WELLS FARGO

Barclays 2018 Global Financial Services Conference

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Chief Financial Officer

September 14, 2018

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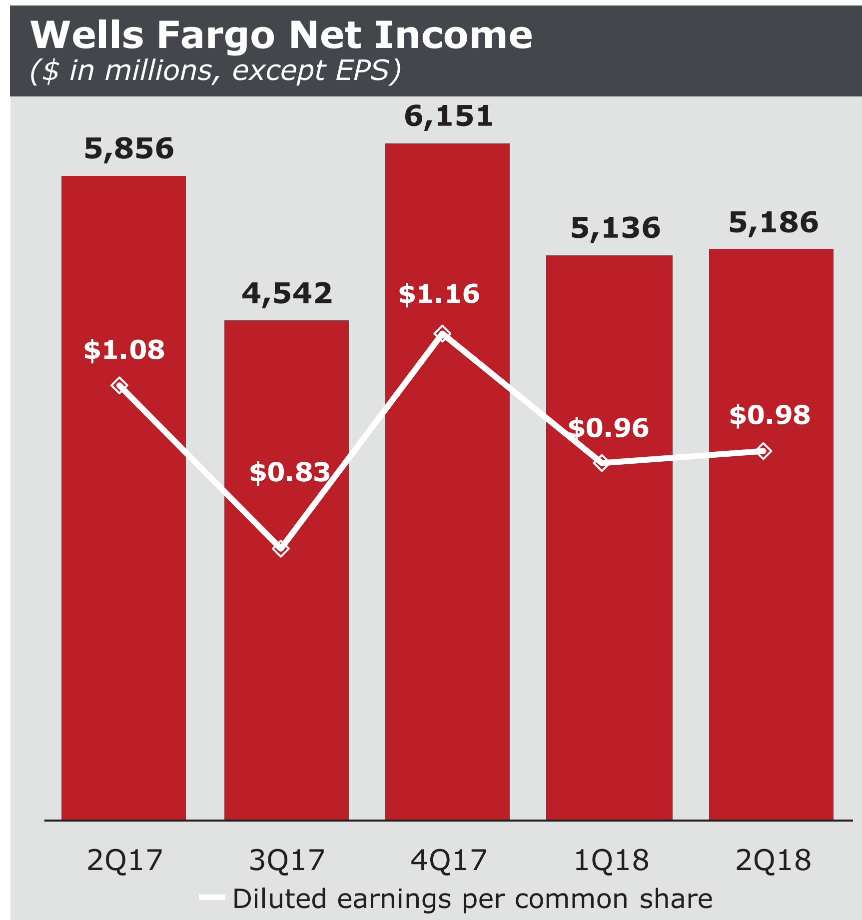
Wells Fargo Vision

"We want to satisfy our customers' financial needs and help them succeed financially."

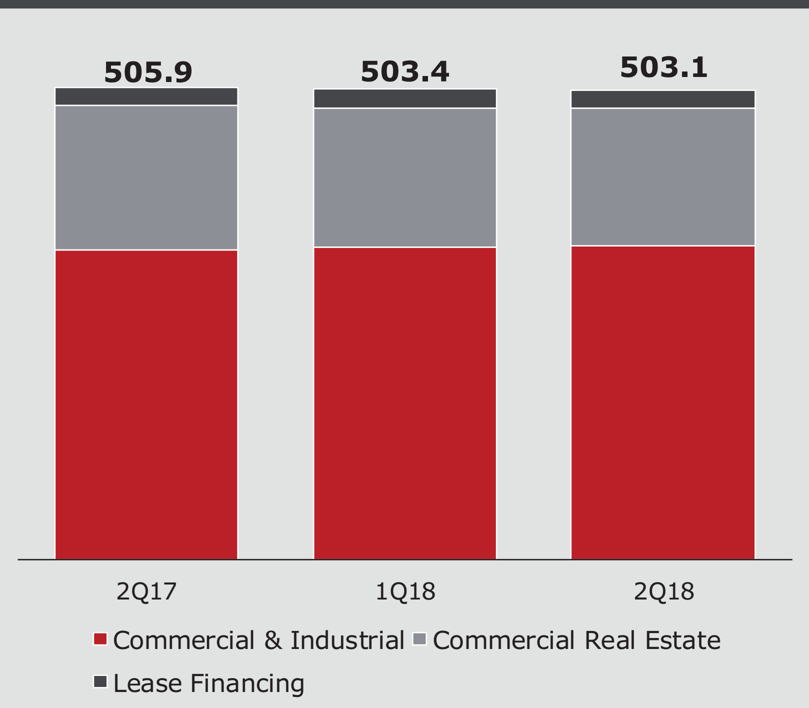
2Q18 Highlights



- Earnings of $5.2 billion
- Diluted earnings per common share of $0.98 included net discrete income tax expense of $0.10 per share
- Revenue down 2% linked quarter (LQ)
  - Net interest income up 2%
  - Noninterest income down 7%
- Credit quality
  - Net charge-offs of 26 bps of average loans (annualized), down 6 bps LQ
  - Nonperforming assets down 4% LQ
- Capital position and return
  - Common Equity Tier 1 ratio (fully phased-in) of 12.0% at 6/30/18 (1) well above our internal target of 10%
  - Returned $4.0 billion to shareholders through common stock dividends and net share repurchases in 2Q18
  - Received a non-objection to 2018 Capital Plan submission from the Federal Reserve

(1) Fully phased-in capital ratios are calculated assuming the full phase-in of the Basel III capital rules. See page 23 for additional information regarding the Common Equity Tier 1 capital ratio.

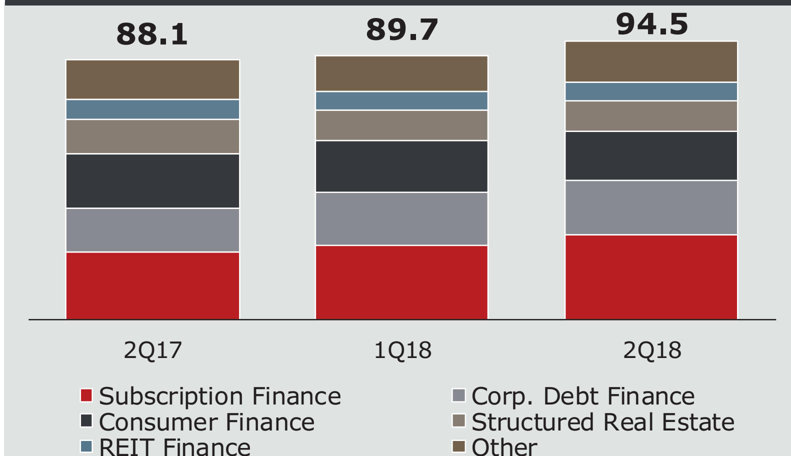
Commercial loans

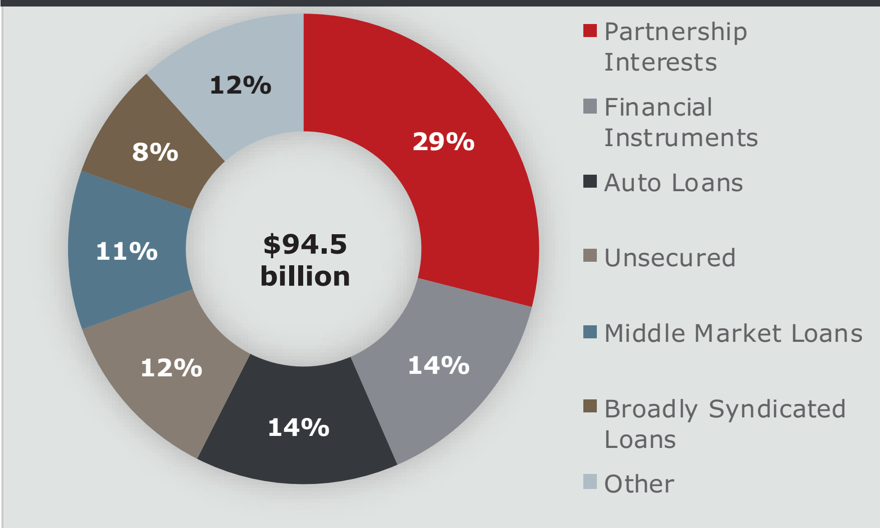


- 2Q18 Commercial loans down $2.8 billion year-over-year (YoY) and $291 million LQ driven by a decline in Commercial Real Estate loans
  - C&I loans up $5.5 billion YoY and $1.9 billion LQ
    - Line utilization has remained relatively stable with 2017
    - New business volumes and renewals in 1H18 were down modestly from 2017 trends
    - Loan payoffs have increased since 1Q16
  - CRE loans down $8.7 billion YoY and $2.5 billion LQ
    - New business volumes continued to be impacted by our credit and loan structure discipline relative to others
    - Loan payoffs began to increase in 3Q17 and have remained high

3Q18 C&I and CRE loans are expected to be down from 2Q18 reflecting continued competitive pressure on credit structure and pricing

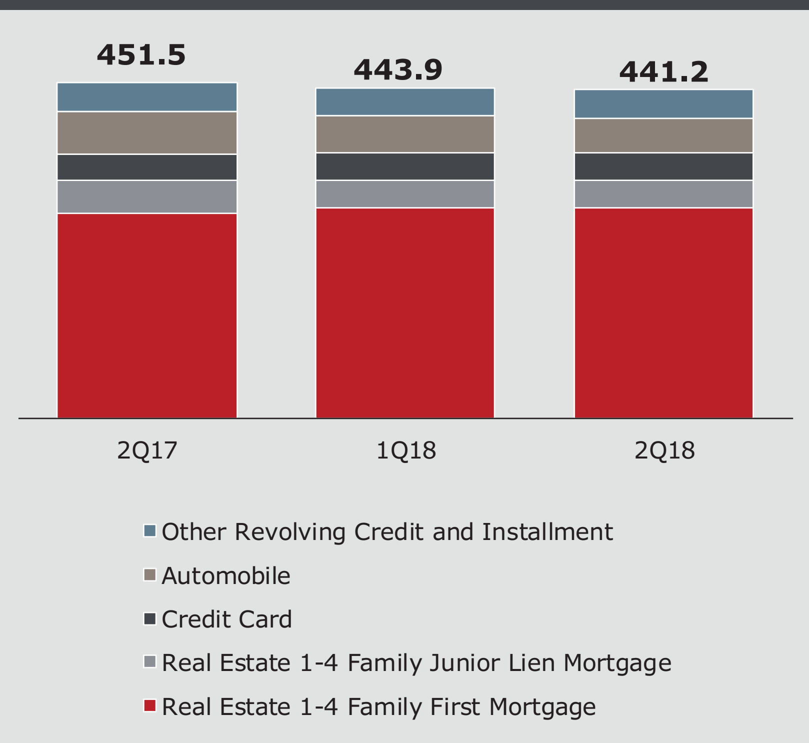
Loans to non-depository financial institutions





- $94.5 billion, or 19%, of C&I loans are to non-depository financial institutions (NDFI), up 5% LQ and 7% YoY
  - Over 70% of loans are Asset Backed Finance (ABF) lines of business
  - 6% of outstandings are secured by consumer sub-prime collateral, primarily indirect auto financing
- Credit quality has historically been very high and remains solid driven by an adherence to a well-controlled underwriting process
  - Average credit quality of this portfolio corresponds to an agency rating of A/A-, which is higher than the average of our total commercial portfolio
  - When lending to special purpose vehicles (SPVs) with receivables as collateral, ABF typically lends on a secured basis at advance rates that provide significant margins of protection against expected losses, resulting in investment grade-equivalent lending positions in our collateral pools
  - Underlying credit risk is analyzed such that we would be comfortable with holding the collateral on our Balance Sheet

Consumer loans

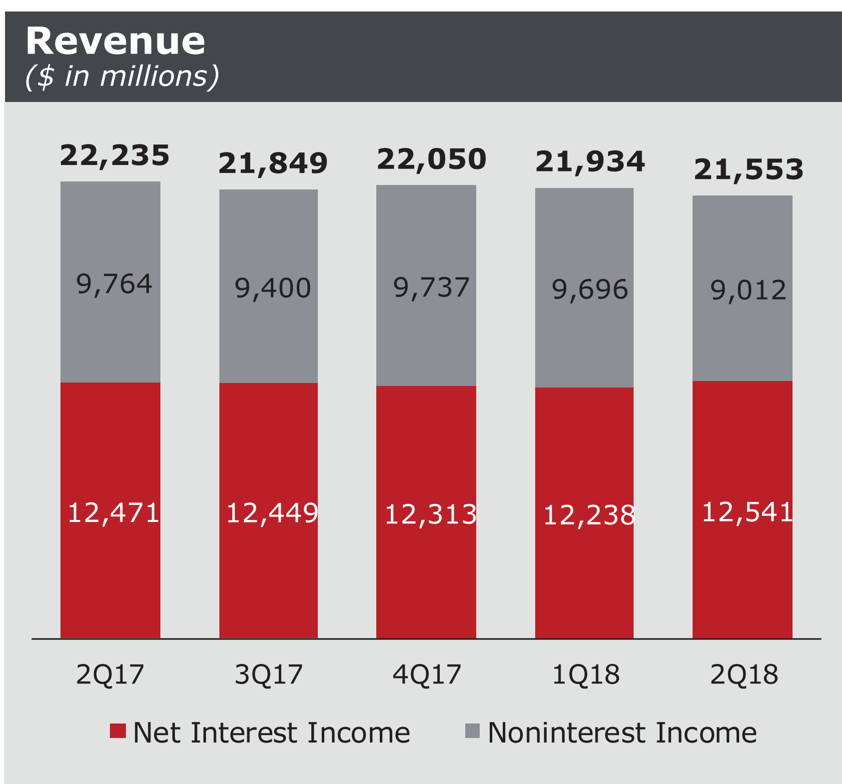


- 2Q18 Consumer loans down $10.3 billion YoY driven by continued run off of the auto portfolio and junior lien mortgages, and the sale of Pick-a-Pay PCI loans; partially offset by growth in non-conforming mortgage loans and credit card

3Q18 Consumer loans are expected to be down modestly from 2Q18 reflecting:

- Expected close on the sale of $2.5 billion of unpaid principal balance of Pick-a-Pay PCI loans
- Currently expect 3Q auto originations to be higher than 2Q, but the portfolio to continue to decline
  - Sale of Reliable auto loans finalized on 8/1/18 (moved to loans held for sale in 1Q18)
- Run off of the junior lien mortgage portfolio
- Continued growth in non-conforming residential first mortgage loans
- Momentum in credit card with a focus on digital account openings, and the mid-July launch of the new no annual fee Propel ® American Express card
  - Account openings of Propel ® card exceeding initial expectations

Revenue



- Total revenue down $682 million YoY
- Net interest income up $70 million YoY, or 1%, reflecting the benefit of earning assets repricing in response to higher short-term interest rates
- Noninterest income down $752 million YoY
  - YoY decline driven by lower mortgage banking income, the divestitures of Wells Fargo Insurance Services and Wells Fargo Shareowner Services, as well as customer-friendly fee, product and service changes; partially offset by higher trust and investment fees

Net interest income and net interest margin considerations

- While rising interest rates have been beneficial to net interest income, structural changes in the balance sheet and market dynamics are important considerations and include:
  - Absolute level of interest rates
  - Shape of the yield curve
  - Investment and lending spreads
  - Deposit betas
  - Mix of loan outstandings and loan growth
  - Market funding dynamics

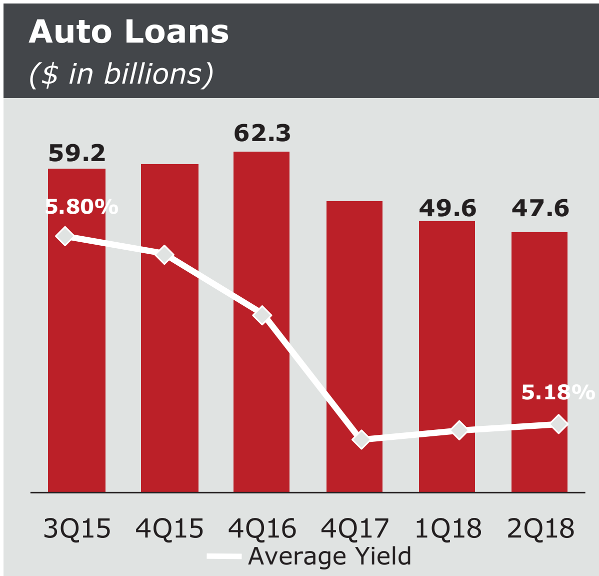
2018 expectations

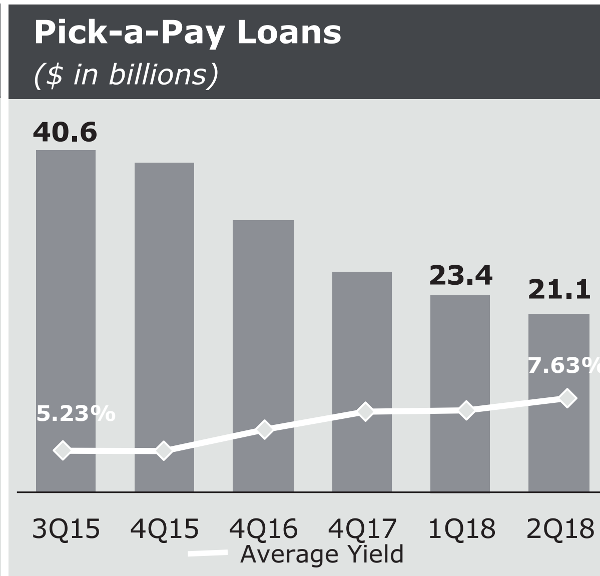
- Net interest income expected to be relatively stable in 2018 as higher interest rates are offset by lower earning assets and higher funding costs

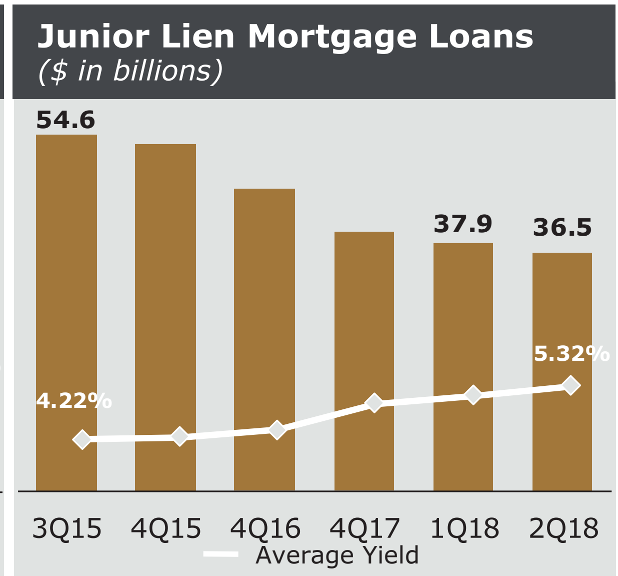
3Q18 expectations

- Currently expect 3Q18 net interest income and net interest margin to be in line with 2Q18

Loan mix changes have reduced loan yields and pressured margins







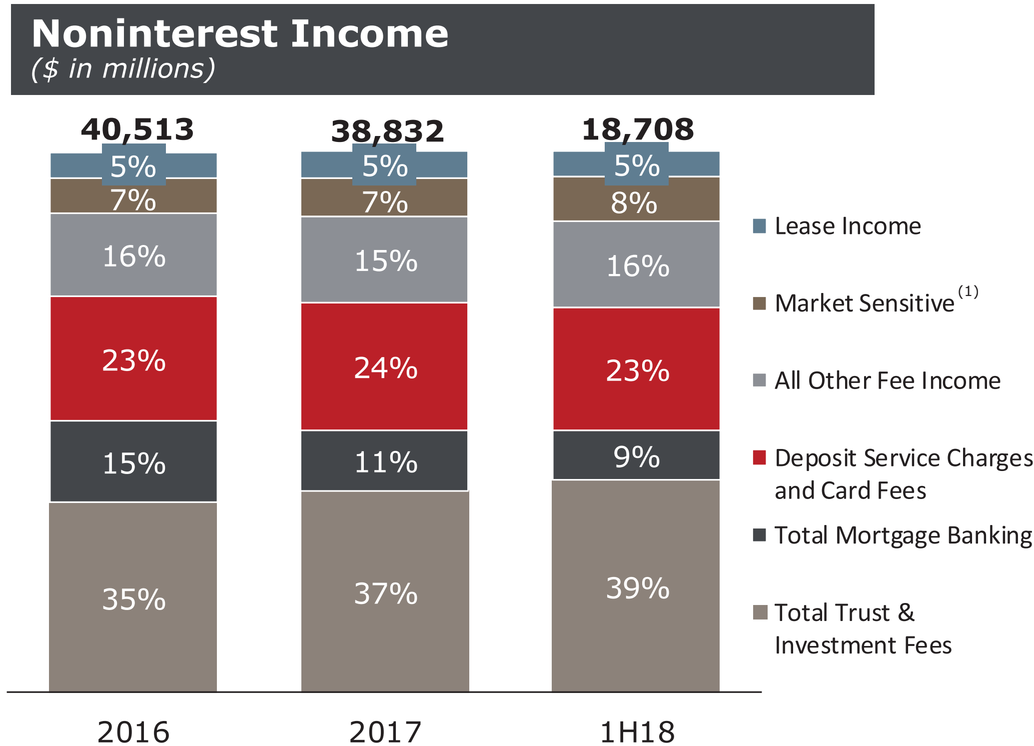
- Auto loan decline reflects tighter credit underwriting standards initiated in 2016, as well as the focus on our organizational restructure
  - 2Q18 average FICO at origination of 727 vs. 704 in 3Q16
- Pick-a-Pay mortgage loans have been in run-off since 2009; pace of run-off increased the last two years due to loan sales and higher paydowns
- Junior lien mortgage loan reduction reflects lower demand, as well as paydowns driven by continued improvement in house price valuations

($ in billions)	Balance decline from 3Q15 - 3Q16 Peak	2Q18 Loan yield	Change in Yield since 3Q15
Auto	$ (15.2)	5.18 %	(0.62) %
Pick-a-Pay	(19.5)	7.63	2.40
Junior Lien Mortgage	(18.1)	5.32	1.10
Total	**$ (52.8)**	**5.72 %**	**0.63 %**

- 2Q18 weighted average loan yield of 5.72% for these categories exceeded Wells Fargo's total average loan yield of 4.64% and average total earning asset yield of 3.73%

All loan balances are period-end.

Diversity of noninterest income



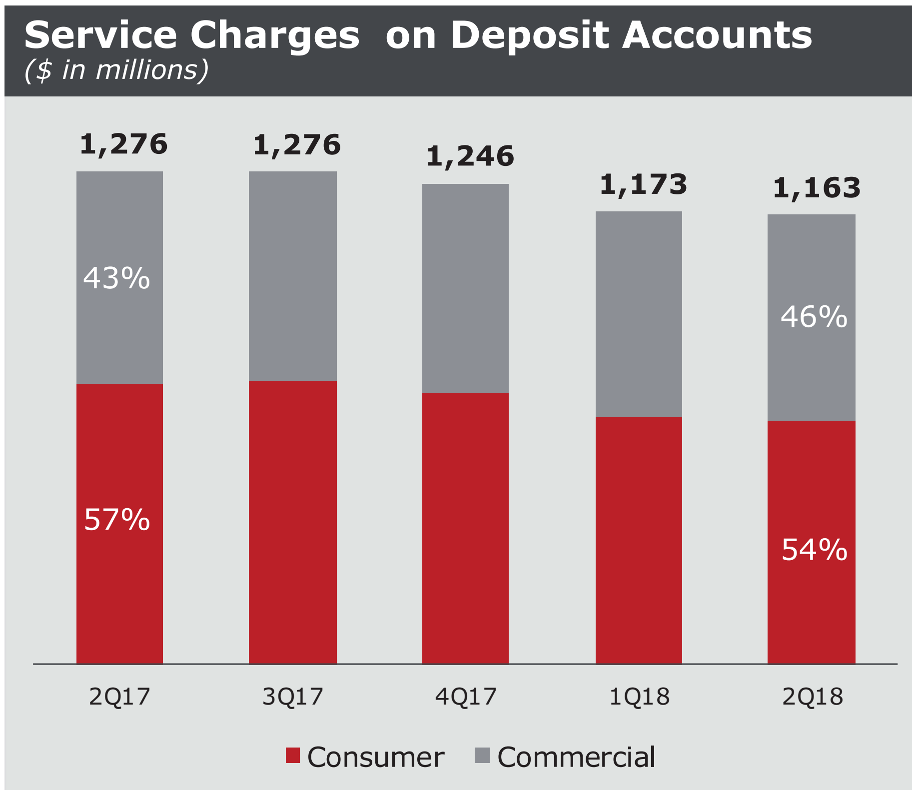
- Diversified sources of noninterest income in 1H18
  - Trust and investment fees were 39% of total noninterest income, up from 35% in 2016
  - Mortgage banking fee income was 9% of total noninterest income, down from 15% in 2016 as the size of the market declined, and margins tightened

3Q18 expectations

- Currently expect the gain from the sale of $2.5 billion (unpaid principal balance) of Pick-a-Pay mortgage loans to be ~$600 million vs. a $479 million gain on the sales of Pick-a-Pay mortgage loans in 2Q18

(1) Consists of net gains from trading activities, debt securities and equity securities.

Deposit service charge trends



- Deposit service charges have declined since 2Q17 reflecting our efforts to help customers minimize monthly fees and overdraft fees and have included customer-friendly fee, product and service changes; higher interest rates also result in higher earnings credit rate (ECR) offset for commercial customers
  - ECR of $(195) million in 2Q18 was stable LQ, but up 15%, or $25 million, compared with 2Q17
- In August 2018, eliminated monthly service fees for *Teen Checking* SM and Everyday Checking for young adults 17 – 24 years old
  - Teen Checking monthly service fee decrease from $3 to $0

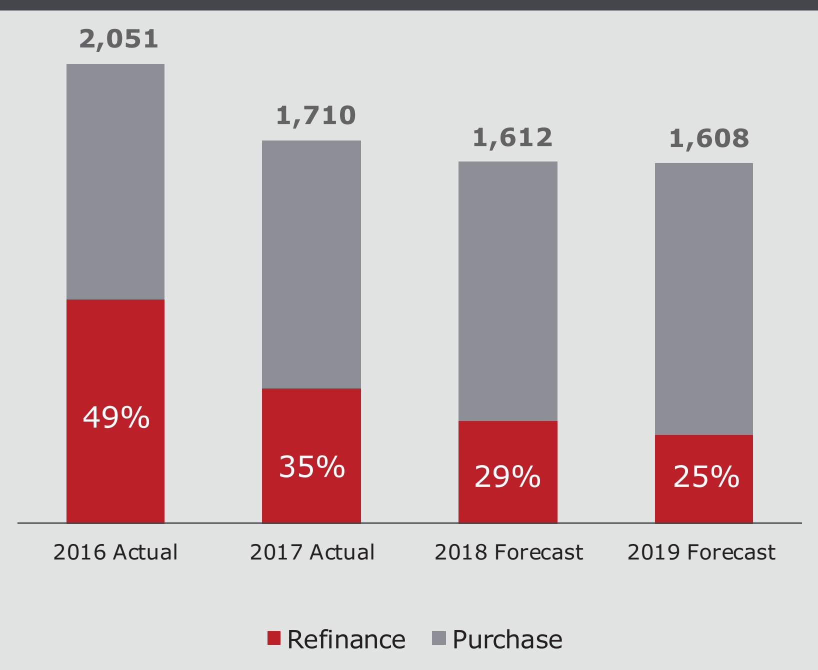
2018 expectations

- Deposit service charges expected to decline on the full year impact of customer-friendly changes to deposit account fees and higher earnings credit rate for commercial customers

3Q18 expectations

- Expect modest growth in 3Q18 deposit service charges to be driven by customer activity which is expected to be partially offset by higher earnings credit rate for commercial customers

Mortgage Banking trends



Mortgage originations

- 2017 Mortgage industry originations were down 17% from 2016 and MBA forecast for 2018 is for a 6% decline from 2017
- Wells Fargo 1H18 mortgage originations of $93 billion down 7% from 1H17

Mortgage production margins

- 2Q18 production margin on residential held-for-sale mortgage loan originations (1) of 0.77%, down 17 bps LQ and 47 bps YoY driven by increased pricing competition
  - Production margins have compressed by 94 bps since 2016
    - Retail margins have compressed 25% since 2016
    - Higher correspondent channel originations, which have tighter margins, have driven ~50 bps of the decline, with the remainder attributable to increased pricing competition

2018 expectations

- Expect mortgage banking fee income to be down on lower originations in a rising interest rate environment and a lower production margin due to competitive pressures resulting from the over-capacity in the industry

3Q18 expectations

- Expect 3Q18 mortgage originations to be largely in line with 2Q18. While competitive pressures remain, 3Q18 production margin expected to be up modestly on increased sales execution gains

(1) Production margin represents net gains on residential mortgage loan origination/sales activities divided by total residential held-for-sale mortgage originations.

Approach to efficiency and effectiveness program

- Driving transformational, long-term change through streamlined processes, capabilities and structures, and increased productivity and governance

Centralization & Optimization	Running the business	Governance / Controls
Create a simpler, more collaborative Wells Fargo by aligning 'like work' into Centers of Excellence, standardizing processes and capabilities and **eliminating redundancies**	Realign businesses to more efficiently serve customers, leverage digital automation, workforce location strategies and buying power to drive **continuous improvement**	Develop guidelines in key areas of opportunity; enhance governance and enforcement of controls and policies to **drive down cost**

Centralization & Optimization

- HR, Finance, Marketing, Communications, Data
- Risk
- Technology
- Operations
- Contact Centers
- Project & Program Management

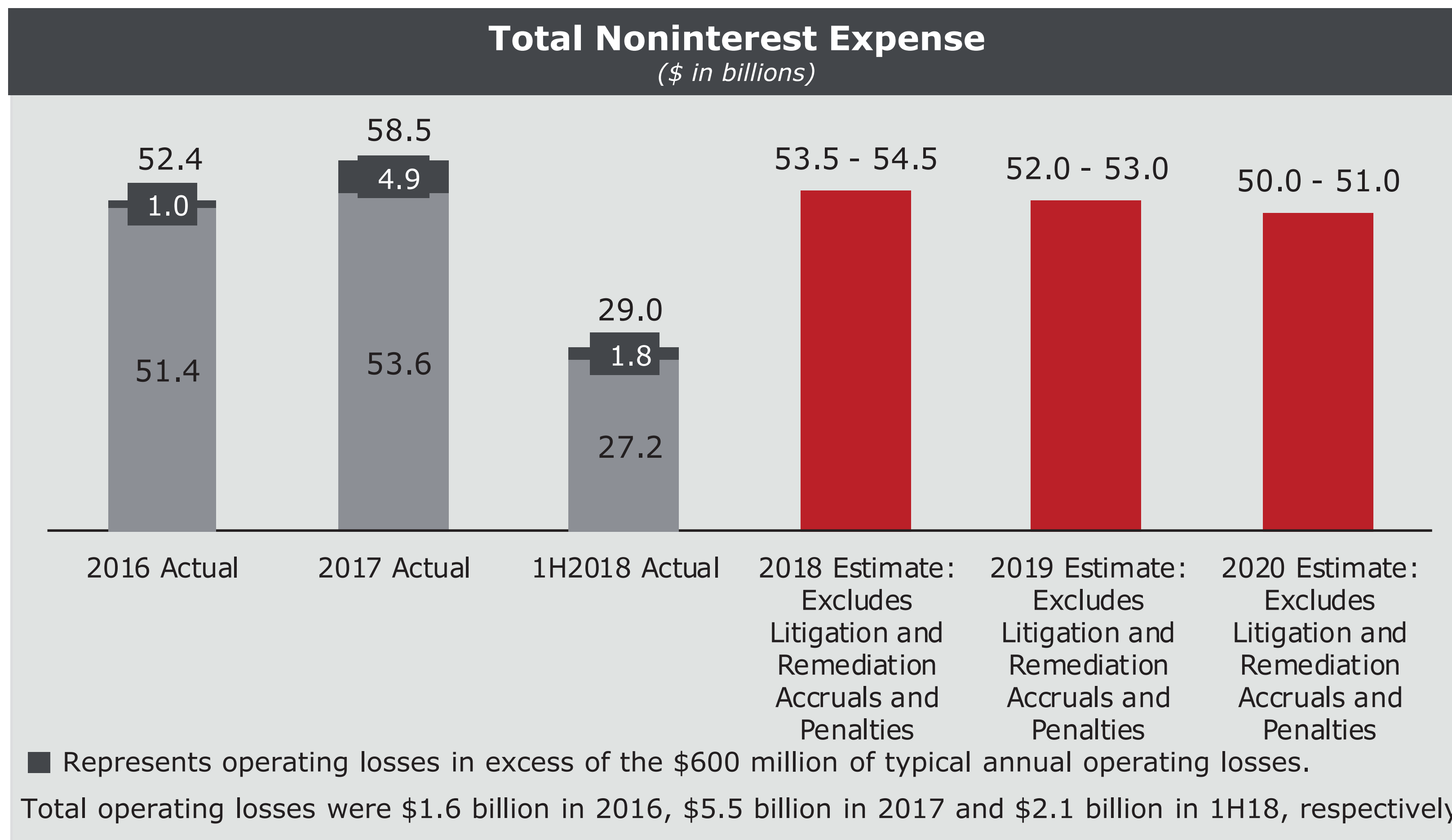
Running the business

- Business Simplification
- Branch Rationalization
- Corporate Properties
- Supply Chain/3rd Party Spend
- Workforce Location
- Outsourcing
- Automation

Governance / Controls

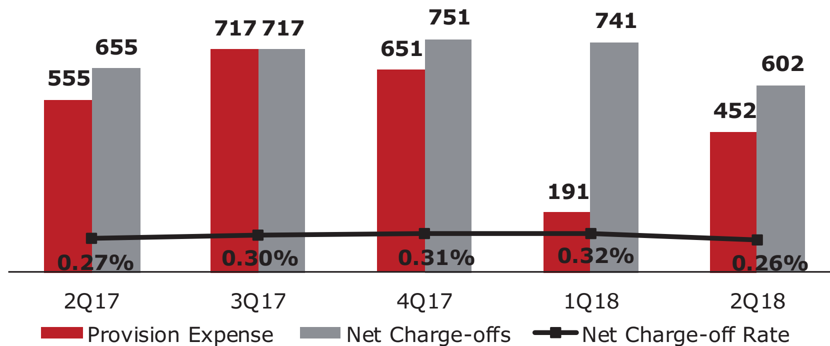
- Travel & Entertainment
- Consulting
- Location Strategies
- Spans & Layers
- Investment Optimization

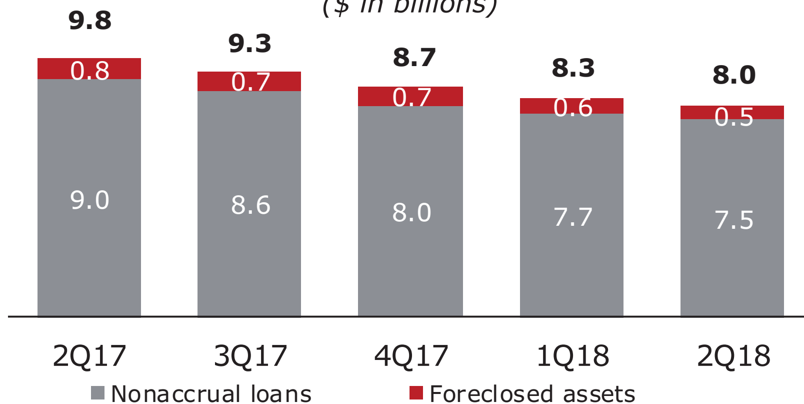
Noninterest expense expectations



- 2018 – 2020 Expense expectations (includes ~$600 million of typical operating losses annually, and excludes litigation and remediation accruals and penalties)
  - Full year 2018 total expenses expected to be in the range of $53.5 - $54.5 billion
  - Full year 2019 total expenses expected to be in the range of $52.0 – $53.0 billion
  - Full year 2020 total expenses expected to be in the range of $50.0 - $51.0 billion

Credit quality has remained strong



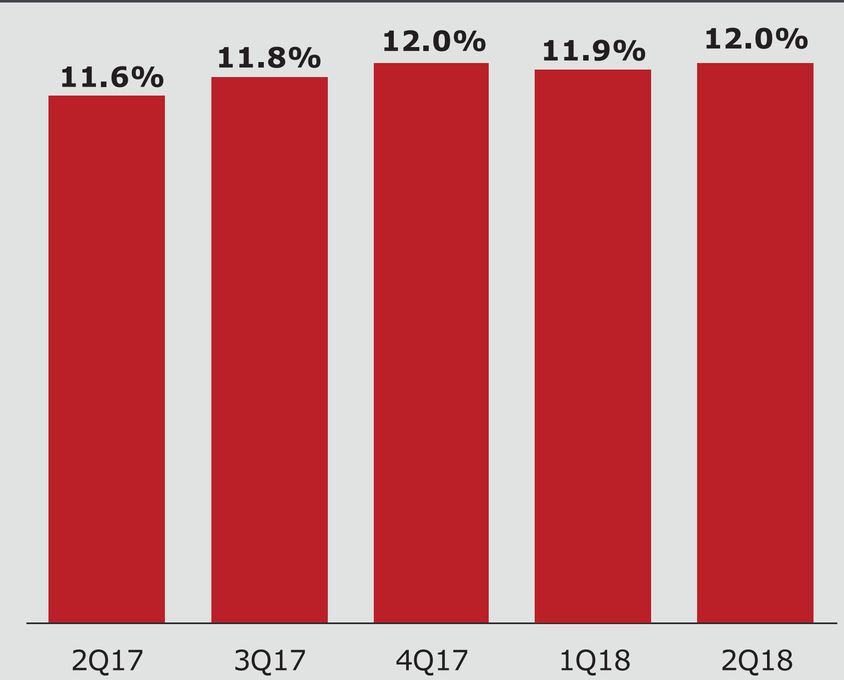


- 2Q18 Net charge-offs of $602 million, down $139 million LQ
- $150 million reserve release [(1)] in 2Q18 reflected strong credit portfolio performance, as well as lower loan balances
- 0.26% net charge-off rate, down 6 bps LQ
  - Commercial losses of 5 bps, down 1 bp LQ
  - Consumer losses of 49 bps, down 11 bps LQ on lower loss rates and higher recovery rates, including seasonally lower automobile and credit card loan losses
- NPAs decreased $305 million LQ
  - Nonaccrual loans decreased $233 million as a $282 million decline in consumer real estate nonaccruals was partially offset by a $46 million increase in commercial nonaccruals
  - Foreclosed assets declined $72 million
- Allowance for credit losses = $11.1 billion
  - Allowance covered 4.6x annualized 2Q18 net charge-offs

- Through-the-cycle net charge-offs expected to be in the range of 60 – 70 bps

(1) Reserve build represents the amount by which the provision for credit losses exceeds net charge-offs, while reserve release represents the amount by which net charge-offs exceed the provision for credit losses.

2Q18 Capital position



Capital Position

- Common Equity Tier 1 ratio (fully phased-in) of 12.0% at 6/30/18 (1) was well above the regulatory minimum and our internal target of 10%

Capital Return

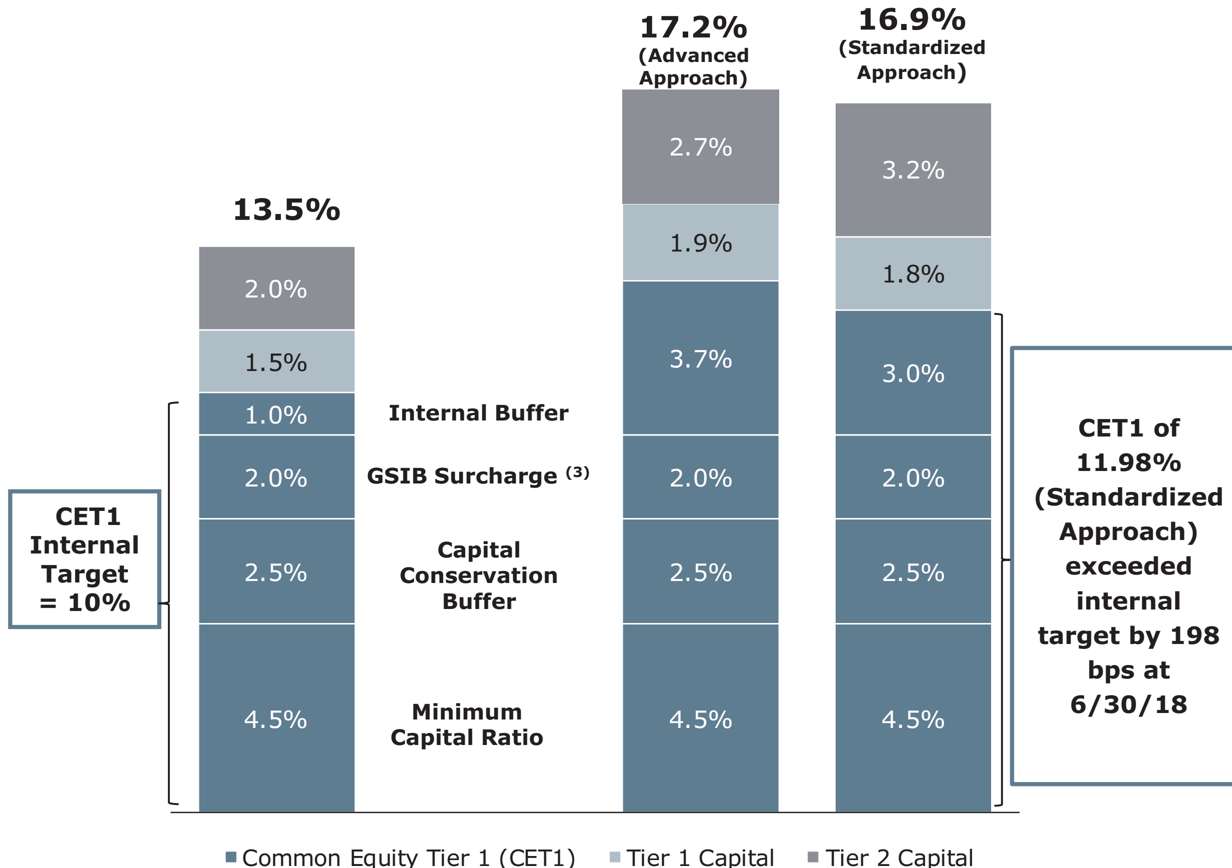
- Period-end common shares outstanding down 24.8 million shares LQ
- Entered into a $1 billion forward repurchase transaction which settled on July 13, 2018 for 18.8 million common shares
- Continued strong capital return to shareholders
  - Net payout ratio (2) of 83.8% in 2Q18
  - Returned $4.0 billion to shareholders in 2Q18, stable LQ and up 17% YoY
  - Net share repurchases stable LQ and up 39% YoY

Total Loss Absorbing Capacity (TLAC) Update

- As of 6/30/2018, we estimate that our eligible external TLAC as a percentage of total risk-weighted assets was 23.6% compared with an expected 1/1/2019 required minimum of 22.0%

(1) Fully phased-in capital ratios are calculated assuming the full phase-in of the Basel III capital rules. See page 23 for additional information regarding the Common Equity Tier 1 capital ratio.
(2) Net payout ratio means the ratio of (i) common stock dividends and share repurchases less issuances and stock compensation-related items, divided by (ii) net income applicable to common stock.

Strong capital position



- Return of accumulated excess capital above our internal target is expected to occur over the next 2 – 3 years
- In June we received a non-objection to our 2018 Capital Plan submission from the Federal Reserve which included:
  - An increase in quarterly common stock dividend to $0.43 starting in 3Q18
  - Gross common stock repurchases up to $24.5 billion for the four-quarter period of 3Q18 – 2Q19
    - Common shares outstanding as of 9/12/18 of 4,721.7 million, down 127.4 million shares from 6/30/18
      - Includes a $1 billion forward repurchase contract entered into in July that settled on 9/12/18 for 17.5 million shares
  - Announced 9/17/18 redemption of 8.00% non-cumulative perpetual Class A Preferred Stock, Series J
    - Expected to reduce 3Q18 EPS by ~$0.03 as a result of eliminating the recorded discount

Our targets are established through an Internal Capital Adequacy Process (ICAAP).

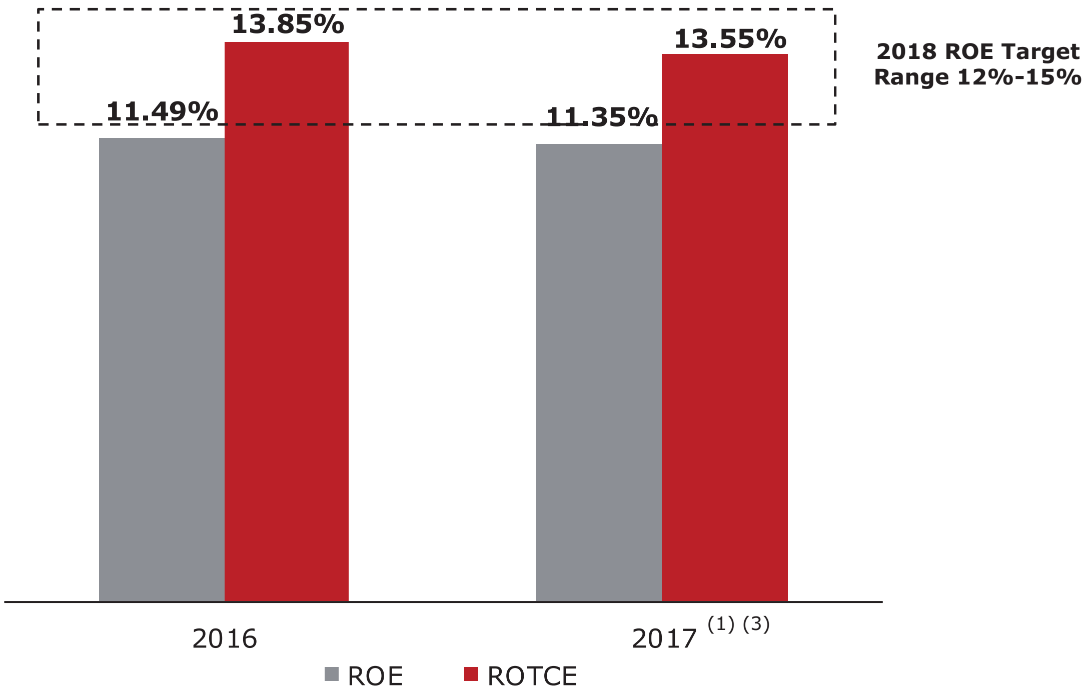
(1) Capital ratios are calculated assuming the full phase-in of the Basel III capital rules. Under the Basel III capital rules, we are subject to the lower of each of our capital ratios calculated under the Standardized Approach and under the Advanced Approach in the assessment of our capital adequacy. See page 24 for additional information regarding our capital ratios. See the Capital Management section in our Second Quarter 2018 Form 10-Q for additional information on our capital requirements. (2) Estimated long-term targets; subject to change. (3) Reflects Method 2 GSIB surcharge.

ROE and ROTCE [1] targets

2018 Investor Day 2-year Annual ROE target: 12% - 15%

New 2-year Annual ROTCE [1] [2] target: 14 – 17%

ROE and ROTCE [1] [3] relative to 2018 ROE Target Range



- - - - *Represents ROE target range set at 2018 Investor Day.*

ROE and ROTCE Considerations

- Near-term ROE is being impacted by capital levels that are higher than internal target (10% CET1)
  - ~200 bps impact on annual target ROE range
- Assumed a non-objection to 2018 CCAR submission
- Excludes litigation and remediation accruals and penalties
- ROTCE is expected to be ~200 bps higher than ROE over the next two years

(1) Tangible common equity is a non-GAAP financial measure and represents total equity less preferred equity, noncontrolling interests, and goodwill and certain identifiable intangible assets (including goodwill and intangible assets associated with certain of our nonmarketable equity securities but excluding mortgage servicing rights), 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 (ROTCE), which utilizes tangible common equity, is a useful financial measure because it enables investors and others to assess the Company's use of equity. (2) We are unable to provide a reconciliation of the forward-looking non-GAAP financial measure to its most directly comparable GAAP financial measure 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. (3) For additional information, including a corresponding reconciliation to GAAP financial measures, see page 25.

Building from a strong foundation

Diversified Business Model	✓ Revenue: 56% net interest income and 44% noninterest income ✓ Loan portfolio: 53% commercial and 47% consumer
Industry Leading Distribution	✓ Branches in more states and ~2x as many markets as peers ✓ Over 13,000 card-free ATMs
Technology and Innovation	✓ 28.9 million digital active customers as of May 2018 ✓ #1 in consumer mobile banking (1)
Large Customer Base	✓ 70+ million customers ✓ Serving one in three U.S. households
Outstanding Team	✓ Over 260,000 dedicated team members ✓ Team member turnover in 2017 was at its lowest since 2013
Valuable Deposit Franchise	✓ #1 in retail deposits (2) ✓ $1.3 trillion in average deposits at 40 bps in 2Q18
Broad Product Set at Scale	✓ $391 billion credit and debit card purchase volume ✓ Largest lender in the U.S.
Strong Credit Discipline	✓ Net charge-offs of 0.26% in 2Q18 ✓ NPAs have declined for nine consecutive quarters through 2Q18
Consistent Returns	✓ Over $21 billion in earnings for five straight years ✓ 1.15% ROA, 11.35% ROE and 13.55% ROTCE (3)
Strong Capital	✓ Common Equity Tier 1 ratio (fully phased-in) of 12% in 2Q18(4) ✓ Returned $14.5 billion to shareholders, up 16% from 2016

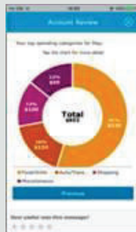
All data is for full year 2017, unless noted. (1) 1Q18 Dynatrace #1 overall Mobile Bank Scorecard. (2) FDIC data, SNL Financial, as of June 2017. Retail deposit data is pro forma for acquisitions and caps deposits at $1 billion in a single banking branch and excludes credit union deposits. (3) Tangible common equity is a non-GAAP financial measure and represents total equity less preferred equity, noncontrolling interests, and goodwill and certain identifiable intangible assets (including goodwill and intangible assets associated with certain of our nonmarketable equity securities but excluding mortgage servicing rights), 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 investors and others to assess the Company's use of equity. For additional information, including a corresponding reconciliation to GAAP financial measures, see page 24. (4) Fully phased-in capital ratios are calculated assuming the full phase-in of the Basel III capital rules. See page xx for additional information regarding capital ratios.

Execution on our digital investments and transformation

2018 Progress on our transformation roadmap

Personalized Advice

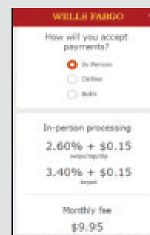
Greenhouse SM
A digital cash management account for new to banking customers
(in pilot)



Predictive Banking
Financial health tool that anticipates customers' needs with personalized insights and guidance and actionable recommendations
(launched February 2018)

Digital Acquisition

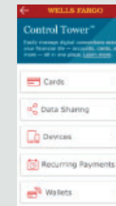
Online mortgage application
(launched 1Q18)



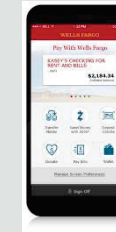
New **merchant digital application**
(launched June 2018)

New **Propel® American Express Card**
(launched July 2018)

Payments

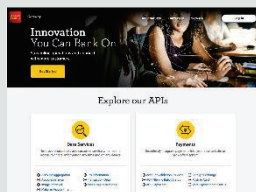


Control Tower SM
Customer control over WF accounts and recurring payments.
(in pilot)
Credit Card on/off and International card on/off rolled out in August



Pay with Wells Fargo
Brings customers' payment options into a single place
(in pilot)

Platform for Innovation



Refreshed **WF Gateway (API portal)** (March 2018)

WF Startup Accelerator
19 participants in program

Optimistic about the future of Wells Fargo

1. We believe we are making progress in resolving the issues that are driving near-term headwinds

2. We are evolving with our customers' preferences, including an accelerated pace of innovation

3. Our fundamental business model can generate strong returns while becoming more efficient

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Appendix

Common Equity Tier 1 (Fully Phased-In)

Wells Fargo & Company and Subsidiaries

COMMON EQUITY TIER 1 UNDER BASEL III (FULLY PHASED-IN) (1)

(in billions, except ratio)		Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017
Total equity		206.1	205.9	208.1	206.6	205.9
Adjustments:						
Preferred stock		(25.7)	(26.2)	(25.4)	(25.6)	(25.8)
Additional paid-in capital on ESOP preferred stock		(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Unearned ESOP shares		2.0	2.6	1.7	1.9	2.1
Noncontrolling interests		(0.9)	(1.0)	(1.1)	(0.9)	(0.9)
Total common stockholders' equity		181.4	181.2	183.2	181.9	181.2
Adjustments:						
Goodwill		(26.4)	(26.4)	(26.6)	(26.6)	(26.6)
Certain identifiable intangible assets (other than MSRs)		(1.1)	(1.4)	(1.6)	(1.9)	(2.1)
Other assets (2)		(2.2)	(2.4)	(2.2)	(2.3)	(2.2)
Applicable deferred taxes (3)		0.9	0.9	1.0	1.6	1.6
Investment in certain subsidiaries and other		0.4	0.4	0.2	(0.1)	(0.2)
Common Equity Tier 1 (Fully Phased-In) under Basel III	(A)	153.0	152.3	154.0	152.6	151.7
Total risk-weighted assets (RWAs) under Basel III (4)	(B)	1,279.7	1,278.1	1,285.6	1,292.8	1,310.5
Common Equity Tier 1 to total RWAs under Basel III (Fully Phased-In)	(A)/(B)	12.0	11.9	12.0	11.8	11.6

(1) Basel III capital rules, adopted by the Federal Reserve Board on July 2, 2013, revised the definition of capital, increased minimum capital ratios, and introduced a minimum Common Equity Tier 1 (CET1) ratio. The rules are being phased in through the end of 2021. Fully phased-in capital amounts, ratios and RWAs are calculated assuming the full phase-in of the Basel III capital rules. Beginning January 1, 2018, the requirements for calculating CET1 and tier 1 capital, along with RWAs, became fully phased-in.

(2) Represents goodwill and other intangibles on nonmarketable equity securities, which are included in other assets.

(3) Applicable deferred taxes relate to goodwill and other intangible assets. They were 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.

(4) The final Basel III capital rules provide for two capital frameworks: the Standardized Approach, which replaced Basel I, and the Advanced Approach applicable to certain institutions. Under the final rules, we are subject to the lower of our CET1 ratio calculated under the Standardized Approach and under the Advanced Approach in the assessment of our capital adequacy. The capital ratio for June 30 and March 31, 2018 and December 31, September 30 and June 30, 2017, was calculated under the Basel III Standardized Approach RWAs.

Basel III capital components and ratios (Fully phased-in)

Wells Fargo & Company and Subsidiaries

RISK-BASED CAPITAL CALCULATION, COMPONENTS AND RATIOS (FULLY PHASED-IN) (1)

(in millions, except ratios)			June 30, 2018 Advanced Approach	Standardized Approach
Total equity		$	206,069	206,069
Adjustments:				
Preferred stock			(25,737)	(25,737)
Additional paid-in capital on ESOP preferred stock			(116)	(116)
Unearned ESOP shares			2,051	2,051
Noncontrolling interests			(881)	(881)
Total common stockholders' equity		$	181,386	181,386
Adjustments:				
Goodwill			(26,429)	(26,429)
Certain identifiable intangible assets (other than MSRs)			(1,091)	(1,091)
Other assets (2)			(2,160)	(2,160)
Applicable deferred taxes (3)			874	874
Investment in certain subsidiaries and other			375	375
Common Equity Tier 1 (Fully Phased-In)	(A)	$	152,955	152,955
Adjustments:				
Preferred stock			25,737	25,737
Additional paid-in capital on ESOP preferred stock			116	116
Unearned ESOP shares			(2,051)	(2,051)
Other			(301)	(301)
Total Tier 1 capital (Fully Phased-In)	(B)	$	176,456	176,456
Adjustments:				
Long-term debt and other instruments qualifying as Tier 2			28,607	28,607
Qualifying allowance for credit losses (4)			3,029	11,110
Other			(152)	(152)
Total Tier 2 capital (Fully Phased-In)	(C)		31,484	39,565
Total qualifying capital (Fully Phased-In)	(B)+(C)	$	207,940	216,021
Risk-Weighted Assets (RWAs) (5)(6):				
Total RWAs (Fully Phased-In)	(D)	$	1,206,821	1,276,332
Common Equity Tier 1 Capital Ratio	(A)/(D)		12.67%	11.98
Tier 1 Capital Ratio	(B)/(D)		14.62	13.83
Total Capital Ratio	(B)+(C)/(D)		17.23	16.93

(1) Beginning January 1, 2018, the requirements for calculating CET1 and tier 1 capital, along with RWAs, were fully phased-in. However, fully phased-in total capital amounts and ratios are considered non-GAAP financial measures that are used by management, bank regulatory agencies, investors and analysts to assess and monitor the Company's capital position.

(2) Represents goodwill and other intangibles on nonmarketable equity securities, which are included in other assets.

(3) Applicable deferred taxes relate to goodwill and other intangible assets. They were 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.

(4) Under the Advanced Approach the allowance for credit losses that exceeds expected credit losses is eligible for inclusion in Tier 2 Capital, to the extent the excess allowance does not exceed 0.6% of Advanced credit RWAs, and under the Standardized Approach, the allowance for credit losses is includable in Tier 2 Capital up to 1.25% of Standardized credit RWAs, with any excess allowance for credit losses being deducted from total RWAs.

(5) 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 operating loss resulting from inadequate or failed internal processes or systems.

(6) Under the regulatory guidelines for risk-based capital, 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 RWAs.

Return on average tangible common equity (ROTCE)

Wells Fargo & Company and Subsidiaries

TANGIBLE COMMON EQUITY (1)

(in millions, except ratios)		Year ended Dec 31, 2017	Year ended Dec 31, 2016
Return on average tangible common equity (1):			
Net income applicable to common stock	(A)	20,554	20,373
Average total equity		205,654	200,690
Adjustments:			
Preferred stock		(25,592)	(24,363)
Additional paid-in capital on ESOP preferred stock		(139)	(161)
Unearned ESOP shares		2,143	2,011
Noncontrolling interests		(948)	(936)
Average common stockholders' equity	(B)	181,118	177,241
Adjustments:			
Goodwill		(26,629)	(26,700)
Certain identifiable intangible assets (other than MSRs)		(2,176)	(3,254)
Other assets (2)		(2,184)	(2,117)
Applicable deferred taxes (3)		1,570	1,897
Average tangible common equity	(C)	151,699	147,067
Return on average common stockholders' equity (ROE) (annualized)	(A)/(B)	11.35	11.49
Return on average tangible common equity (ROTCE) (annualized)	(A)/(C)	13.55	13.85

(1) Tangible common equity is a non-GAAP financial measure and represents total equity less preferred equity, noncontrolling interests, and goodwill and certain identifiable intangible assets (including goodwill and intangible assets associated with certain of our nonmarketable equity securities but excluding mortgage servicing rights), 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 investors and others to assess the Company's use of equity.

(2) Represents goodwill and other intangibles on nonmarketable equity securities, which are included in other assets.

(3) Applicable deferred taxes relate to goodwill and other intangible assets. They were 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.

Forward-looking statements and additional information

Forward-looking statements:

This document contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, we may make forward-looking statements in our other documents filed or furnished with the SEC, 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 and allowance levels; (iv) the appropriateness of the allowance for credit losses; (v) our expectations regarding net interest income and net interest margin; (vi) loan growth or the reduction or mitigation of risk in our loan portfolios; (vii) future capital or liquidity levels or targets and our estimated Common Equity Tier 1 ratio under Basel III capital standards; (viii) the performance of our mortgage business and any related exposures; (ix) the expected outcome and impact of legal, regulatory and legislative developments, as well as our expectations regarding compliance therewith; (x) future common stock dividends, common share repurchases and other uses of capital; (xi) our targeted range for return on assets, return on equity, and return on tangible common equity; (xii) the outcome of contingencies, such as legal proceedings; and (xiii) 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. Investors are urged to not unduly rely on forward-looking statements as actual results could differ materially from expectations. Forward-looking statements speak only as of the date made, and we do not undertake to update them to reflect changes or events that occur after that date. For more information about factors that could cause actual results to differ materially from expectations, refer to the "Forward-Looking Statements" discussion in Wells Fargo's press release announcing our second quarter 2018 results and in our most recent Quarterly Report on Form 10-Q, as well as to Wells Fargo's other reports filed with the Securities and Exchange Commission, including the discussion under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017.

Purchased credit-impaired loan portfolios:

Loans acquired that were considered credit impaired at acquisition were written down at that date in purchase accounting to an amount estimated to be collectible and the related allowance for loan losses was not carried over to Wells Fargo's allowance. In addition, such purchased credit-impaired loans are not classified as nonaccrual or nonperforming, and are not included in loans that were contractually 90+ days past due and still accruing. Any losses on such loans are charged against the nonaccretable difference established in purchase accounting and are not reported as charge-offs (until such difference is fully utilized). As a result of accounting for purchased loans with evidence of credit deterioration, certain ratios of Wells Fargo are not comparable to a portfolio that does not include purchased credit-impaired loans.

In certain cases, the purchased credit-impaired loans may affect portfolio credit ratios and trends. Management believes that the presentation of information adjusted to exclude the purchased credit-impaired loans provides useful disclosure regarding the credit quality of the non-impaired loan portfolio. Accordingly, certain of the loan balances and credit ratios in this document have been adjusted to exclude the purchased credit-impaired loans. References in this document to impaired loans mean the purchased credit-impaired loans. Please see page 33 of the press release announcing our 2Q18 results for additional information regarding the purchased credit-impaired loans.