination purposes.
(2) Adjustment represents counterparty credit risk for repo-style transactions where Wells Fargo & Company is the principal counterparty facing the client.
(3) Adjustment represents credit equivalent amounts of other off-balance sheet exposures not already included as derivatives and repo-style transactions exposures.
(4) The Tier 1 leverage ratio consists of Tier 1 capital divided by total average assets, excluding goodwill and certain other items as determined under the rule.

TOTAL LOSS ABSORBING CAPACITY As a G-SIB, we are required to have a minimum amount of equity and unsecured long-term debt for purposes of resolvability and resiliency, often referred to as Total Loss Absorbing Capacity (TLAC). U.S. G-SIBs are required to have a minimum amount of TLAC (consisting of CET1 capital and additional Tier 1 capital issued directly by the top-tier or covered BHC plus eligible external long-term debt) to avoid restrictions on capital distributions and discretionary bonus payments as well as a minimum amount of eligible unsecured long-term debt. The components used to calculate our minimum TLAC and eligible unsecured long-term debt requirements as of December 31, 2022, are presented in Table 49.

Table 49: Components Used to Calculate TLAC and Eligible Unsecured Long-Term Debt Requirements

TLAC requirement

Greater of:

18.00% of RWAs + TLAC buffer (equal to 2.50% of RWAs + method one G-SIB capital surcharge + any countercyclical buffer)	7.50% of total leverage exposure (the denominator of the SLR calculation) + External TLAC leverage buffer (equal to 2.00% of total leverage exposure)

Minimum amount of eligible unsecured long-term debt

Greater of:

6.00% of RWAs + Greater of method one and method two G-SIB capital surcharge	4.50% of total leverage exposure

Under the Proposed SLR rules, the 2.00% external TLAC leverage buffer would be replaced with a buffer equal to one-half of our applicable G-SIB capital surcharge, and the leverage component for calculating the minimum amount of eligible unsecured long-term debt would be modified from 4.50% of total leverage exposure to 2.50% of total leverage exposure plus one-half of our applicable G-SIB capital surcharge.

Table 50 provides our TLAC and eligible unsecured long-term debt and related ratios.

Table 50: TLAC and Eligible Unsecured Long-Term Debt

	December 31, 2022			
($ in millions)	TLAC (1)	Regulatory Minimum (2)	Eligible Unsecured Long-term Debt	Regulatory Minimum
Total eligible amount	$ 293,152		134,521	
Percentage of RWAs (3)	23.27 %	21.50	10.68	7.50
Percentage of total leverage exposure	13.18	9.50	6.05	4.50

(1) TLAC ratios are calculated using the CECL transition provision issued by federal banking regulators.
(2) Represents the minimum required to avoid restrictions on capital distributions and discretionary bonus payments.
(3) Our minimum TLAC and eligible unsecured long-term debt requirements are calculated based on the greater of RWAs determined under the Standardized and Advanced Approaches.

OTHER REGULATORY CAPITAL AND LIQUIDITY MATTERS For information regarding the U.S. implementation of the Basel III LCR and NSFR, see the "Risk Management – Asset/ Liability Management – Liquidity Risk and Funding – Liquidity Standards" section in this Report.

Our principal U.S. broker-dealer subsidiaries, Wells Fargo Securities, LLC, and Wells Fargo Clearing Services, LLC, are subject to regulations to maintain minimum net capital requirements. As of December 31, 2022, these broker-dealer subsidiaries were in compliance with their respective regulatory minimum net capital requirements.

Capital Planning and Stress Testing

Our planned long-term capital structure is designed to meet regulatory and market expectations. We believe that our long-term targeted capital structure enables us to invest in and grow our business, satisfy our customers' financial needs in varying environments, access markets, and maintain flexibility to return capital to our shareholders. Our long-term targeted capital structure also considers capital levels sufficient to exceed capital requirements, including the G-SIB capital surcharge and the stress capital buffer, as well as potential changes to regulatory requirements for our capital ratios, planned capital actions, changes in our risk profile and other factors. Accordingly, our long-term target capital levels are set above their respective regulatory minimums plus buffers.

The FRB capital plan rule establishes capital planning and other requirements that govern capital distributions, including dividends and share repurchases, by certain BHCs, including Wells Fargo. The FRB assesses, among other things, the overall financial condition, risk profile, and capital adequacy of BHCs when evaluating their capital plans.

As part of the annual Comprehensive Capital Analysis and Review, the FRB generates a supervisory stress test. The FRB reviews the supervisory stress test results as required under the Dodd-Frank Act using a common set of capital actions for all large BHCs and also reviews the Company's proposed capital actions.

Federal banking regulators also require large BHCs and banks to conduct their own stress tests to evaluate whether the institution has sufficient capital to continue to operate during periods of adverse economic and financial conditions.

Securities Repurchases

From time to time the Board authorizes the Company to repurchase shares of our common stock. Although we announce when the Board authorizes share repurchases, we typically do not give any public notice before we repurchase our shares. Various factors determine the amount of our share repurchases, including our capital requirements, the number of shares we expect to issue for employee benefit plans and any acquisitions, market conditions (including the trading price of our stock), and regulatory and legal considerations, including under the FRB's capital plan rule. Due to the various factors that may impact the amount of our share repurchases and the fact that we tend to be in the market regularly to satisfy repurchase considerations under our capital plan, our share repurchases occur at various price levels. We may suspend share repurchase activity at any time.

At December 31, 2022, we had remaining Board authority to repurchase approximately 250 million shares, subject to regulatory and legal conditions. For additional information about share repurchases during fourth quarter 2022, see Part II, Item 5 in our 2022 Form 10-K.

Regulatory Matters

The U.S. financial services industry is subject to significant regulation and regulatory oversight initiatives. This regulation and oversight may continue to impact how U.S. financial services companies conduct business and may continue to result in increased regulatory compliance costs. The following highlights the more significant regulations and regulatory oversight initiatives that have affected or may affect our business. For additional information about the regulatory matters discussed below and other regulations and regulatory oversight matters, see Part I, Item 1 "Regulation and Supervision" of our 2022 Form 10-K, and the "Overview," "Capital Management," "Forward-Looking Statements" and "Risk Factors" sections and Note 25 (Regulatory Capital Requirements and Other Restrictions) to Financial Statements in this Report.

Dodd-Frank Act

The Dodd-Frank Act is the most significant financial reform legislation since the 1930s. The following provides additional information on the Dodd-Frank Act, including certain of its rulemaking initiatives.

- *Enhanced supervision and regulation of systemically important firms.* The Dodd-Frank Act grants broad authority to federal banking regulators to establish enhanced supervisory and regulatory requirements for systemically important firms. The FRB has finalized a number of regulations implementing enhanced prudential requirements for large bank holding companies (BHCs) like Wells Fargo regarding risk-based capital and leverage, risk and liquidity management, single counterparty credit limits, and imposing debt-to-equity limits on any BHC that regulators determine poses a grave threat to the financial stability of the United States. The FRB and OCC have also finalized rules implementing stress testing requirements for large BHCs and national banks. In addition, the FRB has proposed a rule to establish remediation requirements for large BHCs experiencing financial distress. Furthermore, to promote a BHC's safety and soundness and the financial and operational resilience of its operations, the FRB has finalized guidance regarding effective boards of directors of large BHCs and has proposed related guidance identifying core principles for effective senior management. The OCC, under separate authority, has finalized guidelines establishing heightened governance and risk management standards for large national banks such as Wells Fargo Bank, N.A. The OCC guidelines require covered banks to establish and adhere to a written risk governance framework to manage and control their risk-taking activities. The guidelines also formalize roles and responsibilities for risk management practices within covered banks and create certain risk oversight responsibilities for their boards of directors. In addition to the authorization of enhanced supervisory and regulatory requirements for systemically important firms, the Dodd-Frank Act also established the Financial Stability Oversight Council and the Office of Financial Research, which may recommend new systemic risk management requirements and require new reporting of systemic risks.
- *Regulation of consumer financial products.* The Dodd-Frank Act established the Consumer Financial Protection Bureau (CFPB) to ensure that consumers receive clear and accurate disclosures regarding financial products and are protected from unfair, deceptive or abusive practices. The CFPB has issued a number of rules impacting consumer financial products, including rules regarding the origination, servicing, notification, disclosure and other requirements with respect to residential mortgage lending, as well as rules impacting prepaid cards, credit cards, and other financial products and banking-related activities. In addition to these rulemaking activities, the CFPB is continuing its ongoing supervisory examination activities of the financial services industry with respect to a number of consumer businesses and products, including mortgage lending and servicing, fair lending requirements, and auto finance.
- *Regulation of swaps and other derivatives activities.* The Dodd-Frank Act established a comprehensive framework for regulating over-the-counter derivatives, and, pursuant to authority granted by the Dodd-Frank Act, the Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC) have adopted comprehensive sets of rules regulating swaps and security-based swaps, respectively, and the OCC and other federal regulatory agencies have adopted margin requirements for uncleared swaps and security-based swaps. As a provisionally-registered swap dealer and a conditionally-registered security-based swap dealer, Wells Fargo Bank, N.A., is subject to these rules. These rules, as well as others adopted or under consideration by regulators in the United States and other jurisdictions, may negatively impact customer demand for over-the-counter derivatives, impact our ability to offer customers new derivatives or amendments to existing derivatives, and may increase our costs for engaging in swaps, security-based swaps, and other derivatives activities.

Regulatory Capital, Leverage, and Liquidity Requirements

The Company and each of our IDIs are subject to various regulatory capital adequacy requirements administered by the FRB and the OCC. For example, the Company is subject to rules issued by federal banking regulators to implement Basel III risk-based capital requirements for U.S. banking organizations. The Company and its IDIs are also required to maintain specified leverage and supplementary leverage ratios. In addition, the Company is required to have a minimum amount of total loss absorbing capacity for purposes of resolvability and resiliency. Federal banking regulators have also issued final rules requiring a liquidity coverage ratio and a net stable funding ratio. For additional information on the final risk-based capital, leverage and liquidity rules, and additional capital requirements applicable to us, see the "Capital Management" and "Risk Management – Asset/Liability Management – Liquidity Risk and Funding – Liquidity Standards" sections in this Report.

"Living Will" Requirements and Related Matters

Rules adopted by the FRB and the FDIC under the Dodd-Frank Act require large financial institutions, including Wells Fargo, to prepare and periodically submit resolution plans, also known as "living wills," that would facilitate their rapid and orderly resolution in the event of material financial distress or failure. Under the rules, rapid and orderly resolution means a reorganization or liquidation of the covered company under the U.S. Bankruptcy Code that can be accomplished in a reasonable period of time and in a manner that substantially mitigates the risk that failure would have serious adverse effects on the financial stability of the United States. In addition to the Company's resolution plan, our national bank subsidiary, Wells Fargo Bank, N.A. (the "Bank"), is also required to prepare and periodically submit a resolution plan. If the FRB and/or FDIC determine that our resolution plan has deficiencies, they may impose more stringent capital, leverage or liquidity requirements on us or restrict our growth, activities or operations until we adequately remedy the deficiencies. If the FRB and/or FDIC ultimately determine that we have been unable to remedy any deficiencies, they could require us to divest certain assets or operations. On November 23, 2022, the FRB and FDIC announced that the Company's most recent resolution plan did not have any shortcomings or deficiencies.

If Wells Fargo were to fail, it may be resolved in a bankruptcy proceeding or, if certain conditions are met, under the resolution regime created by the Dodd-Frank Act known as the "orderly liquidation authority." The orderly liquidation authority allows for the appointment of the FDIC as receiver for a systemically important financial institution that is in default or in danger of default if, among other things, the resolution of the institution under the U.S. Bankruptcy Code would have serious adverse effects on financial stability in the United States. If the FDIC is appointed as receiver for the Parent, then the orderly liquidation authority, rather than the U.S. Bankruptcy Code, would determine the powers of the receiver and the rights and obligations of our security holders. The FDIC's orderly liquidation authority requires that security holders of a company in receivership bear all losses before U.S. taxpayers are exposed to any losses. There are substantial differences in the rights of creditors between the orderly liquidation authority and the U.S. Bankruptcy Code, including the right of the FDIC to disregard the strict priority of creditor claims under the U.S. Bankruptcy Code in certain circumstances and the use of an administrative claims procedure instead of a judicial procedure to determine creditors' claims.

The strategy described in our most recent resolution plan is a single point of entry strategy, in which the Parent would be the only material legal entity to enter resolution proceedings. However, the strategy described in our resolution plan is not binding in the event of an actual resolution of Wells Fargo, whether conducted under the U.S. Bankruptcy Code or by the FDIC under the orderly liquidation authority. The FDIC has announced that a single point of entry strategy may be a desirable strategy under its implementation of the orderly liquidation authority, but not all aspects of how the FDIC might exercise this authority are known and additional rulemaking is possible.

To facilitate the orderly resolution of systemically important financial institutions in case of material distress or failure, federal banking regulations require that institutions, such as Wells Fargo, maintain a minimum amount of equity and unsecured debt to absorb losses and recapitalize operating subsidiaries. Federal banking regulators have also required measures to facilitate the continued operation of operating subsidiaries notwithstanding the failure of their parent companies, such as limitations on parent guarantees, and have issued guidance encouraging institutions to take legally binding measures to provide capital and liquidity resources to certain subsidiaries to facilitate an orderly resolution. In response to the regulators' guidance and to facilitate the orderly resolution of the Company, on June 28, 2017, the Parent entered into a support agreement, as amended and restated on June 26, 2019 (the "Support Agreement"), with WFC Holdings, LLC, an intermediate holding company and subsidiary of the Parent (the "IHC"), the Bank, Wells Fargo Securities, LLC ("WFS"), Wells Fargo Clearing Services, LLC ("WFCS"), and certain other subsidiaries of the Parent designated from time to time as material entities for resolution planning purposes (the "Covered Entities") or identified from time to time as related support entities in our resolution plan (the "Related Support Entities"). Pursuant to the Support Agreement, the Parent transferred a significant amount of its assets, including the majority of its cash, deposits, liquid securities and intercompany loans (but excluding its equity interests in its subsidiaries and certain other assets), to the IHC and will continue to transfer those types of assets to the IHC from time to time. In the event of our material financial distress or failure, the IHC will be obligated to use the transferred assets to provide capital and/or liquidity to the Bank, WFS, WFCS, and the Covered Entities pursuant to the Support Agreement. Under the Support Agreement, the IHC will also provide funding and liquidity to the Parent through subordinated notes and a committed line of credit, which, together with the issuance of dividends, is expected to provide the Parent, during business as usual operating conditions, with the same access to cash necessary to service its debts, pay dividends, repurchase its shares, and perform its other obligations as it would have had if it had not entered into these arrangements and transferred any assets. If certain liquidity and/or capital metrics fall below defined triggers, or if the Parent's board of directors authorizes it to file a case under the U.S. Bankruptcy Code, the subordinated notes would be forgiven, the committed line of credit would terminate, and the IHC's ability to pay dividends to the Parent would be restricted, any of which could materially and adversely impact the Parent's liquidity and its ability to satisfy its debts and other obligations, and could result in the commencement of bankruptcy proceedings by the Parent at an earlier time than might have otherwise occurred if the Support Agreement were not implemented. The respective obligations under the Support Agreement of the Parent, the IHC, the Bank, and the Related Support Entities are secured pursuant to a related security agreement.

In addition to our resolution plans, we must also prepare and periodically submit to the FRB a recovery plan that identifies a range of options that we may consider during times of idiosyncratic or systemic economic stress to remedy any financial weaknesses and restore market confidence without extraordinary government support. Recovery options include the possible sale, transfer or disposal of assets, securities, loan portfolios or businesses. The Bank must also prepare and periodically submit to the OCC a recovery plan that sets forth the Bank's plan to remain a going concern when the Bank is experiencing considerable financial or operational stress, but has not yet deteriorated to the point where liquidation or resolution is imminent. If either the FRB or the OCC determines that our recovery plan is deficient, they may impose fines, restrictions on our business or ultimately require us to divest assets.

Other Regulatory Related Matters

- *Regulatory actions.* The Company is subject to a number of consent orders and other regulatory actions, which may require the Company, among other things, to undertake certain changes to its business, operations, products and services, and risk management practices, and include the following:
  - *Consent Orders Discussed in the "Overview" Section in this Report.* For a discussion of certain consent orders applicable to the Company, see the "Overview" section in this Report.
  - *OCC approval of director and senior executive officer appointments and certain post-termination payments.* Under the April 2018 consent order with the OCC, Wells Fargo Bank, N.A., remains subject to requirements that were originally imposed in November 2016 to provide prior written notice to, and obtain non-objection from, the OCC with respect to changes in directors and senior executive officers, and remains subject to certain regulatory limitations on post-termination payments to certain individuals and employees.
- *Regulatory Developments Related to COVID-19.* In response to the COVID-19 pandemic and related events, federal banking regulators undertook a number of measures to help stabilize the banking sector, support the broader economy, and facilitate the ability of banking organizations like Wells Fargo to continue lending to consumers and businesses. In addition, the OCC and the FRB issued guidelines for banks and BHCs related to working with customers affected by the COVID-19 pandemic, including guidance with respect to waiving fees, offering repayment accommodations, and providing payment deferrals. Any current or future rules, regulations, and guidance related to the COVID-19 pandemic and its impacts could require us to change certain of our business practices, reduce our revenue and earnings, impose additional costs on us, or otherwise adversely affect our business operations and/or competitive position.
- *Regulatory Developments in Response to Climate Change.* Federal and state governments and government agencies have demonstrated increased attention to the impacts and potential risks associated with climate change. For example, federal banking regulators are reviewing the implications of climate change on the financial stability of the United States and the identification and management by large banks of climate-related financial risks. In addition, the SEC has proposed rules that would require public companies to disclose certain climate-related information, including greenhouse gas emissions, climate-related targets and goals, and governance of climate-related risks and relevant risk management processes. The approaches taken by various governments and government agencies can vary significantly, evolve over time, and sometimes conflict. Any current or future rules, regulations, and guidance related to climate change and its impacts could require us to change certain of our business practices, reduce our revenue and earnings, impose additional costs on us, or otherwise adversely affect our business operations and/or competitive position.

Critical Accounting Policies

Our significant accounting policies (see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report) are fundamental to understanding our results of operations and financial condition because they require that we use estimates and assumptions that may affect the value of our assets or liabilities and financial results. Six 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 credit losses;
- the valuation of residential MSRs;
- the fair value of financial instruments;
- income taxes;
- liability for contingent litigation losses; and
- goodwill impairment.

Management has discussed these critical accounting policies and the related estimates and judgments with the Board's Audit Committee.

Allowance for Credit Losses

We maintain an allowance for credit losses (ACL) for loans, which is management's estimate of the expected credit losses in the loan portfolio and unfunded credit commitments, at the balance sheet date, excluding loans and unfunded credit commitments carried at fair value or held for sale. Additionally, we maintain an ACL for debt securities classified as either HTM or AFS, other financial assets measured at amortized cost, net investments in leases, and other off-balance sheet credit exposures. For additional information, see Note 1 (Summary of Significant Accounting Policies) and Note 5 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report.

For loans and HTM debt securities, the ACL is measured based on the remaining contractual term of the financial asset (including off-balance sheet credit exposures) adjusted, as appropriate, for prepayments and permitted extension options using historical experience, current conditions, and forecasted information. For AFS debt securities, the ACL is measured using a discounted cash flow approach and is limited to the difference between the fair value of the security and its amortized cost.

Changes in the ACL and, therefore, in the related provision for credit losses can materially affect net income. In applying the judgment and review required to determine the ACL, management considerations include the evaluation of past events, historical experience, changes in economic forecasts and conditions, customer behavior, collateral values, the length of the initial loss forecast period, and other influences. From time to time, changes in economic factors or assumptions, business strategy, products or product mix, or debt security investment strategy, may result in a corresponding increase or decrease in our ACL. While our methodology attributes portions of the ACL to specific financial asset classes (loan and debt security portfolios) or loan portfolio segments (commercial and consumer), the entire ACL is available to absorb credit losses of the Company.

Judgment is specifically applied in:

- *Economic assumptions and the length of the initial loss forecast period.* We forecast a wide range of economic variables to estimate expected credit losses. Our key economic variables include gross domestic product (GDP), unemployment rate, and collateral asset prices. While many of these economic variables are evaluated at the macro-economy level, some economic variables are forecasted at more granular levels, for example, using the metro statistical area (MSA) level for unemployment rates, home prices and commercial real estate prices. At least annually, we assess the length of the initial loss forecast period and have currently set the period to two years. For the initial loss forecast period, we forecast multiple economic scenarios that generally include a base scenario with an optimistic (upside) and one or more pessimistic (downside) scenarios. Management exercises judgment when assigning weight to the economic scenarios that are used to estimate future credit losses.
- *Reversion to historical loss expectations.* Our long-term average loss expectations are estimated by reverting to the long-term average, on a linear basis, for each of the forecasted economic variables. These long-term averages are based on observations over multiple economic cycles. The reversion period, which may be up to two years, is assessed on a quarterly basis.
- *Credit risk ratings applied to individual commercial loans, unfunded credit commitments, and debt securities.* Individually assessed credit risk ratings are considered key credit variables in our modeled approaches to help assess probability of default and loss given default. Borrower quality ratings are aligned to the borrower's financial strength and contribute to forecasted probability of default curves. Collateral quality ratings combined with forecasted collateral prices (as applicable) contribute to the forecasted severity of loss in the event of default. These credit risk ratings are reviewed by experienced senior credit officers and subjected to reviews by an internal team of credit risk specialists.
- *Usage of credit loss estimation models.* We use internally developed models that incorporate credit attributes and economic variables to generate credit loss estimates. Management uses judgment and quantitative analytics in the determination of segmentation, modeling approach, and variables that are leveraged in the models. These models are independently validated in accordance with the Company's policies. We routinely assess our model performance and apply adjustments when necessary to improve the accuracy of loss estimation. We also assess our models for limitations against the company-wide risk inventory to help appropriately capture known and emerging risks in our estimate of expected credit losses and apply overlays as needed.
- *Valuation of collateral.* The current fair value of collateral is utilized to assess the expected credit losses when a financial asset is considered to be collateral dependent. We apply judgment when valuing the collateral either through appraisals, evaluation of the cash flows of the property, or other quantitative techniques. Decreases in collateral valuations support incremental charge-downs and increases in collateral valuation are included in the ACL as a negative allowance when the financial asset has been previously written-down below current recovery value.
- *Contractual term considerations.* The remaining contractual term of a loan is adjusted for expected prepayments and certain expected extensions, renewals, or modifications. We extend the contractual term when we are not able to unconditionally cancel contractual renewals or extension

options. We also incorporate any scenarios where we reasonably expect to provide an extension through a troubled debt restructuring (TDR). Credit card loans have indeterminate maturities, which requires that we determine a contractual life by estimating the application of future payments to the outstanding loan amount.

- *Qualitative factors which may not be adequately captured in the loss models.* These amounts represent management's judgment of risks inherent in the processes and assumptions used in establishing the ACL. We also consider economic environmental factors, modeling assumptions and performance, process risk, and other subjective factors, including industry trends and emerging risk assessments.

Sensitivity The ACL for loans is sensitive to changes in key assumptions which requires significant management judgment. Future amounts of the ACL for loans will be based on a variety of factors, including loan balance changes, portfolio credit quality, and general forecasted economic conditions. The forecasted economic variables used could have varying impacts on different financial assets or portfolios. Additionally, throughout numerous credit cycles, there are observed changes in economic variables such as the unemployment rate, GDP and real estate prices which may not move in a correlated manner as variables may move in opposite directions or differ across portfolios or geography.

Our sensitivity analysis does not represent management's view of expected credit losses at the balance sheet date. We applied a 100% weight to a more severe downside scenario in our sensitivity analysis to reflect the potential for further economic deterioration. The outcome of the scenario was influenced by the duration, severity, and timing of changes in economic variables within the scenario. The sensitivity analysis resulted in a hypothetical increase in the ACL for loans of approximately $7.0 billion at December 31, 2022. The hypothetical increase in our ACL for loans does not incorporate the impact of management judgment for qualitative factors applied in the current ACL for loans, which may have a positive or negative effect on the results. It is possible that others performing similar sensitivity analyses could reach different conclusions or results.

The sensitivity analysis excludes the ACL for debt securities and other financial assets given its size relative to the overall ACL. Management believes that the estimate for the ACL for loans was appropriate at the balance sheet date.

Valuation of Residential Mortgage Servicing Rights (MSRs)

MSRs are assets that represent the rights to service mortgage loans for others. We recognize MSRs when we retain servicing rights in connection with the sale or securitization of loans we originate (asset transfers), or purchase servicing rights from third parties. We also have acquired MSRs in the past under co-issuer agreements that provide for us to service loans that were originated and securitized by third-party correspondents.

We carry our MSRs related to residential mortgage loans at fair value. Periodic changes in our residential MSRs and the economic hedges used to hedge our residential MSRs are reflected in earnings.

We use a model to estimate the fair value of our residential MSRs. The model is validated in accordance with Company policies by an internal model validation group. The model calculates the present value of estimated future net servicing income and incorporates inputs and assumptions that market participants use in estimating fair value. Certain significant inputs and assumptions generally are not observable in the market and require judgment to determine. If observable market indications do become available, these are factored into the estimates as appropriate:

- *The mortgage loan prepayment rate used to estimate future net servicing income.* The prepayment rate is the annual rate at which borrowers are forecasted to repay their mortgage loan principal; this rate also includes estimated borrower defaults. We use models to estimate prepayment rate and borrower defaults which are influenced by changes in mortgage interest rates and borrower behavior.
- *The discount rate used to present value estimated future net servicing income.* The discount rate is the required rate of return investors in the market would expect for an asset with similar risk. To determine the discount rate, we consider the risk premium for uncertainties in the cash flow estimates such as from servicing operations (e.g., possible changes in future servicing costs, ancillary income and earnings on escrow accounts). In 2022, we enhanced our approach for estimating the discount rate to a more dynamic methodology for market curves and volatility.
- *The expected cost to service loans used to estimate future net servicing income.* The cost to service loans includes estimates for unreimbursed expenses, such as delinquency and foreclosure costs, which considers the number of defaulted loans as well as the incremental cost to service loans in default and foreclosure. We use a market participant's view for our estimated cost to service and our actual costs may vary from that estimate.

Both prepayment rate and discount rate assumptions can, and generally will, change quarterly as market conditions and mortgage interest rates change. For example, an increase in either the prepayment rate or discount rate assumption results in a decrease in the fair value of the MSRs, while a decrease in either assumption would result in an increase in the fair value of the MSRs. In recent years, there have been significant market-driven fluctuations in loan prepayment rate and the discount rate. These fluctuations can be rapid and may be significant in the future. Additionally, future regulatory or investor changes in servicing standards as well as changes in individual state foreclosure legislation or changes in market participant information regarding servicing cost assumptions, may have an impact on our servicing cost assumption and our MSR valuation in future periods. We periodically benchmark our MSR fair value estimate to independent appraisals.

For a description of our valuation and sensitivity of MSRs, see Note 1 (Summary of Significant Accounting Policies), Note 6 (Mortgage Banking Activities), Note 15 (Fair Values of Assets and Liabilities) and Note 16 (Securitizations and Variable Interest Entities) to Financial Statements in this Report.

Fair Value of Financial Instruments

Fair value represents the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the measurement date.

We use fair value measurements to record fair value adjustments to certain financial instruments and to fulfill fair value disclosure requirements. For example, assets and liabilities held for trading purposes, marketable equity securities, AFS debt securities, derivatives and a majority of our LHFS are carried at fair value each period. Other financial instruments, such as certain LHFS, substantially all nonmarketable equity securities, and loans held for investment, are not carried at fair value each period but may require nonrecurring fair value adjustments through the application of an accounting method such as lower-of-cost-or-fair value (LOCOM), write-downs of individual assets, or application of the measurement alternative for certain nonmarketable equity securities. We also disclose our estimate of fair value for financial instruments not carried at fair value, such as HTM debt securities, loans held for investment, and long-term debt.

The accounting requirements for fair value measurements include a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources, while unobservable inputs reflect our estimates about market data.

When developing fair value measurements, we maximize the use of observable inputs and minimize the use of unobservable inputs. When available, we use quoted prices in active markets to measure fair value. If quoted prices in active markets are not available, fair value measurement is based upon models that generally use market-based or independently sourced market parameters, including interest rate yield curves, prepayment rates, option volatilities and currency rates. However, when observable market data is limited or not available, fair value estimates are typically determined using internal models based on unobservable inputs. Internal models used to determine fair value are validated in accordance with Company policies by an internal model validation group. Additionally, we use third-party pricing services to obtain fair values, which are used to either record the price of an instrument or to corroborate internal prices. Third-party price validation procedures are performed over the reasonableness of the fair value measurements.

When using internal models based on unobservable inputs, management judgment is necessary as we make judgments about significant assumptions that market participants would use to estimate fair value. Determination of these assumptions includes consideration of many factors, including market conditions and liquidity levels. Changes in the market conditions, such as reduced liquidity in the capital markets or changes in secondary market activities, may reduce the availability and reliability of quoted prices or observable data used to determine fair value. In such cases, it may be appropriate to adjust available quoted prices or observable market data. For example, we may adjust a price received from a third-party pricing service using internal models based on discounted cash flows when the impact of illiquid markets has not already been incorporated in the fair value measurement. Additionally, for certain residential LHFS and certain debt and equity securities where the significant inputs have become unobservable due to illiquid markets and a third-party pricing service is not used, our discounted cash flow model uses a discount rate that reflects what we believe a market participant would require in light of the illiquid market.

We continually assess the level and volume of market activity in our debt and equity security classes in determining adjustments, if any, to quoted prices. Given market conditions can change over time, our determination of which securities markets are considered active or inactive can change. If we determine a market to be inactive, the degree to which quoted prices require adjustment, can also change.

Significant judgment is also applied in the determination of whether certain assets measured at fair value are classified as Level 2 or Level 3 of the fair value hierarchy. When making this judgment, we consider available information, including observable market data, indications of market liquidity and orderliness, and our understanding of the valuation techniques and significant inputs used to estimate fair value. The classification as Level 2 or Level 3 is based upon the specific facts and circumstances of each instrument or instrument category and judgments are made regarding the significance of unobservable inputs to each instrument's fair value measurement in its entirety. If unobservable inputs are considered significant to the fair value measurement, the instrument is classified as Level 3.

Table 51 presents our (1) assets and liabilities recorded at fair value on a recurring basis and (2) Level 3 assets and liabilities recorded at fair value on a recurring basis, both presented as a percentage of our total assets and total liabilities.

Table 51: Fair Value Level 3 Summary

	December 31, 2022		December 31, 2021	
($ in billions)	**Total balance**	**Level 3 (1)**	Total balance	Level 3 (1)
Assets recorded at fair value on a recurring basis	**$ 264.4**	**11.5**	348.9	19.6
As a percentage of total assets	**14 %**	*****	18	1
Liabilities recorded at fair value on a recurring basis	**$ 41.7**	**4.7**	30.1	2.6
As a percentage of total liabilities	**2 %**	*****	2	*

* Less than 1%.
(1) Before derivative netting adjustments.

See Note 15 (Fair Values of Assets and Liabilities) to Financial Statements in this Report for a complete discussion on our fair value of financial instruments, our related measurement techniques and the impact to our financial statements.

Income Taxes

We file income tax returns in the jurisdictions in which we operate and evaluate income tax expense in two components: current and deferred income tax expense. Current income tax expense represents our estimated taxes to be paid or refunded for the current period and includes income tax expense related to uncertain tax positions. Uncertain tax positions that meet the more likely than not recognition threshold are measured to determine the amount of benefit to recognize. An uncertain tax position is measured at the largest amount of benefit that management believes has a greater than 50% likelihood of realization upon settlement. Tax benefits not meeting our realization criteria represent unrecognized tax benefits.

Deferred income taxes are based on the balance sheet method and deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Under the balance sheet method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax basis of assets and liabilities, and recognizes enacted changes in tax rates and laws in the period in which they occur. Deferred tax assets are recognized subject to management's judgment that realization is more likely than not. A valuation allowance reduces deferred tax assets to the realizable amount.

The income tax laws of the jurisdictions in which we operate are complex and subject to different interpretations by management and the relevant government taxing authorities. In establishing a provision for income tax expense, we must make judgments about the application of these inherently complex tax laws. We must also make estimates about when in the future certain items will affect taxable income in the various tax jurisdictions. Our interpretations may be subjected to review during examination by taxing authorities and disputes may arise over the respective tax positions. We attempt to resolve these disputes during the tax examination and audit process and ultimately through the court systems when applicable.

We monitor relevant tax authorities and revise our estimate of accrued income taxes due to changes in income tax laws and their interpretation by the courts and regulatory authorities on a quarterly basis. Revisions of our estimate of accrued income taxes also may result from our own income tax planning and from the resolution of income tax controversies. Such revisions in our estimates may be material to our operating results for any given quarter.

See Note 22 (Income Taxes) to Financial Statements in this Report for a further description of our provision for income taxes and related income tax assets and liabilities.

Liability for Contingent Litigation Losses

The Company is involved in a number of judicial, regulatory, governmental, arbitration and other proceedings or investigations concerning matters arising from the conduct of its business activities, and many of those proceedings and investigations expose the Company to potential financial loss or other adverse consequences. We establish accruals for legal actions when potential losses associated with the actions become probable and the costs can be reasonably estimated. For such accruals, we record the amount we consider to be the best estimate within a range of potential losses that are both probable and estimable; however, if we cannot determine a best estimate, then we record the low end of the range of those potential losses. The actual costs of resolving legal actions may be substantially higher or lower than the amounts accrued for those actions.

We apply judgment when establishing an accrual for potential losses associated with legal actions and in establishing the range of reasonably possible losses in excess of the accrual. Our judgment in establishing accruals and the range of reasonably possible losses in excess of the Company's accrual for probable and estimable losses is influenced by our understanding of information currently available related to the legal evaluation and potential outcome of actions, including input and advice on these matters from our internal counsel, external counsel and senior management. These matters may be in various stages of investigation, discovery or proceedings. They may also involve a wide variety of claims across our businesses, legal entities and jurisdictions. The eventual outcome may be a scenario that was not considered or was considered remote in anticipated occurrence. Accordingly, our estimate of potential losses will change over time and the actual losses may vary significantly.

The outcomes of legal actions are unpredictable and subject to significant uncertainties, and it is inherently difficult to determine whether any loss is probable or even possible. It is also inherently difficult to estimate the amount of any loss and there may be matters for which a loss is probable or reasonably possible but not currently estimable. Accordingly, actual losses may be in excess of the established accrual or the range of reasonably possible loss.

See Note 13 (Legal Actions) to Financial Statements in this Report for additional information.

Goodwill Impairment

We test goodwill for impairment annually in the fourth quarter or more frequently as macroeconomic and other business factors warrant. These factors may include trends in short-term or long-term interest rates, negative trends from reduced revenue generating activities or increased costs, adverse actions by regulators, or company specific factors such as a decline in market capitalization.

We identify reporting units to be assessed for goodwill impairment at the reportable operating segment level or one level below. We calculate reporting unit carrying amounts as allocated capital plus assigned goodwill and other intangible assets. We allocate capital to the reporting units under a risk-sensitive framework driven by our regulatory capital requirements. We estimate fair value of the reporting units based on a balanced weighting of fair values estimated using both an income approach and a market approach which are intended to reflect Company performance and expectations as well as external market conditions. The methodologies for calculating carrying amounts and estimating fair values are periodically assessed by senior management and revised as necessary.

The income approach is a discounted cash flow (DCF) analysis, which estimates the present value of future cash flows associated with each reporting unit. A DCF analysis requires significant judgment to model financial forecasts for our reporting units, which includes future expectations of economic conditions and balance sheet changes, as well as considerations related to future business activities. The forecasts are reviewed by senior management. For periods after our financial forecasts, we incorporate a terminal value estimate based on an assumed long-term growth rate. We discount these forecasted cash flows using a consistent rate derived from the capital asset pricing model which produces an estimated cost of equity for our reporting units, which reflects risks and uncertainties in the financial markets and in our internally generated business projections.

The market approach utilizes observable market data from comparable publicly traded companies, such as price-to-earnings or price-to-tangible book value ratios, to estimate a reporting unit's fair value. The results of the market approach include a control premium to represent our expectation of a hypothetical acquisition of the reporting unit. Management uses judgment in the selection of comparable companies and includes those with the most similar business activities.

The aggregate fair value of our reporting units exceeded our market capitalization for our fourth quarter 2022 assessment. Factors that we considered in our assessment and contributed to this difference included: (i) an overall premium that would be paid to gain control of the operating and financial decisions of the Company, (ii) synergies that we believe may not be reflected in the price of the Company's common stock, and (iii) risks or benefits at the Company level that may not be reflected in the aggregated fair value of the individual reporting units, such as the impacts of a variety of historical matters, including litigation, regulatory, and customer remediation matters.

Based on our fourth quarter 2022 assessment, there was no impairment of goodwill at December 31, 2022. The fair values of each reporting unit exceeded their carrying amounts by substantial amounts, with the exception of our Consumer Lending reporting unit. Although the fair value of our Consumer Lending reporting unit exceeded its carrying amount by more than 10%, it was the most sensitive to changes in valuation assumptions, particularly related to the financial forecasts of the supporting businesses. The home lending business may experience uncertainty related to the current mortgage origination market and the outcome of planned changes to the business model. The credit card business has forecasted higher loan balances driven by growth from new products. Adverse changes to these forecasts may result in an impairment. Using our fourth quarter 2022 assessment, we would need to experience a substantial decrease in forecasted earnings of the Consumer Lending reporting unit or have a significant increase in the discount rate used for the DCF analysis to result in an impairment. The amount of goodwill assigned to the Consumer Lending reporting unit was $7.1 billion at December 31, 2022.

Declines in our ability to generate revenue, significant increases in credit losses or other expenses, or adverse actions from regulators are factors that could result in material goodwill impairment of any reporting unit in a future period.

For additional information on goodwill and our reportable operating segments, see Note 1 (Summary of Significant Accounting Policies), Note 7 (Intangible Assets and Other Assets), and Note 19 (Operating Segments) to Financial Statements in this Report.

Current Accounting Developments

Table 52 provides the significant accounting updates applicable to us that have been issued by the Financial Accounting Standards Board (FASB) but are not yet effective.

Table 52: Current Accounting Developments – Issued Standards

Description and Effective Date	Financial statement impact
Accounting Standards Update (ASU) 2018-12 – Financial Services – Insurance (Topic 944): ***Targeted Improvements to the Accounting for Long-Duration Contracts*** **and subsequent related updates**	
The Update, effective January 1, 2023, requires market risk benefits (features of insurance contracts that protect the policyholder from other-than-nominal capital market risk and expose the insurer to that risk) to be measured at fair value through earnings with changes in fair value attributable to our own credit risk recognized in other comprehensive income. The Update also requires more frequent updates for insurance assumptions, mandates the use of a standardized discount rate for traditional long-duration contracts, and simplifies the amortization of deferred acquisition costs.	We adopted the Update on January 1, 2023, with retroactive application to prior periods. The most significant impact of adoption relates to reinsurance of variable annuity products for a limited number of our insurance clients. Our reinsurance business is no longer entering into new contracts. These variable annuity products contain guaranteed minimum benefits that require us to make benefit payments for the remainder of the policyholder's life once the account values are exhausted. These guaranteed minimum benefits meet the definition of market risk benefits and are measured at fair value. At adoption, the effect of the difference between fair value and the carrying value of our market risk benefits, net of income tax adjustments and excluding the impact of our own credit risk, was approximately $325 million as of January 1, 2023. The adjustment increased our retained earnings and regulatory capital amounts and ratios. The adjustment for the impact of our own credit risk recorded as an increase to other comprehensive income was approximately $15 million, net of tax, as of January 1, 2023. We expect future earnings volatility from changes in the fair value of market risk benefits, which are sensitive to changes in equity and fixed income markets, as well as policyholder behavior and changes in mortality assumptions. We economically hedge the market volatility, where feasible. Changes in the accounting for the liability of future policy benefits for traditional long-duration contracts and deferred acquisition costs did not have a material impact upon adoption.
ASU 2022-01, Derivatives and Hedging (Topic 815): ***Fair Value Hedging – Portfolio Layer Method***	
The Update, effective January 1, 2023 (with early adoption permitted), establishes the portfolio layer method, which expands an entity's ability to achieve fair value hedge accounting for interest rate risk hedges of closed portfolios of financial assets. The Update also provides guidance on the accounting for hedged item basis adjustments under the portfolio layer method.	We adopted the Update on January 1, 2023 on a prospective basis. No cumulative effect adjustment to the opening balance of stockholders' equity was required upon adoption, as impacts to us were reflected prospectively. The Update improves our ability to use derivatives to hedge interest rate risk exposures associated with portfolios of financial assets, such as fixed-rate available-for-sale debt securities and loans. The Update allows us to hedge a larger proportion of these portfolios by expanding the number and type of derivatives permitted as eligible hedges, as well as by increasing the scope of eligible hedged items to include both prepayable and nonprepayable assets. Upon adoption, any election to designate portfolio layer method hedges is applied prospectively. Additionally, the Update permits a one-time reclassification of debt securities from held-to-maturity to available-for-sale classification as long as the securities are designated in a portfolio layer method hedge no later than 30 days after the adoption date. In January 2023, we reclassified fixed-rate debt securities with an aggregate fair value of $23.2 billion and amortized cost of $23.9 billion from held-to-maturity to available-for-sale and designated interest rate swaps with notional amounts of $20.1 billion as fair value hedges using the portfolio layer method. The transfer of debt securities was recorded at fair value and resulted in approximately $566 million of unrealized losses associated with available-for-sale debt securities being recorded to other comprehensive income, net of deferred taxes.

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Description and Effective Date	Financial statement impact
ASU 2022-02, Financial Instruments-Credit Losses (Topic 326): *Troubled Debt Restructurings and Vintage Disclosures*	
The Update, effective January 1, 2023 (with early adoption permitted), eliminates the accounting and reporting for TDRs by creditors and introduces new required disclosures for loan modifications made to borrowers experiencing financial difficulty. The Update also amends the guidance for vintage disclosures to require disclosure of current period gross charge-offs by year of origination.	We adopted the Update on January 1, 2023. The Update will impact the measurement of the ACL for loans and require new enhanced disclosures related to loan modifications and credit quality, specifically the Update: • Eliminates the requirement to use a discounted cash flow (DCF) approach to measure the ACL for TDRs and instead allows for the use of an expected loss approach for all loans. On January 1, 2023, we removed the interest concession component recognized in the ACL for TDRs using a DCF approach. The cumulative effect adjustment reflected the difference between the pre-modification and post-modification effective interest rates, which would have been recognized over the remaining life of the loans as interest income. The adjustment was a reduction to the ACL for loans of approximately $430 million, and an increase to retained earnings of approximately $320 million, after-tax. This adjustment to retained earnings impacts regulatory capital amounts and ratios. • Eliminates TDR disclosures and requires new disclosures for modifications made to borrowers experiencing financial difficulty in the form of principal forgiveness, interest rate reduction, other than insignificant payment delay, term extension, or a combination of these modifications. • Requires us to provide current period gross charge-offs by origination date (vintage) in our credit quality disclosures on a prospective basis beginning as of the adoption date.

Other Accounting Developments

The following Updates are applicable to us but are not expected to have a material impact on our consolidated financial statements:

- ASU 2021-08 – Business Combinations (Topic 805): *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*
- ASU 2022-03 – Fair Value Measurement (Topic 820): *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*

Forward-Looking Statements

This document contains forward-looking statements. In addition, we may make forward-looking statements in our other documents filed or furnished with the Securities and Exchange Commission, and our management may make forward-looking statements orally to analysts, investors, representatives of the media and others. Forward-looking statements can be identified by words such as "anticipates," "intends," "plans," "seeks," "believes," "estimates," "expects," "target," "projects," "outlook," "forecast," "will," "may," "could," "should," "can" and similar references to future periods. In particular, forward-looking statements include, but are not limited to, statements we make about: (i) the future operating or financial performance of the Company, including our outlook for future growth; (ii) our noninterest expense and efficiency ratio; (iii) future credit quality and performance, including our expectations regarding future loan losses, our allowance for credit losses, and the economic scenarios considered to develop the allowance; (iv) our expectations regarding net interest income and net interest margin; (v) loan growth or the reduction or mitigation of risk in our loan portfolios; (vi) future capital or liquidity levels, ratios or targets; (vii) the performance of our mortgage business and any related exposures; (viii) the expected outcome and impact of legal, regulatory and legislative developments, as well as our expectations regarding compliance therewith; (ix) future common stock dividends, common share repurchases and other uses of capital; (x) our targeted range for return on assets, return on equity, and return on tangible common equity; (xi) expectations regarding our effective income tax rate; (xii) the outcome of contingencies, such as legal proceedings; (xiii) environmental, social and governance related goals or commitments; and (xiv) the Company's plans, objectives and strategies.

Forward-looking statements are not based on historical facts but instead represent our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you, therefore, against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. While there is no assurance that any list of risks and uncertainties or risk factors is complete, important factors that could cause actual results to differ materially from those in the forward-looking statements include the following, without limitation:

- current and future economic and market conditions, including the effects of declines in housing prices, high unemployment rates, U.S. fiscal debt, budget and tax matters, geopolitical matters (including the conflict in Ukraine), and any slowdown in global economic growth;
- the effect of the COVID-19 pandemic, including on our credit quality and business operations, as well as its impact on general economic and financial market conditions;
- our capital and liquidity requirements (including under regulatory capital standards, such as the Basel III capital standards) and our ability to generate capital internally or raise capital on favorable terms;
- current, pending or future legislation or regulation that could have a negative effect on our revenue and businesses, including rules and regulations relating to bank products and financial services;
- developments in our mortgage banking business, including the extent of the success of our mortgage loan modification efforts, the amount of mortgage loan repurchase demands that we receive, any negative effects relating to our mortgage servicing, loan modification or foreclosure practices, and the effects of regulatory or judicial requirements or guidance impacting our mortgage banking business and any changes in industry standards or our strategic plans for the business;
- our ability to realize any efficiency ratio or expense target as part of our expense management initiatives, including as a result of business and economic cyclicality, seasonality, changes in our business composition and operating environment, growth in our businesses and/or acquisitions, and unexpected expenses relating to, among other things, litigation and regulatory matters;
- the effect of the current interest rate environment or changes in interest rates or in the level or composition of our assets or liabilities on our net interest income, net interest margin and our mortgage originations, mortgage servicing rights and mortgage loans held for sale;
- significant turbulence or a disruption in the capital or financial markets, which could result in, among other things, reduced investor demand for mortgage loans, a reduction in the availability of funding or increased funding costs, and declines in asset values and/or recognition of impairments of securities held in our debt securities and equity securities portfolios;
- the effect of a fall in stock market prices on our investment banking business and our fee income from our brokerage and wealth management businesses;
- negative effects from the retail banking sales practices matter and from instances where customers may have experienced financial harm, including on our legal, operational and compliance costs, our ability to engage in certain business activities or offer certain products or services, our ability to keep and attract customers, our ability to attract and retain qualified employees, and our reputation;
- resolution of regulatory matters, litigation, or other legal actions, which may result in, among other things, additional costs, fines, penalties, restrictions on our business activities, reputational harm, or other adverse consequences;
- a failure in or breach of our operational or security systems or infrastructure, or those of our third-party vendors or other service providers, including as a result of cyber attacks;
- the effect of changes in the level of checking or savings account deposits on our funding costs and net interest margin;
- fiscal and monetary policies of the Federal Reserve Board;
- changes to U.S. tax guidance and regulations as well as the effect of discrete items on our effective income tax rate;
- our ability to develop and execute effective business plans and strategies; and
- the other risk factors and uncertainties described under "Risk Factors" in this Report.

In addition to the above factors, we also caution that the amount and timing of any future common stock dividends or repurchases will depend on the earnings, cash requirements and financial condition of the Company, market conditions, capital requirements (including under Basel capital standards), common stock issuance requirements, applicable law and regulations (including federal securities laws and federal banking regulations), and other factors deemed relevant by the Company, and may be subject to regulatory approval or conditions.

For additional information about factors that could cause actual results to differ materially from our expectations, refer to our reports filed with the Securities and Exchange Commission, including the discussion under "Risk Factors" in this Report, as filed with the Securities and Exchange Commission and available on its website at www.sec.gov.[1]

Any forward-looking statement made by us speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

<u>Forward-looking Non-GAAP Financial Measures</u>. From time to time management may discuss forward-looking non-GAAP financial measures, such as forward-looking estimates or targets for return on average tangible common equity. We are unable to provide a reconciliation of forward-looking non-GAAP financial measures to their most directly comparable GAAP financial measures because we are unable to provide, without unreasonable effort, a meaningful or accurate calculation or estimation of amounts that would be necessary for the reconciliation due to the complexity and inherent difficulty in forecasting and quantifying future amounts or when they may occur. Such unavailable information could be significant to future results.

[1] We do not control this website. Wells Fargo has provided this link for your convenience, but does not endorse and is not responsible for the content, links, privacy policy, or security policy of this website.

Risk Factors

An investment in the Company involves risk, including the possibility that the value of the investment could fall substantially and that dividends or other distributions on the investment could be reduced or eliminated. We discuss below risk factors that could adversely affect our financial results and condition, and the value of, and return on, an investment in the Company.

ECONOMIC, FINANCIAL MARKETS, INTEREST RATES, AND LIQUIDITY RISKS

Our financial results have been, and will continue to be, materially affected by general economic conditions, and a deterioration in economic conditions or in the financial markets may materially adversely affect our lending and other businesses and our financial results and condition. We generate revenue from the interest and fees we charge on the loans and other products and services we sell, and a substantial amount of our revenue and earnings comes from the net interest income and fee income that we earn from our consumer and commercial lending and banking businesses. These businesses have been, and will continue to be, materially affected by the state of the U.S. economy, particularly unemployment levels and home prices. The negative effects and continued uncertainty stemming from U.S. fiscal, monetary and political matters, including concerns about deficit and debt levels, inflation, taxes and U.S. debt ratings, have impacted and may continue to impact the global economy. Moreover, geopolitical matters, including international political unrest or disturbances, such as the conflict in Ukraine, as well as continued concerns over commodity prices, restrictions on international trade and corresponding retaliatory measures, and global economic difficulties, may impact the stability of financial markets and the global economy. Any impacts to the global economy could have a similar impact to the U.S. economy. A prolonged period of slow growth in the global economy or any deterioration in general economic conditions and/or the financial markets resulting from the above matters or any other events or factors that may disrupt or weaken the U.S. or global economy**,** could materially adversely affect our financial results and condition.

A weakening in business or economic conditions, including higher unemployment levels or declines in home prices, as well as higher interest rates, can also adversely affect our customers' ability to repay their loans or other obligations, which can negatively impact our credit performance. If unemployment levels worsen or if home prices fall we would expect to incur elevated charge-offs and provision expense from increases in our allowance for credit losses. These conditions may adversely affect not only consumer loan performance but also commercial and CRE loans, especially for those business borrowers that rely on the health of industries that may experience deteriorating economic conditions. The ability of these and other borrowers to repay their loans may deteriorate, causing us, as one of the largest commercial and CRE lenders in the U.S., to incur significantly higher credit losses. In addition, weak or deteriorating economic conditions make it more challenging for us to increase our consumer and commercial loan portfolios by making loans to creditworthy borrowers at attractive yields. Furthermore, weak economic conditions, as well as competition and/or increases in interest rates, could soften demand for our loans resulting in our retaining a much higher amount of lower yielding liquid assets on our consolidated balance sheet. If economic conditions do not continue to improve or if the economy worsens and unemployment rises, which also would likely result in a decrease in consumer and business confidence and spending, the demand for our products, including our consumer and commercial loans, may fall, reducing our interest and noninterest income and our earnings.

A deterioration in business and economic conditions, which may erode consumer and investor confidence levels, and/or increased volatility of financial markets, also could adversely affect financial results for our fee-based businesses, including our investment advisory, securities brokerage, wealth management, markets and investment banking businesses. For example, because investment advisory fees are often based on the value of assets under management, a fall in the market prices of those assets could reduce our fee income. Changes in stock market prices could affect the trading activity of investors, reducing commissions and other fees we earn from our brokerage business. In addition, adverse market conditions may negatively affect the performance of products we have provided to customers, which may expose us to legal actions or additional costs. Poor economic conditions and volatile or unstable financial markets also can negatively affect our debt and equity underwriting and advisory businesses, as well as our venture capital business and trading activities, including through heightened counterparty credit risk. Any deterioration in global financial markets and economies, including as a result of any international political unrest or disturbances, may adversely affect the revenue and earnings of our international operations, particularly our global financial institution and correspondent banking services.

For additional information, see the "Risk Management – Asset/Liability Management" and "– Credit Risk Management" sections in this Report.

The COVID-19 pandemic has adversely impacted our business and financial results and any further impact will depend on future developments, which are highly uncertain and cannot be predicted. The COVID-19 pandemic has negatively impacted the global economy; disrupted global supply chains; affected equity market valuations; and created significant volatility and disruption in financial markets and unemployment levels. As a result of the pandemic, the demand for our products and services has, at times, been significantly impacted, which adversely affected our revenue. The pandemic also resulted in the recognition of credit losses in our loan portfolios and increases in our allowance for credit losses, particularly for industries most directly and adversely affected by the pandemic, such as travel and entertainment.

Moreover, the pandemic created additional operational and compliance risks, including the need to quickly implement and execute new pandemic-related programs and procedures, comply with rapidly changing regulatory requirements, address any increased risk of fraudulent activity, and protect the integrity and functionality of our systems, networks, and operations while a larger number of our employees and those of our third-party service providers may spend more time working remotely than prior to the pandemic. In response to the pandemic, we previously suspended certain mortgage foreclosure activities and provided fee waivers, payment deferrals, and other assistance for certain consumer and commercial lending customers. Furthermore, our participation in governmental measures taken to address the economic impact from the pandemic could continue to result in litigation and government investigations and proceedings. In addition, we previously reduced our common stock dividend and temporarily suspended share repurchases. The pandemic also increased the likelihood and/or magnitude of the other risks described herein, including credit, market and operational related risks.

The extent to which the COVID-19 pandemic further impacts our business, results of operations, and financial condition, as well as our regulatory capital and liquidity ratios, depends on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic. Depending on future developments, the COVID-19 pandemic or any new pandemic could result in the occurrence of new, unanticipated adverse effects on us or the recurrence of adverse effects similar to those already experienced.

Changes in interest rates and financial market values could reduce our net interest income and earnings, as well as our other comprehensive income, including as a result of recognizing losses on the debt and equity securities that we hold in our portfolio or trade for our customers. Changes in either our net interest margin or the amount or mix of earning assets we hold, including as a result of the asset cap under the February 2018 consent order with the FRB, could affect our net interest income and our earnings. Changes in interest rates can affect our net interest margin. Although the yield we earn on our assets and our funding costs tend to move in the same direction in response to changes in interest rates, one can rise or fall faster than the other, causing our net interest margin to expand or contract. If our funding costs rise faster than the yield we earn on our assets or if the yield we earn on our assets falls faster than our funding costs, our net interest margin could contract.

The amount and type of earning assets we hold can affect our yield and net interest income. We hold earning assets in the form of loans and debt and equity securities, among other assets. As noted above, if the economy worsens we may see lower demand for loans by creditworthy customers, reducing our yield and net interest income. In addition, our net interest income and net interest margin can be negatively affected by a prolonged period of low interest rates as it may result in us holding lower yielding loans and securities on our consolidated balance sheet, particularly if we are unable to replace the maturing higher yielding assets with similar higher yielding assets. Increases in interest rates, however, may continue to negatively affect loan demand and could result in higher credit losses as borrowers may have more difficulty making higher interest payments. As described below, changes in interest rates also affect our mortgage business, including the value of our MSRs. In an effort to address high inflation, the FRB significantly raised its target range for the federal funds rate and has indicated it may continue to raise it in 2023.

Changes in the slope of the yield curve – or the spread between short-term and long-term interest rates – could also reduce our net interest income and net interest margin. Normally, the yield curve is upward sloping, meaning short-term rates are lower than long-term rates. When the yield curve flattens or inverts, our net interest income and net interest margin could decrease if the cost of our short-term funding increases relative to the yield we can earn on our long-term assets. Moreover, a negative interest rate environment, in which interest rates drop below zero, could reduce our net interest income and net interest margin due to a likely decline in the interest we could earn on loans and other earning assets, while also likely requiring us to pay to maintain our deposits with the FRB.

We assess our interest rate risk by estimating the effect on our earnings under various scenarios that differ based on assumptions about the direction, magnitude and speed of interest rate changes and the slope of the yield curve. We may hedge some of that interest rate risk with interest rate derivatives. We also rely on the "natural hedge" that our mortgage loan originations and servicing rights can provide as their revenue impact tends to move in opposite directions based on changes in interest rates.

We generally do not hedge all of our interest rate risk. There is always the risk that changes in interest rates, credit spreads or option volatility could reduce our net interest income and earnings, as well as our other comprehensive income, in material amounts, especially if actual conditions turn out to be materially different than what we assumed. For example, if interest rates rise or fall faster than we assumed or the slope of the yield curve changes, we may incur significant losses on debt securities we hold as investments. To reduce our interest rate risk, we may rebalance our portfolios of debt securities, equity securities and loans, refinance our debt and take other strategic actions. We may incur losses when we take such actions. In addition, changes in interest rates can result in increased basis risk, which could limit the effectiveness of our hedging activities.

Because of changing economic and market conditions, as well as credit ratings, affecting issuers and the performance of any underlying collateral, we may be required to recognize other-than-temporary impairment (OTTI) in future periods on the securities we hold. Furthermore, the value of the debt securities we hold can fluctuate due to changes in interest rates, issuer creditworthiness, and other factors. Our net income also is exposed to changes in interest rates, credit spreads, foreign exchange rates, and equity and commodity prices in connection with our trading activities, which are conducted primarily to accommodate the investment and risk management activities of our customers, as well as when we execute economic hedging to manage certain balance sheet risks. Trading debt securities and equity securities held for trading are carried at fair value with realized and unrealized gains and losses recorded in noninterest income. As part of our business to support our customers, we trade public debt and equity securities and other financial instruments that are subject to market fluctuations with gains and losses recognized in net income. In addition, although high market volatility can increase our exposure to trading-related losses, periods of low volatility may have an adverse effect on our businesses as a result of reduced customer activity levels. Although we have processes in place to measure and monitor the risks associated with our trading activities, including stress testing and hedging strategies, there can be no assurance that our processes and strategies will be effective in avoiding losses that could have a material adverse effect on our financial results.

The value of our marketable and nonmarketable equity securities can fluctuate from quarter to quarter. Marketable equity securities are carried at fair value with unrealized gains and losses reflected in earnings. Nonmarketable equity securities are carried under the cost method, equity method, or measurement alternative, while others are carried at fair value with unrealized gains and losses reflected in earnings. Earnings from our equity securities portfolio may be volatile and hard to predict, and may have a significant effect on our earnings from period to period. When, and if, we recognize gains may depend on a number of factors, including general economic and market conditions, the prospects of the companies in which we invest, when a company goes public, the size of our position relative to the public float, and whether we are subject to any resale restrictions.

Nonmarketable equity securities include our private equity and venture capital investments that could result in significant OTTI losses for those investments carried under the measurement alternative or equity method. If we determine there is OTTI for an investment, we write-down the carrying value of the investment, resulting in a charge to earnings, which could be significant.

For additional information, see the “Risk Management – Asset/Liability Management – Interest Rate Risk”, “– Mortgage Banking Interest Rate and Market Risk”, “– Market Risk – Trading Activities”, and “– Market Risk – Equity Securities” and the “Balance Sheet Analysis – Available-for-Sale and Held-to-Maturity Debt Securities” sections in this Report and Note 2 (Trading Activities), Note 3 (Available-for-Sale and Held-to-Maturity Debt Securities) and Note 4 (Equity Securities) to Financial Statements in this Report.

The transition away from the London Interbank Offered Rate (LIBOR) may adversely affect our business, results of operations, and financial condition. The administrator of LIBOR ceased publication of LIBOR settings on a representative basis on December 31, 2021, with the exception of the most commonly used U.S. dollar (USD) LIBOR settings, which will no longer be published on a representative basis after June 30, 2023. Additionally, federal banking regulators issued guidance strongly encouraging banking organizations to cease using USD LIBOR in new contracts. We have a significant number of assets and liabilities, such as legacy commercial loans, adjustable-rate mortgage loans, derivatives, debt securities, and long-term debt, referenced to LIBOR and other interbank offered rates. When any such benchmark rate or other referenced financial metric is significantly changed, replaced or discontinued, or ceases to be recognized as an acceptable market benchmark rate or financial metric, there may be uncertainty or differences in the calculation of the applicable interest rate or payment amount depending on the terms of the governing instrument.

This could impact the financial performance of previously booked transactions, result in losses on financial instruments we hold, require different hedging strategies or result in ineffective or increased basis risk on existing hedges, impact the overall interest rate environment and the availability or cost of floating-rate funding, affect our capital and liquidity planning and management, or have other adverse financial consequences. There can be no assurance that any new benchmark rate, such as the Secured Overnight Financing Rate (SOFR), or other financial metric will be an adequate alternative to LIBOR or produce the economic equivalent of LIBOR. In addition, the transition away from LIBOR will continue to require changes to existing transaction data, products, systems, models, operations, and pricing processes, as well as the modification or renegotiation of contracts that reference USD LIBOR. It may also continue to result in significant operational, systems, or other practical challenges, increased compliance and operational costs, and heightened expectations and scrutiny from regulators, and could result in litigation, reputational harm, or other adverse consequences. Furthermore, the transition away from widely used benchmark rates like LIBOR could result in customers or other market participants challenging the determination of their interest payments, disputing the interpretation or implementation of fallback provisions and other transition related changes, or entering into fewer transactions or postponing their financing needs, which could reduce our revenue and adversely affect our business. Moreover, to the extent borrowers with loans referenced to LIBOR, such as adjustable-rate mortgage loans, experience higher interest payments as a result of the transition to a new benchmark rate, our customers’ ability to repay their loans may be adversely affected, which can negatively impact our credit performance.

For additional information on the discontinuation of LIBOR and the steps we are taking to address and mitigate the risks we have identified, see the “Overview – Recent Developments – LIBOR Transition” section in this Report.

Effective liquidity management is essential for the operation of our business, and our financial results and condition could be materially adversely affected if we do not effectively manage our liquidity. We primarily rely on customer deposits to be a low-cost and stable source of funding for the loans we make and the operation of our business. In addition to customer deposits, our sources of liquidity include certain debt and equity securities, our ability to sell or securitize loans in secondary markets and to pledge loans to access secured borrowing facilities through the FHLB and the FRB, and our ability to raise funds in domestic and international money through capital markets.

Our liquidity and our ability to fund and run our business could be materially adversely affected by a variety of conditions and factors, including financial and credit market disruption and volatility or a lack of market or customer confidence in financial markets in general similar to what occurred during the financial crisis in 2008 and early 2009, which may result in a loss of customer deposits or outflows of cash or collateral and/or our inability to access capital markets on favorable terms. Market disruption and volatility could impact our credit spreads, which are the amount in excess of the interest rate of U.S. Treasury securities, or other benchmark securities, of the same maturity that we need to pay to our funding providers. Increases in interest rates and our credit spreads could significantly increase our funding costs. Other conditions and factors that could materially adversely affect our liquidity and funding include a lack of market or customer confidence in the Company or negative news about the Company or the financial services industry generally which also may result in a loss of deposits and/or negatively affect our ability to access the capital markets; our inability to sell or securitize loans or other assets; disruptions or volatility in the repurchase market which also may increase our short-term funding costs; regulatory requirements or restrictions; unexpectedly high or accelerated customer draws on lines of credit; and, as described below, reductions in one or more of our credit ratings. Many of the above conditions and factors may be caused by events over which we have little or no control. There can be no assurance that significant disruption and volatility in the financial markets will not occur in the future. For example, concerns over geopolitical issues, commodity and currency prices, as well as global economic conditions, may cause financial market volatility.

In addition, concerns regarding U.S. government debt levels, including any potential failure to raise the debt limit, and any associated downgrade of U.S. government debt ratings may cause uncertainty and volatility as well. A downgrade of the sovereign debt ratings of the U.S. government or the debt ratings of related institutions, agencies or instrumentalities, as well as other fiscal or political events could, in addition to causing economic and financial market disruptions, materially adversely affect the market value of the U.S. government securities that we hold, the availability of those securities as collateral for borrowing, and our ability to access capital markets on favorable terms, as well as have other material adverse effects on the operation of our business and our financial results and condition.

As noted above, we rely heavily on customer deposits for our funding and liquidity. We compete with banks and other financial services companies for deposits. If our competitors raise the rates they pay on deposits our funding costs may increase, either because we raise our rates to avoid losing deposits or because we lose deposits and must rely on more expensive sources of funding. Checking and savings account balances and other forms of customer deposits may decrease when customers perceive other investment opportunities, such as stocks, bonds, or money market mutual funds, as providing a better risk/return tradeoff. When customers move money out of bank deposits and into other investments, we may lose a relatively low-cost source of funds, increasing our funding costs and negatively affecting our liquidity. In addition, we may continue to reduce certain deposit balances in order to manage under the asset cap.

If we are unable to continue to fund our assets through customer deposits or access capital markets on favorable terms or if we suffer an increase in our borrowing costs or otherwise fail to manage our liquidity effectively (including on an intra-day or intra-affiliate basis), our liquidity, net interest margin, financial results and condition may be materially adversely affected. As we did during the financial crisis, we may also need, or be required by our regulators, to raise additional capital through the issuance of common stock, which could dilute the ownership of existing stockholders, or reduce or even eliminate our common stock dividend to preserve capital or to raise additional capital.

For additional information, see the "Risk Management – Asset/Liability Management" section in this Report.

Adverse changes in our credit ratings could have a material adverse effect on our liquidity, cash flows, financial results and condition. Our borrowing costs and ability to obtain funding are influenced by our credit ratings. Reductions in one or more of our credit ratings could adversely affect our ability to borrow funds and raise the costs of our borrowings substantially and could cause creditors and business counterparties to raise collateral requirements or take other actions that could adversely affect our ability to raise funding. Credit ratings and credit ratings agencies' outlooks are based on the ratings agencies' analysis of many quantitative and qualitative factors, such as our capital adequacy, liquidity, asset quality, business mix, the level and quality of our earnings, rating agency assumptions regarding the probability and extent of federal financial assistance or support, and other rating agency specific criteria. In addition to credit ratings, our borrowing costs are affected by various other external factors, including market volatility and concerns or perceptions about the financial services industry generally. There can be no assurance that we will maintain our credit ratings and outlooks and that credit ratings downgrades in the future would not materially affect our ability to borrow funds and borrowing costs. Downgrades in our credit ratings also may trigger additional collateral or funding obligations which, depending on the severity of the downgrade, could have a material adverse effect on our liquidity, including as a result of credit-related contingent features in certain of our derivative contracts.

For information on our credit ratings, see the "Risk Management – Asset/Liability Management – Liquidity Risk and Funding – Credit Ratings" section and for information regarding additional collateral and funding obligations required of certain derivative instruments in the event our credit ratings were to fall below investment grade, see Note 14 (Derivatives) to Financial Statements in this Report.

We rely on dividends from our subsidiaries for liquidity, and federal and state law, as well as certain contractual arrangements, can limit those dividends. Wells Fargo & Company, the parent holding company (the "Parent"), is a separate and distinct legal entity from its subsidiaries. It receives substantially all of its funding and liquidity from dividends and other distributions from its subsidiaries. We generally use these dividends and distributions, among other things, to pay dividends on our common and preferred stock and interest and principal on our debt. Federal and state laws limit the amount of dividends and distributions that our bank and some of our nonbank subsidiaries, including our broker-dealer subsidiaries, may pay to the Parent. In addition, under a Support Agreement dated June 28, 2017, as amended and restated on June 26, 2019, among the Parent, WFC Holdings, LLC, an intermediate holding company and subsidiary of the Parent (the "IHC"), Wells Fargo Bank, N.A. (the "Bank"), Wells Fargo Securities, LLC, Wells Fargo Clearing Services, LLC, and certain other subsidiaries of the Parent designated from time to time as material entities for resolution planning purposes or identified from time to time as related support entities in our resolution plan, the IHC may be restricted from making dividend payments to the Parent if certain liquidity and/or capital metrics fall below defined triggers or if the Parent's board of directors authorizes it to file a case under the U.S. Bankruptcy Code. Also, our 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 additional information, see the "Regulation and Supervision – Dividend Restrictions" and "– Holding Company Structure" sections in our 2022 Form 10-K and to Note 25 (Regulatory Capital Requirements and Other Restrictions) to Financial Statements in this Report.

REGULATORY RISKS

Current and future legislation and/or regulation could require us to change certain of our business practices, reduce our revenue and earnings, impose additional costs on us or otherwise adversely affect our business operations and/or competitive position. Our parent company, our subsidiary banks and many of our nonbank subsidiaries such as those related to our brokerage business, are subject to significant and extensive regulation under state and federal laws in the U.S., as well as the applicable laws of the various jurisdictions outside of the U.S. where they conduct business. These regulations generally protect depositors, federal deposit insurance funds, consumers, investors, employees, or the banking and financial system as a whole, not necessarily our security holders. Economic, market and political conditions during the past few years have led to a significant amount of legislation and regulation in the U.S. and abroad affecting the financial services industry, as well as heightened expectations and scrutiny of financial services companies from banking regulators. These laws and regulations may continue to affect the manner in which we do business and the products and services that we provide, affect or restrict our ability to compete in our current businesses or our ability to enter into or acquire new businesses, reduce or limit our revenue, affect our compliance and risk management activities, increase our capital requirements, impose additional fees, assessments or taxes on us, intensify the regulatory supervision of us and the financial services industry, and adversely affect our business operations or have other negative consequences. Our businesses and revenue in non-U.S. jurisdictions are also subject to risks from political, economic and social developments in those jurisdictions, including sanctions or business restrictions, asset freezes or confiscation, unfavorable political or diplomatic developments, or financial or social instability. In addition, greater government oversight and scrutiny of Wells Fargo, as well as financial services companies generally, has increased our operational and compliance costs as we must continue to devote substantial resources to enhancing our procedures and controls and meeting heightened regulatory standards and expectations. Any failure to meet regulatory requirements, standards or expectations, either in the U.S. or in non-U.S. jurisdictions, could continue to result in significant fees, penalties, restrictions on our ability to engage in certain business activities, or other adverse consequences.

Our consumer businesses, including our mortgage, auto, credit card and other consumer lending and non-lending businesses, are subject to numerous and, in many cases, highly complex consumer protection laws and regulations, as well as enhanced regulatory scrutiny and more and expanded regulatory examinations and/or investigations. In particular, the CFPB's rules may continue to increase our compliance costs and require changes in our business practices, which could limit or negatively affect the products and services that we offer our customers. If we fail to meet enhanced regulatory requirements and expectations with respect to our consumer businesses, we may be subject to increased costs, fines, penalties, restrictions on our business activities including the products and services we can provide, and/or harm to our reputation.

In addition, the Dodd-Frank Act established a comprehensive framework for regulating over-the-counter derivatives, and the CFTC, SEC, and other federal regulatory agencies have adopted rules regulating swaps, security-based swaps, and derivatives activities. These rules may continue to negatively impact customer demand for over-the-counter derivatives, impact our ability to offer customers new derivatives or amendments to existing derivatives, and increase our costs for engaging in swaps, security-based swaps, and other derivatives activities.

We are also subject to various rules and regulations related to the prevention of financial crimes and combating terrorism, including the USA PATRIOT Act of 2001. These rules and regulations require us to, among other things, implement policies and procedures related to anti-money laundering, anti-bribery and corruption, economic sanctions, suspicious activities, currency transaction reporting and due diligence on customers. Although we have policies and procedures designed to comply with these rules and regulations, to the extent they are not fully effective or do not meet heightened regulatory standards or expectations, we may be subject to fines, penalties, restrictions on certain activities, reputational harm, or other adverse consequences.

Our businesses are also subject to laws and regulations enacted by U.S. and non-U.S. regulators and governmental authorities relating to the privacy of the information of customers, employees and others. These laws and regulations, among other things, increase our compliance obligations; have a significant impact on our businesses' collection, processing, sharing, use, and retention of personal data and reporting of data breaches; and provide for significantly increased penalties for non-compliance.

In addition, we are subject to a number of consent orders and other regulatory actions, including a February 2018 consent order with the FRB regarding the Board's governance and oversight of the Company, and the Company's compliance and operational risk management program. This consent order limits the Company's total consolidated assets as defined under the consent order to the level as of December 31, 2017, until certain conditions are met. This limitation could continue to adversely affect our results of operations or financial condition. We are also subject to April 2018 consent orders with the CFPB and OCC 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. In addition, we are subject to a September 2021 consent order with the OCC regarding loss mitigation activities in the Company's Home Lending business. Similarly, we are subject to a December 2022 consent order with the CFPB regarding multiple matters related to automobile lending, consumer deposit accounts, and mortgage lending.

Under the April 2018 consent order with the OCC, the Bank remains subject to requirements that were originally imposed in November 2016 to provide prior written notice to, and obtain non-objection from, the OCC with respect to changes in directors and senior executive officers, and remains subject to certain regulatory limitations on post-termination payments to certain individuals and employees.

The Company may be subject to further actions, including the imposition of additional consent orders, regulatory agreements or civil money penalties, by federal regulators regarding similar or other issues. Furthermore, issues or delays in satisfying the requirements of a regulatory action could affect our progress on others, and failure to satisfy the requirements of a regulatory action on a timely basis could result in additional penalties, enforcement actions, and other negative consequences, which could be significant. For example, in September 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. Compliance with the February 2018 FRB consent order, the April 2018 CFPB and OCC consent orders, the September 2021 OCC consent order, the December 2022 CFPB consent order, and any other consent orders or regulatory actions, as well as the implementation of their requirements, may continue to increase the Company's costs, require the Company to reallocate resources away from growing its existing businesses, subject the Company to business restrictions, negatively impact the Company's capital and liquidity, and require the Company to undergo significant changes to its business, operations, products and services, and risk management practices. For additional information on the Company's consent orders, see the "Overview" section in this Report.

Other future regulatory initiatives that could significantly affect our business include proposals to reform the housing finance market in the United States. These proposals, among other things, consider ending the conservatorships of the GSEs and reducing or eliminating over time the role of the GSEs in buying mortgage loans or guaranteeing mortgage-backed securities (MBS), as well as the implementation of reforms relating to borrowers, lenders, and investors in the mortgage market. The extent and timing of any regulatory reform or the adoption of any legislation regarding the GSEs and/or the home mortgage market, as well as any effect on the Company's business and financial results, are uncertain.

Any other future legislation and/or regulation, if adopted, also could significantly change our regulatory environment and increase our cost of doing business, limit the activities we may pursue or affect the competitive balance among banks, savings associations, credit unions, and other financial services companies, and have a material adverse effect on our financial results and condition.

For additional information on the significant regulations and regulatory oversight initiatives that have affected or may affect our business, see the "Regulatory Matters" section in this Report and the "Regulation and Supervision" section in our 2022 Form 10-K.

We could be subject to more stringent capital, leverage or liquidity requirements or restrictions on our growth, activities or operations if regulators determine that our resolution or recovery plan is deficient. Pursuant to rules adopted by the FRB and the FDIC, Wells Fargo prepares and periodically submits resolution plans, also known as "living wills," designed to facilitate our rapid and orderly resolution in the event of material financial distress or failure. There can be no assurance that the FRB or FDIC will respond favorably to the Company's resolution plans. If the FRB and/or FDIC determine that a resolution plan has deficiencies, they may impose more stringent capital, leverage or liquidity requirements on us or restrict our growth, activities or operations until we adequately remedy the deficiencies. If the FRB and/or FDIC ultimately determine that we have been unable to remedy any deficiencies, they could require us to divest certain assets or operations.

In addition to our resolution plans, we must also prepare and periodically submit to the FRB a recovery plan that identifies a range of options that we may consider during times of idiosyncratic or systemic economic stress to remedy any financial weaknesses and restore market confidence without extraordinary government support. The Bank must also prepare and periodically submit to the OCC a recovery plan. If either the FRB or the OCC determines that our recovery plan is deficient, they may impose fines, restrictions on our business or ultimately require us to divest assets.

Our security holders may suffer losses in a resolution of Wells Fargo even if creditors of our subsidiaries are paid in full. If Wells Fargo were to fail, it may be resolved in a bankruptcy proceeding or, if certain conditions are met, under the resolution regime created by the Dodd-Frank Act known as the "orderly liquidation authority," which allows for the appointment of the FDIC as receiver. The FDIC's orderly liquidation authority requires that security holders of a company in receivership bear all losses before U.S. taxpayers are exposed to any losses. There are substantial differences in the rights of creditors between the orderly liquidation authority and the U.S. Bankruptcy Code, including the right of the FDIC to disregard the strict priority of creditor claims under the U.S. Bankruptcy Code in certain circumstances and the use of an administrative claims procedure instead of a judicial procedure to determine creditors' claims.

The strategy described in our most recent resolution plan is a single point of entry strategy, in which the Parent would be the only material legal entity to enter resolution proceedings. However, the strategy described in our resolution plan is not binding in the event of an actual resolution of Wells Fargo.

To facilitate the orderly resolution of the Company, we entered into the Support Agreement, pursuant to which the Parent transferred a significant amount of its assets to the IHC and will continue to transfer assets to the IHC from time to time. In the event of our material financial distress or failure, the IHC will be obligated to use the transferred assets to provide capital and/or liquidity to the Bank and certain other direct and indirect subsidiaries of the Parent. Under the Support Agreement, the IHC will provide funding and liquidity to the Parent through subordinated notes and a committed line of credit. If certain liquidity and/or capital metrics fall below defined triggers, or if the Parent's board of directors authorizes it to file a case under the U.S. Bankruptcy Code, the subordinated notes would be forgiven, the committed line of credit would terminate, and the IHC's ability to pay dividends to the Parent would be restricted, any of which could materially and adversely impact the Parent's liquidity and its ability to satisfy its debts and other obligations, and could result in the commencement of bankruptcy proceedings by the Parent at an earlier time than might have otherwise occurred if the Support Agreement were not implemented.

Any resolution of the Company will likely impose losses on shareholders, unsecured debt holders and other creditors of the Parent, while the Parent's subsidiaries may continue to operate. Creditors of some or all of our subsidiaries may receive significant or full recoveries on their claims, while the Parent's security holders could face significant or complete losses. This outcome may arise whether the Company is resolved under the U.S. Bankruptcy Code or by the FDIC under the orderly liquidation authority, and whether the resolution is conducted using a single point of entry strategy or using a multiple point of entry strategy, in which the Parent and one or more of its subsidiaries would each undergo separate resolution proceedings. Furthermore, in a single point of entry or multiple point of entry strategy, losses at some or all of our subsidiaries could be transferred to the Parent and borne by the Parent's security holders. Moreover, if either resolution strategy proved to be unsuccessful, our security holders could face greater losses than if the strategy had not been implemented.

For additional information, see the "Regulatory Matters – 'Living Will' Requirements and Related Matters" section in this Report.

Bank regulations and rules may require higher capital and liquidity levels, limiting our ability to pay common stock dividends, repurchase our common stock, invest in our business, or provide loans or other products and services to our customers. The Company and each of our insured depository institutions are subject to various regulatory capital adequacy requirements administered by federal banking regulators. In particular, the Company is subject to rules issued by federal banking regulators to implement Basel III risk-based capital requirements for U.S. banking organizations. These capital rules, among other things, establish required minimum ratios relating capital to different categories of assets and exposures. Federal banking regulators have also imposed a leverage ratio and a supplementary leverage ratio on large BHCs like Wells Fargo and our insured depository institutions. The FRB has also finalized rules to address the amount of equity and unsecured long-term debt a U.S. G-SIB must hold to improve its resolvability and resiliency, often referred to as total loss absorbing capacity (TLAC). Similarly, federal banking regulators have issued final rules that implement a liquidity coverage ratio and a net stable funding ratio.

In addition, as part of its obligation to impose enhanced capital and risk-management standards on large financial firms pursuant to the Dodd-Frank Act, the FRB has issued a capital plan rule that establishes capital planning and other requirements that govern capital distributions, including dividends and share repurchases, by certain BHCs, including Wells Fargo. The FRB has also finalized a number of regulations implementing enhanced prudential requirements for large BHCs like Wells Fargo regarding risk-based capital and leverage, risk and liquidity management, single counterparty credit limits, and imposing debt-to-equity limits on any BHC that regulators determine poses a grave threat to the financial stability of the United States. The FRB and OCC have also finalized rules implementing stress testing requirements for large BHCs and national banks. In addition, the FRB has proposed a rule to establish remediation requirements for large BHCs experiencing financial distress and has proposed additional requirements regarding effective risk management practices at large BHCs, including its expectations for boards of directors and senior management. The OCC, under separate authority, has also established heightened governance and risk management standards for large national banks, such as the Bank.

The Basel standards and federal regulatory capital, leverage, liquidity, TLAC, capital planning, and other requirements may limit or otherwise restrict how we utilize our capital, including common stock dividends and stock repurchases, and may require us to increase our capital and/or liquidity. Any requirement that we increase our regulatory capital, regulatory capital ratios or liquidity, including due to changes in regulatory requirements, such as through the adoption or implementation of new or revised Basel standards, or as a result of business growth, acquisitions or a change in our risk profile, could require us to liquidate assets or otherwise change our business, product offerings and/or investment plans, which may negatively affect our financial results. Although not currently anticipated, new capital requirements and/or our regulators may require us to raise additional capital in the future. Issuing additional common stock may dilute the ownership of existing stockholders. In addition, federal banking regulations may continue to increase our compliance costs as well as limit our ability to invest in our business or provide loans or other products and services to our customers.

For additional information, see the "Capital Management," "Risk Management – Asset/Liability Management – Liquidity Risk and Funding – Liquidity Standards," and "Regulatory Matters" sections in this Report and the "Regulation and Supervision" section in our 2022 Form 10-K.

FRB policies, including policies on interest rates, can significantly affect business and economic conditions and our financial results and condition. The FRB regulates the supply of money 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 income and net interest margin. The FRB's interest rate policies also can materially affect the value of financial instruments we hold, such as debt securities and MSRs. In addition, its policies can affect our borrowers, potentially increasing the risk that they may fail to repay their loans. Changes in FRB policies, including its target range for the federal funds rate or actions taken to increase or decrease the size of its balance sheet, are beyond our control and can be hard to predict. The FRB significantly raised its target range for the federal funds rate and has indicated it may continue to raise it in 2023 to address high inflation. As noted above, changes in the interest rate environment and yield curve which may result from the FRB's actions could negatively affect our net interest income and net interest margin.

CREDIT RISKS

Increased credit risk, including as a result of a deterioration in economic conditions or changes in market conditions, could require us to increase our provision for credit losses and allowance for credit losses and could have a material adverse effect on our results of operations and financial condition. When we loan money or commit to loan money we incur credit risk, or the risk of losses if our borrowers do not repay their loans. As one of the largest lenders in the U.S., the credit performance of our loan portfolios significantly affects our financial results and condition. We also incur credit risk in connection with trading and other activities. As noted above, if the current economic environment were to deteriorate, more of our customers and counterparties may have difficulty in repaying their loans or other obligations which could result in a higher level of credit losses and provision for credit losses. We reserve for credit losses by establishing an allowance through a charge to earnings. The amount of this allowance is based on our assessment of credit losses inherent in our loan portfolio (including unfunded credit commitments). The process for determining the amount of the allowance is critical to our financial results and condition. It requires difficult, subjective and complex judgments about the future, including forecasts of economic or market conditions that might impair the ability of our borrowers to repay their loans. We might increase the allowance because of changing economic conditions, including falling home prices, higher unemployment or inflation, significant loan growth, changes in consumer behavior, or other market conditions that adversely affect borrowers, or other factors. Additionally, the regulatory environment or external factors, such as natural disasters, disease pandemics, political or social matters, or trade policies, also can influence recognition of credit losses in our loan portfolios and impact our allowance for credit losses.

Future allowance levels may increase or decrease based on a variety of factors, including loan balance changes, portfolio credit quality and mix changes, and changes in general economic conditions. While we believe that our allowance for credit losses was appropriate at December 31, 2022, there is no assurance that it will be sufficient to cover future credit losses. In the event of significant deterioration in economic conditions or if we experience significant loan growth, we may be required to build reserves in future periods, which would reduce our earnings.

For additional information, see the "Risk Management – Credit Risk Management" and "Critical Accounting Policies – Allowance for Credit Losses" sections in this Report.

We may have more credit risk and higher credit losses to the extent our loans are concentrated by loan type, industry segment, borrower type, or location of the borrower or collateral. Our credit risk and credit losses can increase if our loans are concentrated to borrowers engaged in the same or similar activities or to borrowers who individually or as a group may be uniquely or disproportionately affected by economic or market conditions. Similarly, challenging economic or market conditions, or trade policies, affecting a particular industry or geography may also impact related or dependent industries or the ability of borrowers living in such affected areas or working in such industries to meet their financial obligations. We experienced the effect of concentration risk in 2009 and 2010 when we incurred greater than expected losses in our residential real estate loan portfolio due to a housing slowdown and greater than expected deterioration in residential real estate values in many markets, including the Central Valley California market and several Southern California metropolitan statistical areas. As California is our largest banking state in terms of loans and deposits, deterioration in real estate values and underlying economic conditions in those markets or elsewhere in California could result in materially higher credit losses. In addition, changes in consumer behavior or other market conditions may adversely affect borrowers in certain industries or sectors, which may increase our credit risk and reduce the demand by these borrowers for our products and services. Moreover, deterioration in macro-economic conditions generally across the country could result in materially higher credit losses, including for our residential real estate loan portfolio, which includes nonconforming mortgage loans we retain on our balance sheet. We may experience higher delinquencies and higher loss rates as our consumer real estate secured lines of credit reach their contractual end of draw period and begin to amortize.

We are currently one of the largest CRE lenders in the U.S. A deterioration in economic conditions that negatively affects the business performance of our CRE borrowers, including increases in interest rates, declines in commercial property values, and/or changes in consumer behavior or other market conditions, such as a continued decrease in the demand for office space, could result in materially higher credit losses and have a material adverse effect on our financial results and condition.

Challenges and/or changes in non-U.S. economic conditions may increase our non-U.S. credit risk. Economic difficulties in non-U.S. jurisdictions could also indirectly have a material adverse effect on our credit performance and results of operations and financial condition to the extent they negatively affect the U.S. economy and/or our borrowers who have non-U.S. operations.

Due to regulatory requirements, we must clear certain derivative transactions through central counterparty clearinghouses (CCPs), which results in credit exposure to these CCPs. Similarly, because we are a member of various CCPs, we may be required to pay a portion of any losses incurred by the CCP in the event that one or more members of the CCP defaults on its obligations. In addition, we are exposed to the risk of non-performance by our clients for which we clear transactions through CCPs to the extent such non-performance is not sufficiently covered by available collateral.

For additional information regarding credit risk, see the "Risk Management – Credit Risk Management" section and Note 5 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report.

OPERATIONAL, STRATEGIC AND LEGAL RISKS

A failure in or breach of our operational or security systems, controls or infrastructure, or those of our third-party vendors and other service providers, could disrupt our businesses, damage our reputation, increase our costs and cause losses. As a large financial institution that serves customers through numerous physical locations, ATMs, the internet, mobile banking and other distribution channels across the U.S. and internationally, we depend on our ability to process, record and monitor a large number of customer transactions on a continuous basis. As our customer base and locations have expanded throughout the U.S. and internationally, as we have increasingly used the internet and mobile banking to provide products and services to our customers, as customer, public, legislative and regulatory expectations regarding operational and information security have increased, and as cyber and other information security attacks have become more prevalent and complex, our operational systems, controls and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions and breakdowns. Our business, financial, accounting, data processing systems or other operating systems and facilities may stop operating properly, become insufficient based on our evolving business needs, or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control. For example, there have been and could in the future be sudden increases in customer transaction volume; electrical or telecommunications outages; degradation or loss of internet, website or mobile banking availability; natural disasters such as earthquakes, tornados, and hurricanes; disease pandemics; events arising from local or larger scale political or social matters, including terrorist acts; and, as described below, cyber attacks or other information security incidents. Furthermore, enhancements and upgrades to our infrastructure or operating systems may be time-consuming, entail significant costs, and create risks associated with implementing new systems and integrating them with existing ones. Due to the complexity and interconnectedness of our systems, the process of enhancing our infrastructure and operating systems, including their security measures and controls, can itself create a risk of system disruptions and security issues. Similarly, we may not be able to timely recover critical business processes or operations that have been disrupted, which may further increase any associated costs and consequences of such disruptions. Although we have business continuity plans and other safeguards in place to help provide operational resiliency, our business operations may be adversely affected by significant and widespread disruption to our physical infrastructure or operating systems that support our businesses and customers. For example, on February 7, 2019, we experienced system issues caused by an automatic power shutdown at one of our main data center facilities. Although applications and related workloads were systematically re-routed to back-up data centers throughout the day, certain of our services, including our online and mobile banking systems, certain mortgage origination systems, and certain ATM functions, experienced disruptions that delayed service to our customers.

As a result of financial institutions and technology systems becoming more interconnected and complex, any operational incident at a third party may increase the risk of loss or material impact to us or the financial industry as a whole. Furthermore, third parties on which we rely, including those that facilitate our business activities or to which we outsource operations, such as exchanges, clearing houses, financial intermediaries or vendors that provide services or security solutions for our operations, could continue to be sources of operational risk to us, including from information breaches or loss, breakdowns, disruptions or failures of their own systems or infrastructure, or any deficiencies in the performance of their responsibilities. These risks are heightened to the extent we rely on a single third party or on third parties in a single geographic area. We are also exposed to the risk that a disruption or other operational incident at a common service provider to our third parties could impede their ability to provide services or perform their responsibilities for us. In addition, we must meet regulatory requirements and expectations regarding our use of third-party service providers, and any failure by our third-party service providers to meet their obligations to us or to comply with applicable laws, rules, regulations, or Wells Fargo policies could result in fines, penalties, restrictions on our business, or other negative consequences.

Disruptions or failures in the physical infrastructure, controls or operating systems that support our businesses and customers, failures of the third parties on which we rely to adequately or appropriately provide their services or perform their responsibilities, or our failure to effectively manage or oversee our third-party relationships, could result in business disruptions, loss of revenue or customers, legal or regulatory proceedings, compliance and other costs, violations of applicable privacy and other laws, reputational damage, or other adverse consequences, any of which could materially adversely affect our results of operations or financial condition.

A cyber attack or other information security incident could have a material adverse effect on our results of operations, financial condition, or reputation. Information security risks for large financial institutions such as Wells Fargo have generally increased in recent years in part because of the proliferation of new technologies, the use of the internet, mobile devices, and cloud technologies to conduct financial transactions, the increase in remote work arrangements, and the increased sophistication and activities of organized crime, hackers, terrorists, activists, and other external parties, including foreign state-sponsored parties. Those parties also may continue to attempt to misrepresent personal or financial information to commit fraud, obtain loans or other financial products from us, or attempt to fraudulently induce employees, customers, or other users of our systems to disclose confidential, proprietary, or other information to gain access to our data or that of our customers. Geopolitical matters, such as the conflict in Ukraine, may also elevate the risk of an information security threat, particularly by foreign state-sponsored parties or their supporters. As noted above, our operations rely on the secure processing, transmission and storage of confidential, proprietary, and other information in our computer systems and networks. Our banking, brokerage, investment advisory, and capital markets businesses rely on our digital technologies, computer and email systems, software, hardware, and networks to conduct their operations. In addition, to access our products and services, our customers may use personal smartphones, tablets, and other mobile devices that are beyond our control systems. Our technologies, systems, software, networks, and our customers' devices continue to be the target of cyber attacks or other information security threats, which could materially adversely affect us, including as a result of fraudulent activity, the unauthorized release, gathering, monitoring, misuse, loss or destruction of Wells Fargo's or our customers' confidential, proprietary and other information, or the disruption of Wells Fargo's or our customers' or other third parties' business operations. For example, various retailers have reported they were victims of cyber attacks in which large amounts of their customers' data, including debit and credit card information, was obtained. In these situations, we generally incur costs to replace compromised cards and address fraudulent transaction activity affecting our customers. We are also exposed to the risk that an employee or other person acting on behalf of the Company fails to comply with applicable policies and procedures and inappropriately circumvents information security controls for personal gain or other improper purposes.

Due to the increasing interconnectedness and complexity of financial institutions and technology systems, an information security incident at a third party or a third party's downstream service providers may increase the risk of loss or material impact to us or the financial industry as a whole. In addition, third parties (including their downstream service providers) on which we rely, including those that facilitate our business activities or to which we outsource operations, such as internet, mobile technology, hardware, software, and cloud service providers, continue to be sources of information security risk to us. We could suffer material harm, including business disruptions, losses or remediation costs, reputational damage, legal or regulatory proceedings, or other adverse consequences as a result of the failure of those third parties to adequately or appropriately safeguard their technologies, systems, networks, hardware, and software, or as a result of our or our customers' data being compromised due to information security incidents affecting those third parties.

Our risk and exposure to information security threats remains heightened because of, among other things, the persistent and evolving nature of these threats, the prominent size and scale of Wells Fargo and its role in the financial services industry, our plans to continue to implement our digital and mobile banking channel strategies and develop additional remote connectivity solutions to serve our customers when and how they want to be served, our geographic footprint and international presence, the outsourcing of some of our business operations, and the current global economic and political environment. For example, Wells Fargo and other financial institutions, as well as our third-party service providers, continue to be the target of various evolving and adaptive information security threats, including cyber attacks, malware, ransomware, other malicious software intended to exploit hardware or software vulnerabilities, phishing, credential validation, and distributed denial-of-service, in an effort to disrupt the operations of financial institutions, test their cybersecurity capabilities, commit fraud, or obtain confidential, proprietary or other information. Cyber attacks have also focused on targeting online applications and services, such as online banking, as well as cloud-based and other products and services provided by third parties, and have targeted the infrastructure of the internet, causing the widespread unavailability of websites and degrading website performance. As a result, information security and the continued development and enhancement of our controls, processes and systems designed to protect our networks, computers, software and data from attack, damage or unauthorized access remain a priority for Wells Fargo. We are also proactively involved in industry cybersecurity efforts and working with other parties, including our third-party service providers and governmental agencies, to continue to enhance defenses and improve resiliency to information security threats. As these threats continue to evolve, we expect to continue to be required to expend significant resources to develop and enhance our protective measures or to investigate and remediate any information security vulnerabilities or incidents. Because the investigation of any information security breach is inherently unpredictable and would require time to complete, we may not be able to immediately address the consequences of a breach, which may further increase any associated costs and consequences. Moreover, to the extent our insurance covers aspects of information security risk, such insurance may not be sufficient to cover all liabilities or losses associated with an information security breach.

Cyber attacks or other information security incidents affecting us or third parties (including their downstream service providers) on which we rely, including those that facilitate our business activities or to which we outsource operations, or affecting the networks, systems or devices that our customers use to access our products and services, could result in business disruptions, loss of revenue or customers, legal or regulatory proceedings, compliance, remediation and other costs, violations of applicable privacy and other laws, reputational damage, or other adverse consequences, any of which could materially adversely affect our results of operations or financial condition.

Our framework for managing risks may not be fully effective in mitigating risk and loss to us. Our risk management framework seeks to mitigate risk and loss to us. We have established processes and procedures intended to identify, measure, monitor, report and analyze the types of risk to which we are subject, including liquidity risk, credit risk, market risk, interest rate risk, operational risk, legal and compliance risk, and reputational risk, among others. However, as with any risk management framework, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, risks that we have not appropriately anticipated, identified or managed. Our risk management framework is also dependent on ensuring that effective operational controls and a sound culture exist throughout the Company. The inability to develop effective operational controls or to foster the appropriate culture in each of our lines of business, including the inability to align performance management and compensation to achieve the desired culture, could adversely impact the effectiveness of our risk management framework. Similarly, if we are unable to effectively manage our business or operations, we may be exposed to increased risks or unexpected losses. We process a large number of transactions each day and are exposed to risks or losses if we do not accurately or completely execute a process or transaction, whether due to human error or otherwise; if we are unable to detect and prevent fraudulent activity; or if an employee or third-party service provider fails to comply with applicable policies and procedures, inappropriately circumvents controls, or engages in other misconduct.

In certain instances, we rely on models to measure, monitor and predict risks, such as market, interest rate, liquidity and credit risks, as well as to help inform business decisions; however, there is no assurance that these models will appropriately or sufficiently capture all relevant risks or accurately predict future events or exposures. Furthermore, certain of our models are subject to regulatory review and approval, and any failure to meet regulatory standards or expectations could result in fines, penalties, restrictions on our ability to engage in certain business activities, or other adverse consequences, and any required modifications or changes to these models can impact our capital ratios and requirements and result in increased operational and compliance costs. In addition, we rely on data to aggregate and assess our various risk exposures and business activities, and any issues with the quality or effectiveness of our data, including our aggregation, management, and validation procedures, could result in ineffective risk management practices, business decisions or customer service, inefficient use of resources, or inaccurate regulatory or other risk reporting. We also use artificial intelligence to help further inform or automate our business decisions and risk management practices, but there is no assurance that artificial intelligence will appropriately or sufficiently replicate certain outcomes or human assessment or accurately predict future events or exposures. Previous financial and credit crises and resulting regulatory reforms highlighted both the importance and some of the limitations of managing unanticipated risks, and our regulators remain focused on ensuring that financial institutions, and Wells Fargo in particular, build and maintain robust risk management policies and practices. If our risk management framework proves ineffective, we could suffer unexpected losses which could materially adversely affect our results of operations or financial condition.

We may be exposed to additional legal or regulatory proceedings, costs, and other adverse consequences related to retail sales practices and instances where customers may have experienced financial harm. Various government entities and offices have undertaken formal or informal inquiries or investigations arising out of certain retail sales practices of the Company that were the subject of settlements with the CFPB, the OCC, and the Office of the Los Angeles City Attorney announced by the Company on September 8, 2016, and various non-governmental parties filed lawsuits against us seeking damages or other remedies related to these retail sales practices. The Company has entered into various settlements to resolve these investigations and proceedings, as a result of which we have incurred monetary penalties, costs, and business restrictions. If we are unable to meet any ongoing obligations under these settlements, we may incur additional monetary or other penalties or be required to make admissions of wrongdoing and comply with other conditions, which can lead to restrictions on our ability to engage in certain business activities or offer certain products or services, limitations on our ability to access capital markets, limitations on capital distributions, the loss of customers, and/or other adverse consequences. Any inability to meet our ongoing obligations under these settlements, depending on the sanctions and remedy sought and granted, could materially adversely affect our results of operations and financial condition. In addition, negative publicity or public opinion resulting from these matters may increase the risk of reputational harm to our business, which can impact our ability to keep and attract customers, affect our ability to attract and retain qualified employees, result in the loss of revenue, or have other material adverse effects on our results of operations and financial condition.

Furthermore, we have identified and may in the future identify areas or instances where customers may have experienced financial harm, including as a result of our continuing efforts to strengthen our risk and control infrastructure. For example, we have identified certain issues related to past practices involving certain automobile collateral protection insurance policies and certain issues related to the unused portion of guaranteed automobile protection waiver or insurance agreements. The identification of such areas or instances where customers may have experienced financial harm could lead to, and in some cases has already resulted in, additional remediation costs, loss of revenue or customers, legal or regulatory proceedings, compliance and other costs, reputational damage, or other adverse consequences.

For additional information, see the "Overview – Retail Sales Practices Matters" and "Overview – Customer Remediation Activities" sections and Note 13 (Legal Actions) to Financial Statements in this Report.

We may incur fines, penalties and other negative consequences from regulatory violations or from any failure to meet regulatory standards or expectations. We maintain systems and procedures designed to ensure that we comply with applicable laws and regulations. However, we are subject to heightened compliance and regulatory oversight and expectations, particularly due to the evolving and increasingly complex regulatory landscape we operate in. We are also subject to consent orders and other regulatory actions that subject us to various conditions and restrictions. In addition, a single event or issue may give rise to numerous and overlapping investigations and proceedings, either by multiple federal and state agencies in the U.S. or by multiple regulators and other governmental entities in different jurisdictions. Similarly, regulators may be more likely to pursue investigations or proceedings against us to the extent that we are or have previously been subject to other regulatory actions. Also, the laws and regulations in jurisdictions in which we operate may be different or even conflict with each other, such as differences between U.S. federal and state law or differences between U.S. and non-U.S. laws as to the products and services we may offer or other business activities we may engage in, which can lead to compliance difficulties or issues. Furthermore, many legal and regulatory regimes require us to report transactions and other information to regulators and other governmental authorities, self-regulatory organizations, exchanges, clearing houses and customers. We may be subject to fines, penalties, restrictions on our business, or other negative consequences if we do not timely, completely, or accurately provide regulatory reports, customer notices or disclosures. Moreover, some legal/regulatory frameworks provide for the imposition of fines or penalties for noncompliance even though the noncompliance was inadvertent or unintentional and even though there were systems and procedures in place at the time designed to ensure compliance. For example, we are subject to regulations issued by the Office of Foreign Assets Control (OFAC) that prohibit financial institutions from participating in the transfer of property belonging to the governments of certain non-U.S. countries and designated nationals of those countries. OFAC may impose penalties or restrictions on certain activities for inadvertent or unintentional violations even if reasonable processes are in place to prevent the violations. Any violation of these or other applicable laws or regulatory requirements, even if inadvertent or unintentional, or any failure to meet regulatory standards or expectations, including any failure to satisfy the conditions of any consent orders or other regulatory actions, could result in significant fees, penalties, restrictions on our ability to engage in certain business activities, reputational harm, loss of customers, or other negative consequences.

Reputational harm, including as a result of our actual or alleged conduct or public opinion of the financial services industry generally, could adversely affect our business, results of operations, and financial condition. Reputation risk, or the risk to our business, earnings and capital from negative public opinion, is inherent in our business and has increased substantially because of our size and profile in the financial services industry, sales practices related matters, and instances where customers may have experienced financial harm. Negative public opinion about the financial services industry generally or Wells Fargo specifically could adversely affect our reputation and our ability to keep and attract customers. Negative public opinion could result from our actual or alleged conduct in any number of activities, including sales practices; mortgage, auto or other consumer lending practices; loan origination or servicing activities; mortgage foreclosure actions; management of client accounts or investments; lending, investing or other business relationships; identification and management of potential conflicts of interest from transactions, obligations and interests with and among our customers; environmental, social and governance practices; regulatory compliance; risk management; incentive compensation practices; and disclosure, sharing or inadequate protection or improper use of customer information, and from actions taken by government regulators and community or other organizations in response to that conduct. Although we have policies and procedures in place intended to detect and prevent conduct by employees and third-party service providers that could potentially harm customers or our reputation, there is no assurance that such policies and procedures will be fully effective in preventing such conduct. Furthermore, our actual or perceived failure to address or prevent any such conduct or otherwise to effectively manage our business or operations could result in significant reputational harm. In addition, because we conduct most of our businesses under the "Wells Fargo" brand, negative public opinion about one business also could affect our other businesses. Moreover, actions by the financial services industry generally or by certain members or individuals in the industry also can adversely affect our reputation. The proliferation of social media websites utilized by Wells Fargo and other third parties, as well as the personal use of social media by our employees and others, including personal blogs and social network profiles, also may increase the risk that negative, inappropriate or unauthorized information may be posted or released publicly that could harm our reputation or have other negative consequences, including as a result of our employees interacting with our customers in an unauthorized manner in various social media outlets.

Wells Fargo and other financial institutions have been targeted from time to time by protests and demonstrations, which have included disrupting the operation of our retail banking locations, and have been subject to negative public commentary, including with respect to the fees charged for various products and services. Wells Fargo and other financial institutions have also been subject to negative publicity as a result of providing or reducing financial services to or making investments in industries or organizations subject to stakeholder concerns. There can be no assurance that continued protests or negative public opinion of the Company specifically or large financial institutions generally will not harm our reputation and adversely affect our business, results of operations, and financial condition.

If we are unable to develop and execute effective business plans or strategies or manage change effectively, our competitive standing and results of operations could suffer. In order to advance our business goals, we may undertake business plans or strategies related to, among other things, our organizational structure, our compliance and risk management framework, our expenses and efficiency, the types of products and services we offer, the types of businesses we engage in, the geographies in which we operate, the manner in which we serve our clients and customers, the third parties with which we do business, and the methods and distribution channels by which we offer our products and services. Accomplishing these business plans or strategies may be complex, time intensive, require significant financial, technological, management and other resources, may divert management attention and resources away from other areas of the Company, and may impact our expenses and ability to generate revenue. There is no guarantee that any business plans or strategies, including our current efficiency initiatives, will ultimately be successful. To the extent we are unable to develop or execute effective business plans or strategies or manage change effectively, our competitive position, reputation, prospects for growth, and results of operations may be adversely affected.

In addition, from time to time, we may decide to divest certain businesses or assets. Difficulties in executing a divestiture may cause us not to realize any expected cost savings or other benefits from the divestiture, or may result in higher than expected losses of employees or harm our ability to retain customers. The divestiture or winding down of certain businesses or assets may also result in the impairment of goodwill or other long-lived assets related to those businesses or assets.

Similarly, we may explore opportunities to expand our products, services, and assets through strategic acquisitions of companies or businesses in the financial services industry. We generally must receive federal regulatory approvals before we can acquire a bank, bank holding company, or certain other financial services businesses. 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, branches and/or business units or assets or issue additional equity as a condition to receiving regulatory approval for an acquisition. When we do announce an acquisition, our stock price may fall depending on the size of the acquisition, the type of business to be acquired, the purchase price, and the potential dilution to existing stockholders or our earnings per share if we issue common stock in connection with the acquisition. Furthermore, difficulty in integrating an acquired company or business may cause us not to realize expected revenue increases, cost savings, increases in geographic or product presence, and other projected benefits from the acquisition. The integration could result in higher than expected deposit attrition, loss of key employees, an increase in our compliance costs or risk profile, disruption of our business or the acquired business, or otherwise harm our ability to retain customers and employees or achieve the anticipated benefits of the acquisition. Time and resources spent on integration may also impair our ability to grow our existing businesses. Many of the foregoing risks may be increased if the acquired company or business operates internationally or in a geographic location where we do not already have significant business operations and/or employees.

Our operations and business could be adversely affected by the impacts of climate change. The physical effects of climate change, including the increased prevalence and severity of extreme weather events and natural disasters, such as hurricanes, droughts, and wildfires, could damage or interfere with our operations or those of our third-party service providers, which could disrupt our business, increase our costs, or cause losses. Climate change related impacts could also negatively affect the financial condition of our customers, increase the credit risk associated with those customers, or result in the deterioration of the value of the collateral we hold. In addition, changes in consumer behavior or other market conditions on account of climate considerations or due to the transition to a low carbon economy may adversely affect customers in certain industries, sectors or geographies, which may increase our credit risk and reduce the demand by these customers for our products and services. Furthermore, the transition to a low carbon economy could affect our business practices or result in additional costs or other adverse consequences to our business operations. Legislation and/or regulation in connection with climate change, as well as stakeholder perceptions and expectations related to climate change and its impacts, could require us to change certain of our business and/or risk management practices, impose additional costs on us, or otherwise adversely affect our operations and business. Moreover, our reputation may be damaged as a result of our response to climate change or our strategy for the transition to a low carbon economy, including if we are unable or perceived to be unable to achieve our objectives or if our response is disliked, disfavored, or perceived to be ineffective or insufficient. For additional information on regulatory developments in response to climate change, see the "Regulatory Matters" section in this Report.

We are exposed to potential financial loss or other adverse consequences from legal actions. Wells Fargo and some of its subsidiaries are involved in judicial, regulatory, governmental, arbitration, and other proceedings or investigations concerning matters arising from the conduct of our business activities, and many of those proceedings and investigations expose Wells Fargo to potential financial loss or other adverse consequences. There can be no assurance as to the ultimate outcome of any of these legal actions. We establish accruals for legal actions when potential losses associated with the actions become probable and the costs can be reasonably estimated. We may still incur costs for a legal action even if we have not established an accrual. In addition, the actual cost of resolving a legal action may be substantially higher than any amounts accrued for that action. The ultimate resolution of a pending legal proceeding or investigation, depending on the remedy sought and granted, could materially adversely affect our results of operations and financial condition.

As noted above, we are subject to heightened regulatory oversight and scrutiny, which may lead to regulatory investigations, proceedings or enforcement actions. In addition to imposing potentially significant monetary penalties, business restrictions, and other sanctions, regulatory authorities may require criminal pleas or other admissions of wrongdoing and compliance with other conditions in connection with settling such matters, which can lead to reputational harm, loss of customers, restrictions on the ability to access capital markets, limitations on capital distributions, the inability to engage in certain business activities or offer certain products or services, and/or other direct and indirect adverse effects.

For additional information, see Note 13 (Legal Actions) to Financial Statements in this Report.

MORTGAGE BUSINESS RISKS

Our mortgage banking revenue can be volatile from quarter to quarter, including from the impact of changes in interest rates, and we rely on the GSEs to purchase our conforming loans to reduce our credit risk and provide liquidity to fund new mortgage loans. We earn revenue from fees we receive for originating mortgage loans and for servicing mortgage loans. Changes in interest rates can affect these fees, as well as the fair value of our MSRs. When rates rise, the demand for mortgage loans usually tends to fall, reducing the revenue we receive from loan originations. Under the same conditions, revenue from our MSRs can increase due to a decline in the likelihood of prepayments, which increases the fair value of our MSRs. When rates fall, mortgage originations usually tend to increase and the value of our MSRs usually tends to decline, also with some offsetting revenue effect. Even though they can act as a "natural hedge," the hedge is not perfect, either in amount or timing.

We typically use derivatives and other instruments to hedge our mortgage banking interest rate risk. We may not hedge all of our risk, and we may not be successful in hedging any of the risk. Hedging is not a perfect science, and we could incur significant losses from our hedging activities.

We rely on the GSEs to purchase mortgage loans that meet their conforming loan requirements and on government insuring agencies, such as the Federal Housing Administration (FHA) and the Department of Veterans Affairs (VA), to insure or guarantee loans that meet their policy requirements. If the GSEs or government insuring agencies were to limit or reduce their purchasing, insuring or guaranteeing of loans, our ability to fund, and thus originate, new mortgage loans, could be reduced. We cannot assure that the GSEs or government insuring agencies will not materially limit their purchases, insuring or guaranteeing of conforming loans or change their criteria for what constitutes a conforming loan (e.g., maximum loan amount or borrower eligibility). As noted above, there are various proposals to reform the housing finance market in the U.S., including the role of the GSEs in the housing finance market. The impact of any such regulatory reform regarding the housing finance market and the GSEs, as well as any effect on the Company's business and financial results, are uncertain. In addition, to meet customer needs, we also originate loans that do not conform to either the GSEs' or government insuring agencies' standards, which are generally retained on our balance sheet and therefore do not generate sale proceeds that could be used to originate new loans.

For additional information, see the "Risk Management – Asset/Liability Management – Mortgage Banking Interest Rate and Market Risk," "Critical Accounting Policies – Valuation of Residential Mortgage Servicing Rights (MSRs)" and "Critical Accounting Policies – Fair Value of Financial Instruments" sections in this Report.

We may suffer losses, penalties, or other adverse consequences if we fail to satisfy our obligations with respect to the residential mortgage loans we originate or service. For residential mortgage loans that we originate, we could become subject to monetary damages and other civil penalties, including the loss of certain contractual payments or the inability to exercise certain remedies under the loans such as foreclosure proceedings, if it is alleged or determined that the loans were not originated in accordance with applicable laws or regulations.

Additionally, for residential mortgage loans that we originate and sell, we may be required to repurchase the loans or indemnify or reimburse the securitization trust, investor or insurer for credit losses incurred on loans in the event of a breach of contractual representations or warranties in the agreements under which we sell the loans or in the insurance or guaranty agreements that we enter into with the FHA and VA. We establish a mortgage repurchase liability that reflects management's estimate of losses for loans for which we have a repurchase obligation. Because the level of the liability depends on economic factors and other external conditions, the level of the liability is difficult to estimate, requires considerable management judgment, and is subject to change. If economic conditions or the housing market worsen, we could have increased repurchase obligations and increased loss severity on repurchases, requiring significant additions to the repurchase liability.

Furthermore, if we fail to satisfy our servicing obligations for the mortgage loans we service, we may be terminated as servicer or master servicer, required to indemnify the securitization trustee against losses, and/or contractually obligated to repurchase a mortgage loan or reimburse investors for credit losses, any of which could significantly reduce our net servicing income.

We may also incur costs, liabilities to borrowers and/or securitization investors, legal proceedings, or other adverse consequences if we fail to meet our servicing obligations, including with respect to mortgage foreclosure actions or if we experience delays in the foreclosure process. Our net servicing income and the fair value of our MSRs may be negatively affected to the extent our servicing costs increase because of higher foreclosure or other servicing related costs. In addition, we may continue to be subject to fines, business restrictions, and other sanctions imposed by federal or state regulators as a result of actual or perceived deficiencies in our mortgage servicing practices, including with respect to our foreclosure practices, our loss mitigation activities such as loan modifications or forbearances, or our servicing of flood zone properties. Any of these actions may harm our reputation, negatively affect our residential mortgage origination or servicing business, or result in material fines, penalties, equitable remedies, or other enforcement actions. We may also face risks, including regulatory, compliance, and market risks, as we pursue our previously announced plans to reduce the amount of residential mortgage loans we service.

For additional information, see the "Overview," "Risk Management – Credit Risk Management – Mortgage Banking Activities," and "Critical Accounting Policies – Valuation of Residential Mortgage Servicing Rights" sections and Note 13 (Legal Actions) and Note 18 (Pledged Assets and Collateral) to Financial Statements in this Report.

COMPETITIVE RISKS

We face significant and increasing competition in the rapidly evolving financial services industry. We compete with other financial institutions in a highly competitive industry that is undergoing significant changes as a result of financial regulatory reform, technological advances, increased public scrutiny, and current economic conditions. Our success depends on, among other things, our ability to develop and maintain deep and enduring relationships with our customers based on the quality of our customer service, the wide variety of products and services that we can offer our customers and the ability of those products and services to satisfy our customers' needs and preferences, the pricing of our products and services, the extensive distribution channels available for our customers, our innovation, and our reputation. Continued or increased competition in any one or all of these areas may negatively affect our customer relationships, market share and results of operations and/or cause us to increase our capital investment in our businesses in order to remain competitive. In addition, our ability to reposition or reprice our products and services from time to time may be limited and could be influenced significantly by the current economic, regulatory and political environment for large financial institutions as well as by the actions of our competitors. Furthermore, any changes in the types of products and services that we offer our customers and/or the pricing for those products and services could result in a loss of customer relationships and market share and could materially adversely affect our results of operations.

Continued technological advances and the growth of e-commerce have made it possible for non-depository institutions to offer products and services that traditionally were banking products, and for financial institutions and other companies to provide electronic and internet-based financial solutions, including electronic securities trading, lending and payment solutions. In addition, technological advances, including digital currencies and alternative payment methods, may diminish the importance of depository institutions and other financial intermediaries in the transfer of funds between parties. We may not respond effectively to these and other competitive threats from existing and new competitors and may be forced to sell products at lower prices, increase our investment in our business to modify or adapt our existing products and services, and/or develop new products and services to respond to our customers' needs and preferences. To the extent we are not successful in developing and introducing new products and services or responding or adapting to the competitive landscape or to changes in customer preferences, we may lose customer relationships and our revenue growth and results of operations may be materially adversely affected.

Our ability to attract and retain qualified employees is critical to the success of our business and failure to do so could adversely affect our business performance, competitive position and future prospects. The success of Wells Fargo is heavily dependent on the talents and efforts of our employees, including our senior leaders, and in many areas of our business, including commercial banking, brokerage, investment advisory, capital markets, risk management and technology, the competition for highly qualified personnel is intense. We also seek to retain a pipeline of employees to provide continuity of succession for our senior leadership positions. In order to attract and retain highly qualified employees, we must provide competitive compensation, benefits and work arrangements, effectively manage employee performance and development, and foster a diverse and inclusive environment. As a large financial institution and additionally to the extent we remain subject to consent orders we may be subject to limitations on compensation by our regulators that may adversely affect our ability to attract and retain these qualified employees, especially if some of our competitors may not be subject to these same compensation limitations. If we are unable to continue to attract and retain qualified employees, including successors for senior leadership positions, our business performance, competitive position and future prospects may be adversely affected.

FINANCIAL REPORTING RISKS

Changes in accounting standards, and changes in how accounting standards are interpreted or applied, could materially affect our financial results and condition. From time to time the FASB and the SEC update the financial accounting and reporting standards that govern the preparation of our external financial statements. In addition, accounting standard setters and those who interpret the accounting standards (such as the FASB, SEC, and banking regulators) may update their previous interpretations or positions on how these standards should be applied. Changes in financial accounting and reporting standards and changes in current interpretations may be beyond our control, can be hard to predict, and could materially affect our financial results and condition, including requiring a retrospective restatement of prior period financial statements. Similarly, any change in our accounting policies could also materially affect our financial statements. For additional information, see the “Current Accounting Developments” section in this Report.

Our financial statements require certain assumptions and estimates and rely on the effectiveness of our internal control over financial reporting. Pursuant to U.S. GAAP, we are required to use certain assumptions and estimates in preparing our financial statements, including, among other items, in determining the allowance for credit losses, the liability for contingent litigation losses, and the fair value of certain assets and liabilities such as debt securities, loans held for sale, MSRs, derivative assets and liabilities, and equity securities. Several of our accounting 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. If the assumptions or estimates underlying our financial results are incorrect or different from actual results, we could experience unexpected losses or other adverse impacts, some of which could be significant. For a description of our critical accounting policies, see the “Critical Accounting Policies” section in this Report.

The Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) requires our management to evaluate the Company’s disclosure controls and procedures and its internal control over financial reporting and requires our auditors to issue a report on our internal control over financial reporting. We are required to disclose, in our annual report on Form 10-K, the existence of any “material weaknesses” in our internal controls. We cannot assure that we will not identify one or more material weaknesses as of the end of any given quarter or year, nor can we predict the effect on our reputation or stock price of disclosure of a material weakness. We could also be required to devote significant resources to remediate any material weakness. In addition, our customers may rely on the effectiveness of certain of our operational and internal controls as a service provider, and any deficiency in those controls could affect our customers and damage our reputation or business. Sarbanes-Oxley also limits the types of non-audit services our outside auditors may provide to us in order to preserve their independence from us. If our auditors were found not to be independent of us, we could be required to engage new auditors and re-file financial statements and audit reports with the SEC. We could be out of compliance with SEC rules until new financial statements and audit reports were filed, limiting our ability to raise capital and resulting in other adverse consequences.

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Any factor described in this Report or in any of our other SEC filings could by itself, or together with other factors, adversely affect our financial results and condition. Refer to our quarterly reports on Form 10-Q filed with the SEC in 2023 for material changes to the above discussion of risk factors. There are factors not discussed above or elsewhere in this Report that could adversely affect our financial results and condition.