than others and need to react with seriousness and urgency when issues are raised – whether from employees, customers, regulators, or others outside the company. Every issue raised has the opportunity to be a learning moment and we should also proactively look at our competitors to learn as well.

5. Integration of mergers is more than a short-term technology conversion – While we have not had a merger-related systems integration in my time at Wells Fargo, we agree that "simply stitch[ing]…systems together" can cause a proliferation of issues. It is critical to merge and simplify platforms, whether merger-related or as part of a customer service strategy, as the reduced complexity in the number of platforms should make it easier to properly serve customers. For example, asking customer-service representatives to learn multiple systems to provide the same information creates more operational risk and the possibility of a poor customer experience.

   But these platform mergers should be the beginning of integration, not the end. This is true looking both from our perspective and the customer perspective. Customers think of us as one company, not as separate relationships with individual lines of business. They want to see their information seamlessly and be able to transact with us easily across all of their products. Unless we integrate our platforms, we will either not appear as one company to the customer, or we will create workarounds to try and accomplish this, which creates unneeded operational risk. A major competitive advantage of Wells Fargo is serving our customers across a broad range of products, but we can only do so effectively with common platforms.

   The same is true of data platforms. Pulling customer data from multiple platforms is operationally complex and expensive. Common data platforms across our company are critical. We rely on this for financial reporting, regulatory reporting, risk reporting, and the ability to assess a customer relationship holistically.

   And finally, it is a mistake to lose sight of aged platforms, to not invest in improving them and to not move to new ones. New software and hardware solutions make it easier to reduce complexity and properly serve customers, and when these solutions are part of a program with a clear target state, they should significantly reduce operational complexity.

   Recognizing this, Wells Fargo is implementing a modern technology stack that is cloud-native and therefore more elastic and resilient. We are applying this stack for the various product domains that we are modernizing across our businesses. Examples include a more modern digital desktop for our financial advisors in Wealth and Investment Management, our value-at-risk models in Corporate and Investment Banking, and our payment platforms across businesses. These modernization initiatives are guided top-down by a product and platform architecture that sets clear boundaries and expectations for teams. In addition to this, the hosting of our platforms is more and more migrating to a combination of private and public cloud, powered by our partnerships with Google and Microsoft. This also is leading to faster innovation by plugging in innovative services provided by these cloud providers into our platforms.

   In parallel to these modernization efforts, we are also enhancing the way we deliver software and the developer experience. We are implementing new cloud-native tool-chains that allow our developers to have the experience that they deserve: on-demand, instant, elastic and with embedded automated controls.

Further taking stock of where we stand – why haven't we completed our risk and regulatory work

I am frequently asked why our risk and regulatory work is not complete though we have been publicly reprimanded, have a growth constraint, and I have been leading the company for over 3 years. I wish my job was merely to complete work that was well underway, but unfortunately this was not the case. Simply said, the work to build the appropriate risk and control infrastructure and close consent orders takes years when managed effectively, and we were not as far along as I had expected when I arrived. Much work was needed to build what is necessary to properly accomplish the work.

When I arrived, we did not have the culture, effective processes, or appropriate management oversight in place to remediate weaknesses on a timely basis. Today, we approach these issues differently. This management team (the broad team – not just me) has the skills and experience and is now responsible for closing our consent orders. We have changed and implemented much to put ourselves in a position to have the confidence that we can accomplish this. The specifics of our regulatory remediation plans are confidential, and while we are not where we need to be, I believe that our position is significantly improved and that we will reach our goals. We are committed to making all necessary resources available to meet our obligations.

I have said we are a different company today, and in this sub-section, I provide some examples.

1. When I arrived at the company in 2019, we had 12 open, public enforcement actions. Given this and the other control issues we needed to assess, it took many months to understand the depth and breadth of the weaknesses and what was required to complete the work.
2. We then went about recruiting a mostly new management team with the experience and skills that we did not sufficiently have at the company. A large portion of the Operating Committee was recruited during 2020 and they then needed to do their own assessments and develop plans. They then needed several years to build out their teams.

3. For each consent order Matters Requiring Attention (MRAs), and other control gaps identified, we needed to build detailed plans that satisfied both us and our regulators. Our plans are now detailed and have hundreds of deliverables with designated delivery dates. Many of our consent orders have work that relies on work from another order, so any slippage on one plan can impact another. Our ability to assess all of this accurately for work to be done over multiple years has not been perfect, and we have missed some deliverables, but we have learned, adjusted, and continue to move forward.
4. We needed to build processes to manage these across the company. Building reporting and setting up management review structures for these activities has been critical to moving the work forward. Most of these did not exist or were ineffective, and we now believe we have much more effective reporting and processes in place to provide appropriate oversight and allow us to identify issues early so we can course-correct.
5. We did not have the resources necessary to accomplish this work when I arrived. We have added close to 10,000 people across numerous risk- and control-related groups and have spent approximately $2 billion more in 2022 than in 2018 in these areas. We are committed to make the investments needed to complete the work.
6. And we had to build the management disciplines and culture to govern and execute such a large body of work. Our Operating Committee reviews risk and regulatory progress and escalations on a weekly basis. We provide detailed reporting to the full board and appropriate committees so they can provide oversight. These reviews are systematic and detailed, and they are helping us provide the appropriate oversight and involvement to accomplish the work.

I should add that we had to do all of this during the very worst of the COVID-19 pandemic. While we were not alone in dealing with the complexities of work from home, social distancing and meeting the needs of customers during a pandemic, we were alone in what we had to build, and doing so in a remote working environment increased the difficulty level significantly.

Some have suggested that banks view enforcement actions and fines as a cost of doing business, but I can tell you that today, nothing is further from the truth at Wells Fargo. We view any such action by our regulators as something that requires immediate management attention. We aim both to avoid the necessity of such action by doing the work ourselves and, when regulators do take enforcement action against us, we follow a disciplined process to work towards closure, again with all necessary resources available for the effort.

The negative impact on our reputation of having not fulfilled our obligations is clear. Simply put, failure to satisfy our regulatory requirements carries significant consequences for our company. On the other hand, fulfilling our obligations and building an appropriate risk and control framework will allow us to build a strong reputation amongst a broad set of stakeholders. So why do we have so many consent orders that have been open for extended periods? Again, our historical practices were inadequate, and it has taken time to build what is necessary to change our historical inadequacies.

So as I look at our situation today, the failure of Wells Fargo to complete its work appropriately has resulted in multiple consent orders, fines, and an asset cap. But I can say confidently that we have taken significant actions including focusing and simplifying the company, refreshing the board, replacing most of the senior management team, and are now moving forward to correct past deficiencies. We have the willingness and the ability to complete the work.

And to be clear, we are committed to prioritizing this work above all else by devoting all necessary resources to the effort. Our planning is designed to ensure other activities do not interfere with this top priority. If we have a conflict, our risk and control work comes first.

I have said our progress will likely not be a straight line. We continue to resolve issues that were found years ago or are the result of the inadequate control environment that existed when we arrived at the company. This means that resolution of outstanding issues such as litigation, customer remediations or regulatory investigations have and could continue to have financial impacts. Additionally, until our work is complete, we will likely find new issues that need to be remediated, and these may result in additional regulatory actions.

Finally, as we continue to execute on our detailed plans, given the scope and complexity of our work, we may miss some interim milestones. We recognize the importance of meeting milestones that we ourselves set, but perfection is unlikely. When we discover an issue, we act quickly to course-correct and do what we can to get back on schedule. This is frustrating for us and others outside the company but is not indicative of our willingness or ability to complete our work. Rather, it is an obstacle that presents itself in nearly any large-scale, multi-year transformation.

When Wells Fargo faces criticism about where we stand, I understand the sentiment. I hope this section has provided detailed context and is helpful in providing an understanding of what we are doing to close our gaps. This team is taking decisive action to move our company past these issues.

Leadership Team

Key to transforming the company, changing our culture, and realizing the full strength of our franchise is having the best management team in place. Since I joined the company in 2019, 12 of our 17 Operating Committee members are new to Wells Fargo and 15 are new to their roles. In 2022, we put in place a new Chief Auditor, a new Chief Risk Officer, a new head of Consumer Lending, and a new head of Diverse Segments, Representation and Inclusion.

We continue to refresh our management ranks more broadly. Over 80% of our senior executive leaders – a group of approximately 150 people, most of whom report to Operating Committee members – are new to their roles since 2019, and nearly 60% are new to the company over the same time period. Over 30% of the individuals in this senior executive cohort began in new roles in 2022 or 2023. New leaders who have joined over the past several years bring important experience that is necessary for our journey.

Executing on Strategic Objectives

Simplifying our business

We continue to review the strategic positioning of the company and are focusing our efforts on building products and services that are core to serving our clients. This focus has led us to decisions to sell, downsize, or curtail multiple businesses. These decisions simplify the company, reduce operational complexity and risk, and allow us to focus on both our core risk and control buildout and ways to serve our customers in our core franchises. There are several examples since I joined the company in 2019.

In January 2023, we announced plans to simplify our Home Lending business and will primarily serve bank and wealth management customers as well as borrowers in minority communities. As part of this shift, we announced our plans to exit the Correspondent business, reduce the size of our Servicing portfolio, and optimize our Retail team so it aligns with our narrower customer focus. These actions will allow us to reduce risk in the Home Lending business while continuing making homeownership possible to thousands of Americans.

Over the past year, we have taken several additional steps to simplify the way we operate. For instance, we have:

- Implemented a cloud-native operating model which will enable us to reduce reliance on older, less stable platforms and allows us to innovate faster
- Centrally organized our Control Management teams, to enable better coordination across our businesses
- Streamlined our divisional leadership in Wells Fargo Advisors, moving from eight regional divisions to four
- Combined Treasury Services platforms across Commercial Banking and Corporate and Investment Banking

Looking further back to 2021, 2020, and 2019, we have:

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

Going forward, we will continue to evaluate our businesses with an eye toward reducing complexity, increasing risk-adjusted returns, and focusing our resources on the most important products and services our customers require. Market dynamics change, the competitive environment changes, regulatory expectations evolve and we must adjust our business accordingly.

Focusing on customer needs and expectations

Each of our businesses is working to transform how we serve our customers by offering focused, innovative products and solutions. Many of the initiatives underway reduce risk in the company and we evaluate new initiatives to consider the potential impact on our control environment. Some examples are below.

<u>Our Consumer Businesses: Consumer and Small Business Banking, Consumer Lending, and Wealth and Investment Management</u>

- We rolled out our new consumer mobile app with a simpler, more intuitive user experience which has improved customer satisfaction. We also completed the development of Fargo, our new AI-powered virtual assistant, which provides a more personalized, convenient, and simple consumer banking experience. Fargo is currently live for eligible employees and is set to begin rolling out to customers during the first half of this year. Providing such digitized services directly to our customers reduces operational complexity in our service centers and increases customer satisfaction.
- We continued to improve our credit card offerings including launching two new cards – Wells Fargo Autograph and BILT. While we describe these as new products, these are actually updated products in a business we have been in for many years.
- We launched Wells Fargo Premier, our new offering dedicated to the financial needs of affluent clients by bringing together our branch-based and wealth-based businesses to provide a more comprehensive, relevant, and integrated offering for our clients.
- We also relaunched Intuitive Investor in our Wealth and Investment Management segment, making it easier for customers to invest with a streamlined account opening process and a lower minimum investment.

Our Wholesale Businesses: Commercial Banking and Corporate and Investment Banking

- We have made several hires in Corporate and Investment Banking that have received some press. These hires are in industries we currently serve and products we currently offer, but the individuals bring new expertise to Wells Fargo.
- We continued to enhance the partnership within our commercial businesses to bring Corporate and Investment Banking products such as foreign exchange and M&A advisory services to our middle-market corporate clients.
- In December we announced Vantage, an enhanced digital experience for our commercial and corporate clients. Vantage uses artificial intelligence and machine learning to provide a tailored and intuitive platform based on our clients' specific needs.
- Over the past year our industry-leading API platform team continued the development of payment APIs for commercial and corporate clients, invested in solutions to support our financial institution clients, ramped-up and grew product offerings in consumer lending, and began developing commercial lending solutions.

Evolving our approach to technology

Technology is helping us better serve our consumer and corporate clients. Our technology talent is modernizing platforms for our customers, clients and colleagues. Specific areas of focus are:

- A cross-product pricing platform
- Digitization of our lending origination platforms across Small Business, Commercial and Corporate Banking
- Continued modernization of our Treasury Services and Payments platforms
- Strengthening our technological capabilities in fraud prevention
- Modernizing key corporate risk platforms
- Refreshing our Auto loans platform

These enhanced digital capabilities are just the start of the initiatives we have planned as part of our multi-year digital transformation.

Seeing early returns from this work

Our work to build better, more customer-focused products and a more technology-enabled company is generating measurable returns. For instance:

- In Consumer and Small Business Banking, mobile active customers grew 4% from a year ago.
- The new credit cards I mentioned above helped drive a 31% increase in new credit card accounts in 2022, and we've continued to maintain strong credit profiles. The average FICO score of our new accounts in 2022 was 773, compared to 761 for the 2019 vintage.
- In Wealth and Investment Management, total active Intuitive Investor accounts increased 56% from a year ago.
- Our U.S. investment banking market share was 3.2% in 2022, up 61 basis points versus 2021. We had the #7 ranking in this year's U.S. investment banking league tables, up two spots from 2021.
- As a company, we deliver many solutions nowadays in sprints, reducing our through-put time by as much as 60% compared to 2020.

ESG, communities and customer centricity

As I look back at 2022, I'm enthusiastic about the progress we've made in serving our communities and our customers, and I feel even better about the opportunities ahead.

Let me start with the changes we made during the year to help millions of customers avoid overdraft fees and meet short-term cash needs. These efforts included:

- The elimination of non-sufficient funds fees and transfer fees for customers enrolled in Overdraft Protection.
- Early Pay Day, making eligible direct deposits available up to two days early.
- Extra Day Grace, giving eligible customers an extra business day to make deposits to avoid overdraft fees.
- And in the fourth quarter we launched Flex Loan, a new digital-only, small-dollar loan that provides eligible customers convenient and affordable access to funds. Teams from across the company came together to roll out this new product in just a few months. Though it's still early, customer response is exceeding our expectations.

The above actions build on services we've introduced over the past several years, including Clear Access Banking, a consumer banking account with no overdraft fees. We now have over 1.7 million of those accounts, up 48% from a year ago.

Beyond our customers, we have an important responsibility to strengthen the communities we serve. We continued that work in 2022. This was true on several fronts.

Supporting homeownership

- We launched a Special Purpose Credit Program in 2022, committing $150 million to advance racial equity in homeownership, with an additional $100 million investment towards this racial equity effort announced in 2023.
- We established Wealth Opportunities Restored through Homeownership, or WORTH, a $60 million national effort to address systematic barriers to homeownership for people of color. Nationally, WORTH aims to help create 40,000 new homeowners of color in eight markets by the end of 2025

- We announced an expansion of our Dream.Plan.Home closing cost credit, which provides borrowers with an income at or below 80% of the area median income where the property is located up to $5,000 to use toward closing costs. The credit is available in 16 states and in Washington, DC.
- We announced Growing Diverse Housing Developers, a $40 million grant initiative focused on expanding the growth and success of real estate developers of color, including Black- and Latino-owned firms.

Banking inclusion

- As part of our Banking Inclusion Initiative, we launched our first Community Connections Branch outside Atlanta, with more to come. These branches offer spaces for financial health seminars and individual consultations.
- Also as part of our Banking Inclusion Initiative, we announced plans with Operation HOPE to introduce HOPE Inside centers in 20 markets. HOPE Inside Centers feature financial coaches who will help empower community members to achieve their financial goals through financial education and free one-on-one coaching. To date, we've launched these centers in the Atlanta, Houston, Los Angeles, Oakland and Phoenix metro regions.
- Since its launch in 2022, our Small Business Resource Navigator has connected nearly 1,300 small businesses to potential credit opportunities and technical assistance services provided by CDFIs.

Climate initiatives

- We announced interim greenhouse gas reduction targets for the Oil & Gas and Power sectors.
- We issued our second Inclusive Communities and Climate Bond, a $2 billion bond that will finance projects and programs supporting housing affordability, economic opportunity, renewable energy and clean transportation.

In addition, we have made significant progress on our Diversity, Equity and Inclusion initiatives. These are detailed in our first Diversity, Equity, and Inclusion annual report, which we published last summer. We continue to push forward on our commitment to integrating DE&I across the company, and, as part of this commitment, we have commissioned an external, third-party Racial Equity Assessment. We plan to publish the results of the assessment by the end of this year.

I'm proud of all this work. We are balanced in our approach to environmental, social and governance issues, and, as I wrote a year ago, we believe that for us to be successful as a company, we must consider a broad set of stakeholders in our decisions and actions, beyond shareholders. This is not in lieu of shareholders – in fact we believe it will enhance our returns to shareholders over time. Our history has shown this to be true. Consumers and businesses want to do business with a company that has a strong reputation. A strong reputation is achieved not just from strong financial performance, but from actively supporting employees, customers, and communities – especially those most in need.

As we look forward

I remain confident in our company. The franchise we have is enviable and will become increasingly more so as we transform the company. We have done much and we must finish the risk and control work I've described in a timeframe and with the quality to satisfy our regulators to take advantage of the opportunities in front of us, so this will remain our top priority.

We will do this while we navigate what will likely be a tricky economic environment. 2022 was a turning point in the cycle and the impact of the Federal Reserve's interest rate increases have not been fully seen in the economy yet. Though we are starting to see the impact on consumer spend, credit, housing, and demands for goods and services, it is still early. Thus far, the impact to consumers and businesses has been manageable.

Though there will certainly be some industries and segments of consumers that are more impacted than others, the rate of impact we see in our customer base is not materially accelerating. This plus the strength with which consumers and businesses went into this slowing economy is a helpful set of facts as we look forward.

While we are not predicting a severe downturn, we must be prepared for one and we are a stronger company today than 1 and 2 years ago. We have actively managed our capital position and focused on efficiency. Our margins are wider, our returns are higher, we are better managed, and our capital position is strong. While we will be impacted by a downturn in the economic cycle, we feel prepared for a downside scenario if we see broader deterioration than we currently see or predict.

We still have clear opportunities to improve our performance as we make progress on our efficiency initiatives. We will invest as necessary in our risk and control infrastructure, we will modernize our existing platforms, and we will continue to make the investments necessary serve our customers through service, technology and product enhancements.

I want to conclude by thanking our employees across the company who are working hard each day to continue to make progress on our transformation. The pressure they feel to accomplish our work is immense and the dedication that I see is unmatched. I'm thankful for all that they do and remain committed to leading us towards the goal of being the most respected financial institution in the country.

I'm excited about all that we will accomplish in the year ahead.

Charles W. Scharf
Chief Executive Officer
Wells Fargo & Company
March 3, 2023

Our Performance

$ and shares outstanding in millions, except per share amounts	2022	2021	2020
SELECTED INCOME STATEMENT DATA			
Total revenue	**$ 73,785**	78,492	74,264
Noninterest expense	**57,282**	53,831	57,630
Pre-tax pre-provision profit (PTPP)[1]	**16,503**	24,661	16,634
Provision for credit losses	**1,534**	(4,155)	14,129
Wells Fargo net income	**13,182**	21,548	3,377
Wells Fargo net income applicable to common stock	**12,067**	20,256	1,786
COMMON SHARE DATA			
Diluted earnings per common share	**3.14**	4.95	0.43
Dividends declared per common share	**1.10**	0.60	1.22
Common shares outstanding	**3,833.8**	3,885.8	4,144.0
Average common shares outstanding	**3,805.2**	4,061.9	4,118.0
Diluted average common shares outstanding	**3,837.0**	4,096.2	4,134.2
Book value per common share[2]	**$ 41.89**	43.32	39.71
Tangible book value per common share[2, 3]	**34.89**	36.35	32.99
SELECTED EQUITY DATA (PERIOD-END)			
Total equity	**181,875**	190,110	185,712
Common stockholders' equity	**160,614**	168,331	164,570
Tangible common equity[3]	**133,752**	141,254	136,727
PERFORMANCE RATIOS			
Return on average assets (ROA)[4]	**0.70%**	1.11	0.17
Return on average equity (ROE)[5]	**7.5**	12.0	1.1
Return on average tangible common equity (ROTCE)[3]	**9.0**	14.3	1.3
Efficiency ratio[6]	**78**	69	78
SELECTED BALANCE SHEET DATA (AVERAGE)			
Loans	**$ 929,820**	864,288	941,788
Assets	**1,894,309**	1,941,905	1,941,709
Deposits	**1,424,269**	1,437,812	1,376,011
SELECTED BALANCE SHEET DATA (PERIOD-END)			
Debt securities	**496,808**	537,531	501,207
Loans	**955,871**	895,394	887,637
Allowance for loan losses	**12,985**	12,490	18,516
Assets	**1,881,016**	1,948,068	1,952,911
Deposits	**1,383,985**	1,482,479	1,404,381
OTHER METRICS			
Common Equity Tier 1 (CET1) ratio[7]	**10.60%**	11.35	11.59
Market capitalization	**$ 158,298**	186,441	125,066
Headcount (#) (period-end)	**238,698**	249,435	268,531

1. Pre-tax pre-provision profit (PTPP) is total revenue less noninterest expense. Management believes that PTPP is a useful financial measure because it enables investors and others to assess the Company's ability to generate capital to cover credit losses through a credit cycle.
2. Book value per common share is common stockholders' equity divided by common shares outstanding. Tangible book value per common share is tangible common equity divided by common shares outstanding.
3. Tangible common equity, tangible book value per common share, and return on average tangible common equity are non-GAAP financial measures. For additional information, including a corresponding reconciliation to GAAP financial measures, see the "Financial Review – Capital Management – Tangible Common Equity" section in this Report.
4. Represents Wells Fargo net income divided by average assets.
5. Represents Wells Fargo net income applicable to common stock divided by average common stockholders' equity.
6. The efficiency ratio is noninterest expense divided by total revenue (net interest income and noninterest income).
7. Represents our Common Equity Tier 1 (CET1) ratio calculated under the Standardized Approach, which is our binding CET1 ratio. For additional information, see the "Financial Review – Capital Management" section and Note 25 (Regulatory Capital Requirements and Other Restrictions) to Financial Statements in this Report.