# Fixed Income Investor Update

May 2019

# The Vision, Values & Goals of Wells Fargo

## Our Vision

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

## Our Values

- What's right for customers
- People as a competitive advantage
- Ethics
- Diversity and inclusion
- Leadership

## Our Goals

We want to become the financial services leader in these areas:

| | | |
|---|---|---|
| Customer service and advice | Team member engagement | Innovation |
| Risk management | Corporate citizenship | Shareholder value |

# Leading U.S. lending and deposit franchise

- Serving one in three U.S. households with 70+ million customers

#1 Lender (1) with $948B in loans

#1 Commercial Real Estate Lender (2)

#1 Banking Share with Middle-market Companies (3)

#1 Residential Mortgage Originator and Servicer (4)

#1 Small Business Lender (5)

#3 Used (#4 Overall) Auto Lender (6)

#3 in Total Deposits (7) with $1.3T

#1 in Retail Deposits (8)

#1 Debit Card Issuer (9)

#3 U.S. Full-service Retail Brokerage (10)

#4 U.S. Wealth Management Provider (11)

12th Top Company for Diversity (12)

#1 Largest National Workplace Employee Giving Campaign for 10th consecutive year (13)

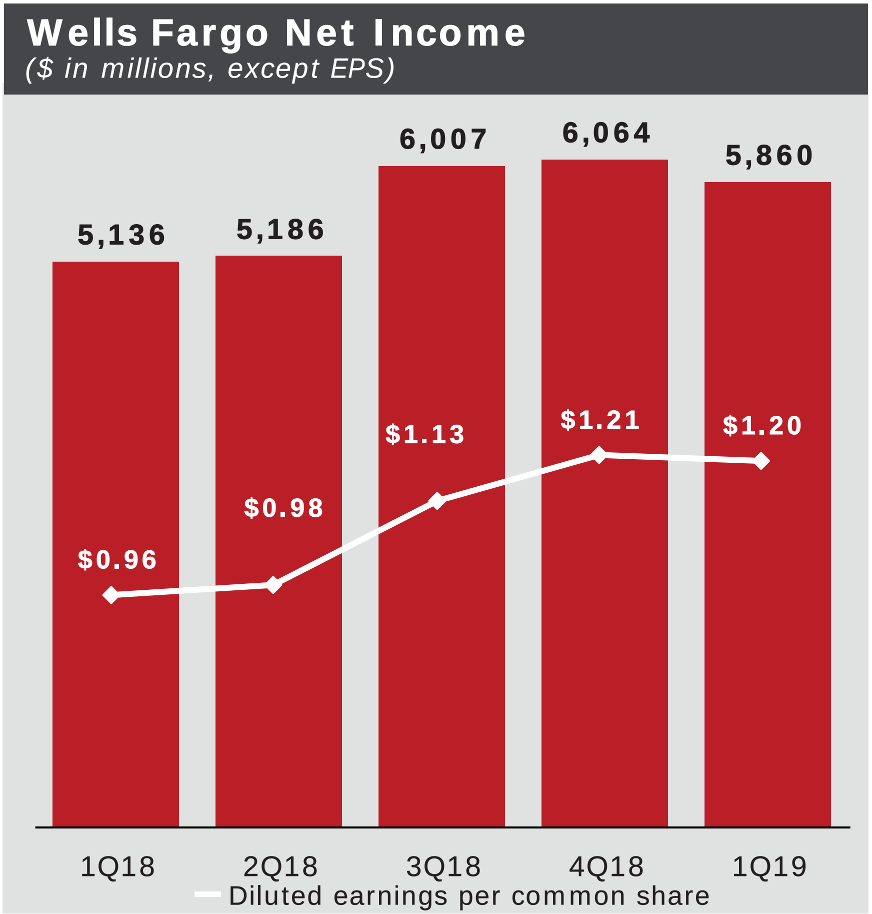
*(1) Financial Reports, based on period-end loans outstanding as of 3/31/2019. (2) Based on 2018 U.S. commercial real estate originations, MBA Commercial Real Estate/Multifamily Finance Firms, 12/31/18. (3) Barlow Research Middle Market Rolling 8 Quarter Data 4Q16-3Q18, showing Wells Fargo's competitive market performance with companies $25MM-$500MM in annual sales. (4) Inside Mortgage Finance, 2018. (5) U.S. in dollars per Community Reinvestment Act data, 2017. (6) Autocount, April 2018 – March 2019. Based on annual fundings, excludes leases. (7) SNL Financial, based on period-end deposits as of 3/31/2019. (8) FDIC data, SNL Financial, June 2018. Retail deposit data is pro forma for acquisitions and caps deposits at $1 billion in single banking store and excludes credit union deposits. (9) Nilson report, April 2018; total 2017 debit and prepaid transaction volume for consumer and small business. (10) Based on Financial Advisors, internal and peer reports, 1Q19. (11) Based on Assets under Management (AUM) of accounts > $5 million, Barron's, 2018. (12) 2018, DiversityInc. (13) In the U.S. based on 2018 donations, 2019, United Way Worldwide.*

# 1Q19 Highlights

| | |
|---|---|
| **Earnings** | ▪ Net income of $5.9 billion and diluted EPS of $1.20 |
| **Returns** | ▪ Return on assets (ROA) = 1.26%<br>▪ Return on equity (ROE) = 12.71%<br>▪ Return on average tangible common equity (ROTCE) [1] = 15.16% |
| **Highlights** | ▪ Positive business momentum with strong customer activity<br>- 'Customer Loyalty' and 'Overall Satisfaction with Most Recent Visit' branch survey scores reached 3-year highs in March<br>- Year-over-year (YoY) growth in period-end loans<br>• Period-end commercial & industrial loans increased 4% and credit card loans increased 6%<br>- Primary consumer checking customers [2] up 1.1% YoY; the 4Q18 sale of 52 branches reduced the growth rate by 0.5%<br>- Increased debit and credit card usage YoY<br>• Debit card point-of-sale (POS) purchase volume [3] up 6% and consumer general purpose credit card POS purchase volume up 5%<br>- Higher loan originations in nonconforming mortgage, auto and small business YoY<br>• High quality nonconforming mortgage loan originations of $11.3 billion, up 35%<br>• Consumer auto originations of $5.4 billion, up 24%<br>• Small business [4] originations of $621 million, up 6% |

*(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. See page 27 for additional information, including a corresponding reconciliation to GAAP financial measures. (2) Customers who actively use their checking account with transactions such as debit card purchases, online bill payments, and direct deposit; reported on a one-month lag from reported quarter-end so as of February 2019 compared with February 2018. (3) Combined consumer and business debit card purchase volume dollars. (4) Includes credit card, lines of credit and loan products (primarily under $100,000 sold through our retail bank branches).*

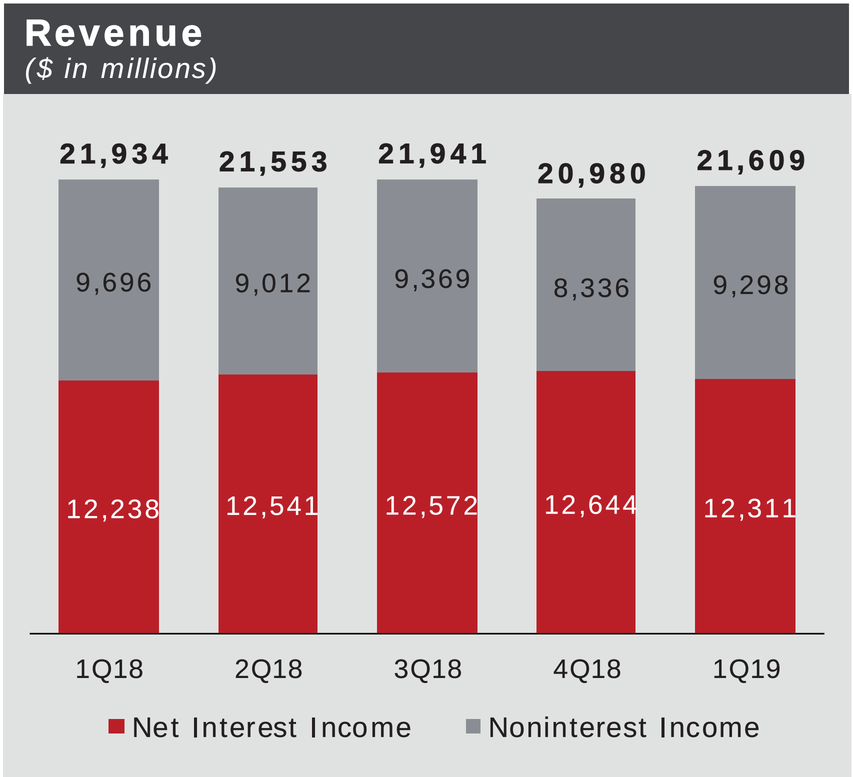
# 1Q19 Earnings




- Earnings of $5.9 billion and diluted earnings per common share (EPS) of $1.20 included:
  - $778 million seasonally higher linked quarter personnel expense
  - $608 million gain on the sale of $1.6 billion of Pick-a-Pay PCI mortgage loans
  - $150 million reserve build [(1)]
  - $148 million gain from the sale of Business Payroll Services
  - An effective income tax rate of 13.1%, which included $297 million of net discrete income tax benefits
- Revenue down 1% year-over-year (YoY) and up 3% linked quarter (LQ)
- Solid credit quality
  - Net charge-offs of 30 bps of average loans (annualized) down 2 bps YoY and stable LQ
  - Nonperforming assets down 7% YoY and up 6% LQ
- Strong capital position
  - Common Equity Tier 1 ratio (fully phased-in) of 11.9% at 3/31/19 [(2)]
  - Returned $6.0 billion to shareholders through common stock dividends and net share repurchases, up from $4.0 billion in 1Q18

*(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.*
*(2) 1Q19 capital ratio is a preliminary estimate. Fully phased-in capital ratios are calculated assuming the full phase-in of the Basel III capital rules. See page 25 for additional information regarding the Common Equity Tier 1 capital ratio.*

# Revenue




- Total revenue down 1% YoY and up 3% LQ
- Net interest income (NII) up $73 million, or 1%, YoY reflecting the benefit of higher interest rates; NII down $333 million, or 3%, LQ on two fewer days in the quarter, as well as balance sheet mix and repricing, including the impact of a flattening yield curve
  - Net interest margin (NIM) of 2.91% up 7 bps YoY; NIM down 3 bps LQ on the impacts of balance sheet mix and repricing, including higher deposit costs
    - Average deposit cost of 65 bps in 1Q19, up 10 bps LQ, and up 31 bps YoY
- Noninterest income down $398 million, or 4%, YoY and up 12% LQ
  - YoY decline driven by lower mortgage banking income, trust and investment fees, net gains on equity securities, and deposit service charges
  - $962 million LQ increase included $797 million higher deferred compensation gains (P&L neutral), as well as higher trading gains and mortgage banking fees

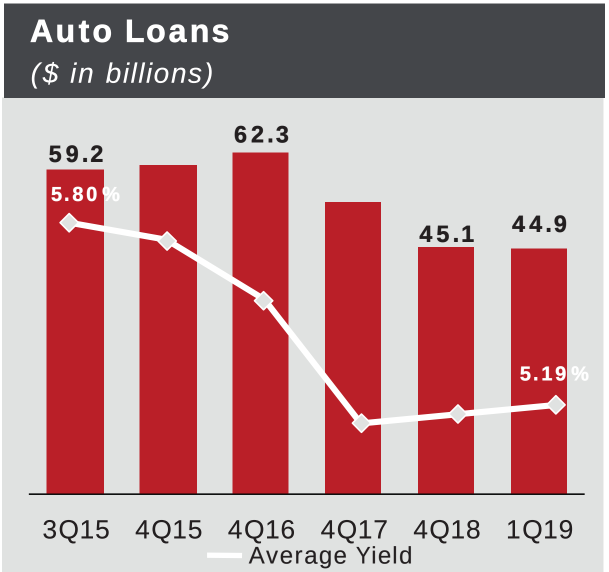
# Net interest income expectations

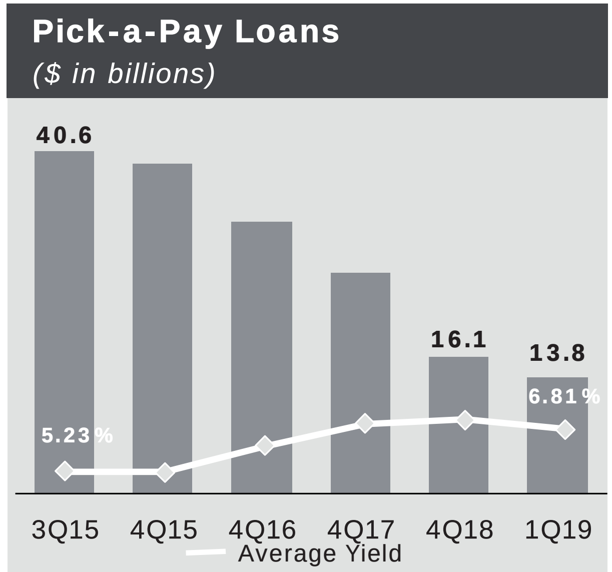
- Full year 2019 net interest income is currently expected to be lower than full year 2018
- While rising short-term interest rates have been beneficial to net interest income, structural changes in the balance sheet and market dynamics are driving our expectations and include:
  - Absolute level of interest rates including our view of the forward rate curve
  - Yield curve flattening
  - Investment and lending spreads
  - Evolving mix of loan outstandings and loan growth
  - Deposit mix and betas
  - Market funding dynamics
  - Lower shareholder equity

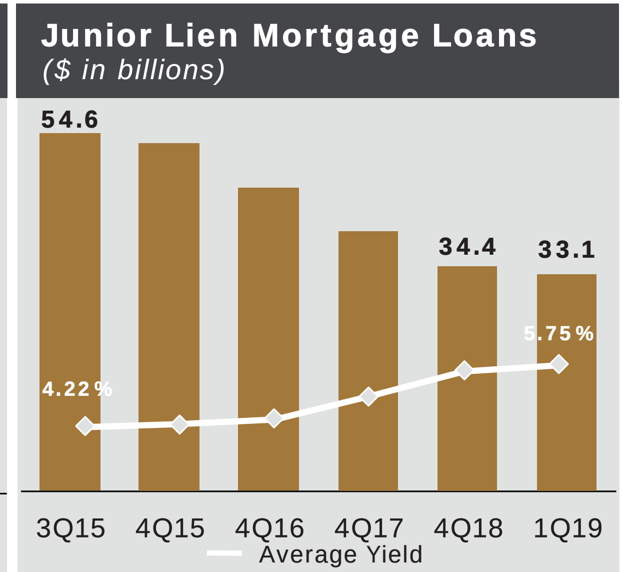
**2019 NII expectation**

- Full year net interest income expected to be down 2 – 5%

# Consumer loan mix changes have reduced loan yields




- Auto loan decline reflects tighter credit underwriting standards initiated in 2016, as well as the focus on our organizational restructure
- Pick-a-Pay mortgage loans have been in run-off since 2009; pace of run-off has increased the last three 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

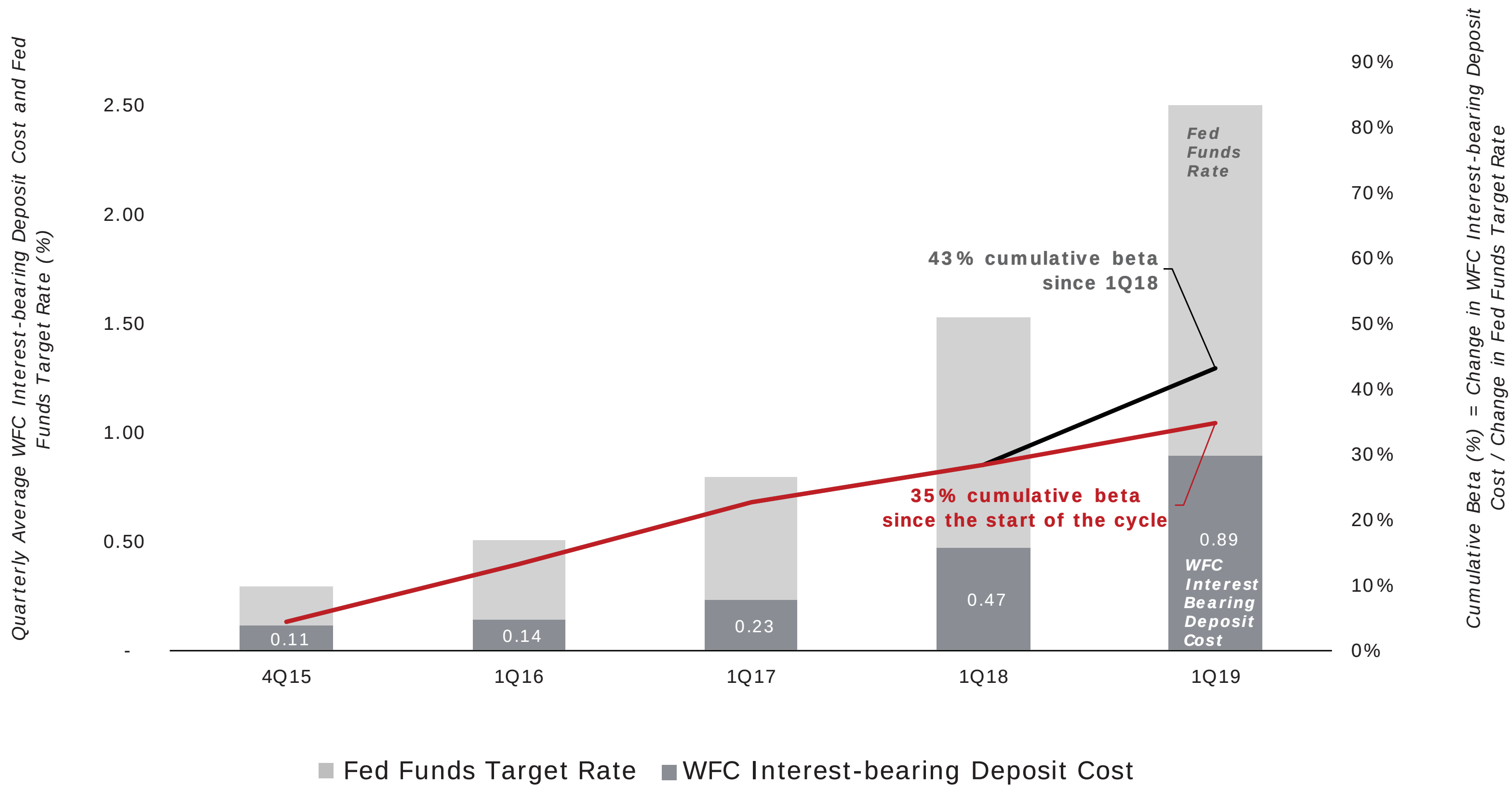
| *($ in billions)* | | Balance Decline from Peak | Balance Decline from 1Q18 | 1Q19 Loan yield | | Change in Yield from 3Q15 | |
|---|---|---|---|---|---|---|---|
| Auto | $ | (18.0) | (4.6) | 5.19 | % | (0.61) | % |
| Pick-a-Pay | | (26.7) | (4.8) | 6.81 | | 1.58 | |
| Junior Lien Mortgage | | (21.5) | (9.5) | 5.75 | | 1.53 | |
| **Total** | **$** | **(66.2)** | **(19.0)** | **5.64** | **%** | **0.54** | **%** |

- 1Q19 weighted average loan yield of 5.64% for these categories exceeded Wells Fargo's total average loan yield of 4.84% and average total earning asset yield of 4.00%

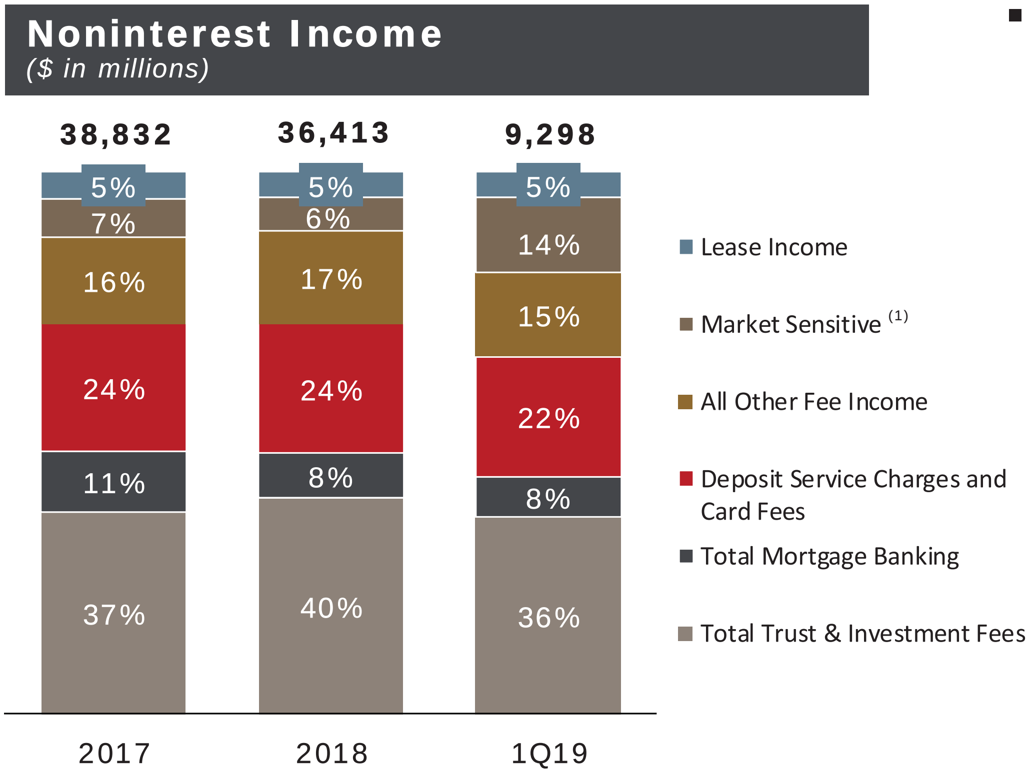
*All loan balances are period-end.*

# Deposit beta experience

- Deposit costs have trended higher with the increase in the Fed Funds rate and the repricing lag from prior rate moves, and is anticipated to move closer to historical experience
- The cumulative beta over the last year (1Q18-1Q19) of 43% increased from the prior twelve months' (4Q17-4Q18) cumulative beta of 38%



# Diversity of noninterest income

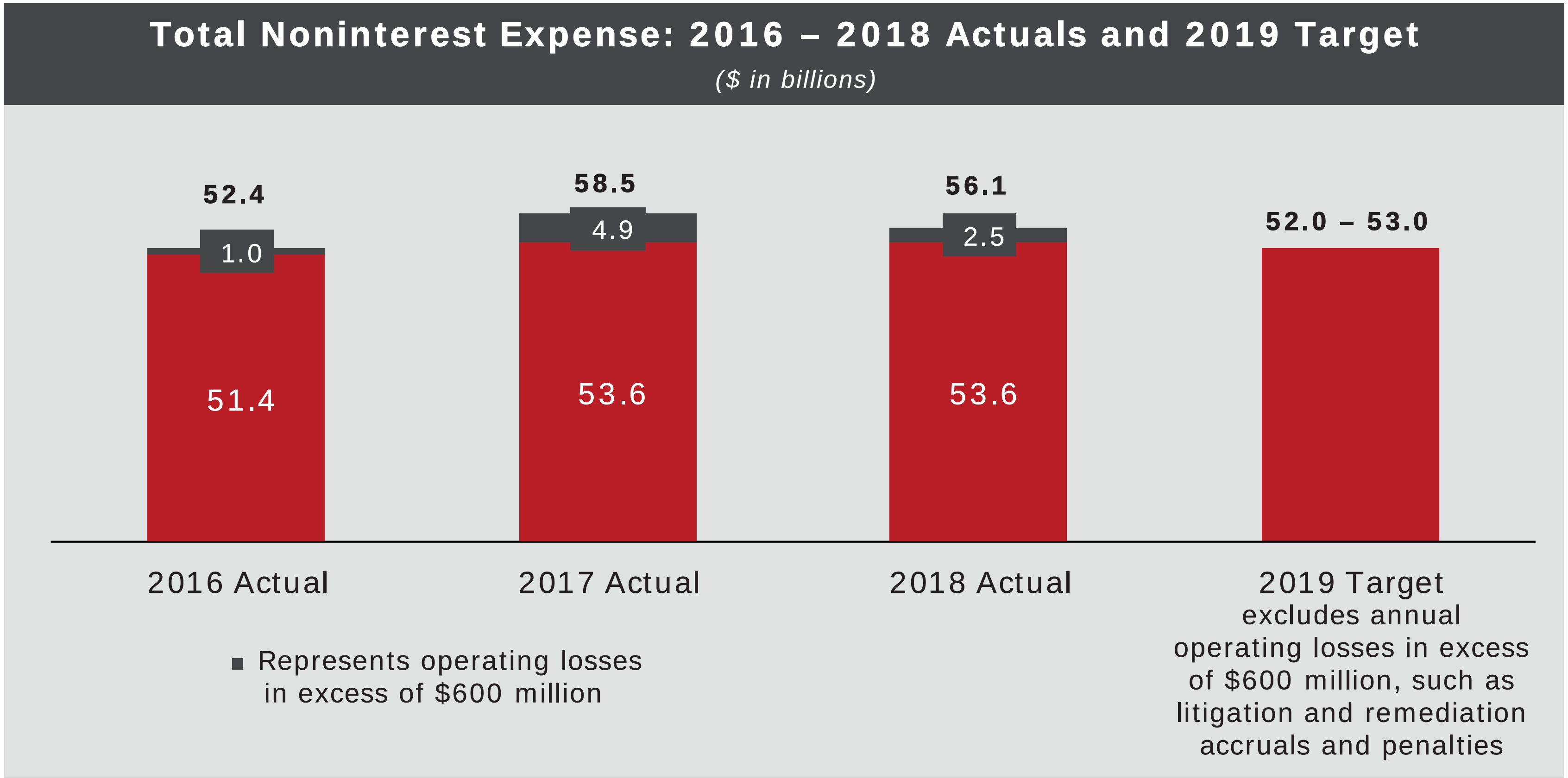



- Diversified sources of noninterest income in 1Q19
  - Mortgage banking fee income was 8% of total noninterest income, down from 11% in 2017 as the size of the market declined, and margins tightened
  - Deposit service charges and card fees were 22% of total noninterest income, down from 24% in 2017; lower deposit service charges reflects our efforts to help customers minimize monthly fees and overdraft fees and have included customer-friendly fee, product and service changes, as well as higher earnings credit rate (ECR) offset for commercial customers, which have been partially offset by growth in credit card fees
  - Market sensitive revenue [1] was 14% of total noninterest income and included higher deferred compensation plan investments which are largely offset in employee benefits expense (P&L neutral)

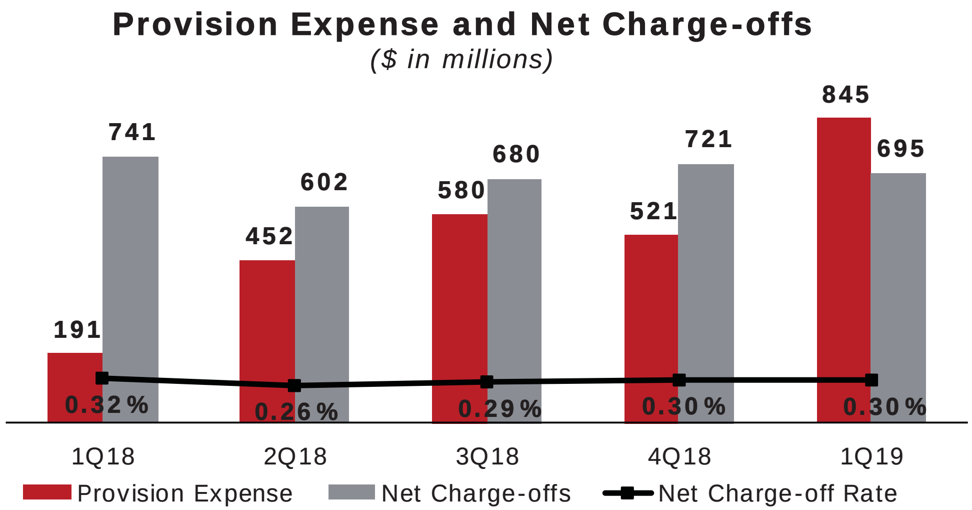
*(1) Consists of net gains from trading activities, debt securities and equity securities.*

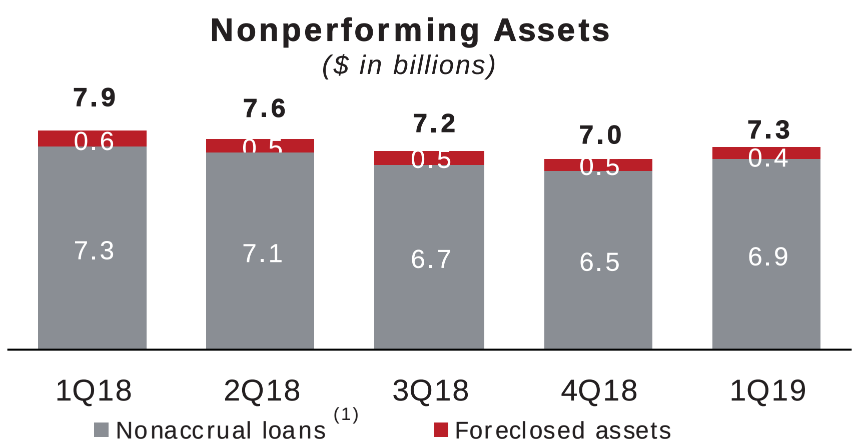
# Noninterest expense

- We are currently on track to meet our 2019 expense target of $52.0-$53.0 billion provided at our 2018 Investor Day
- Our 2019 expense target excludes annual operating losses in excess of $600 million, such as litigation and remediation accruals and penalties



# Credit quality



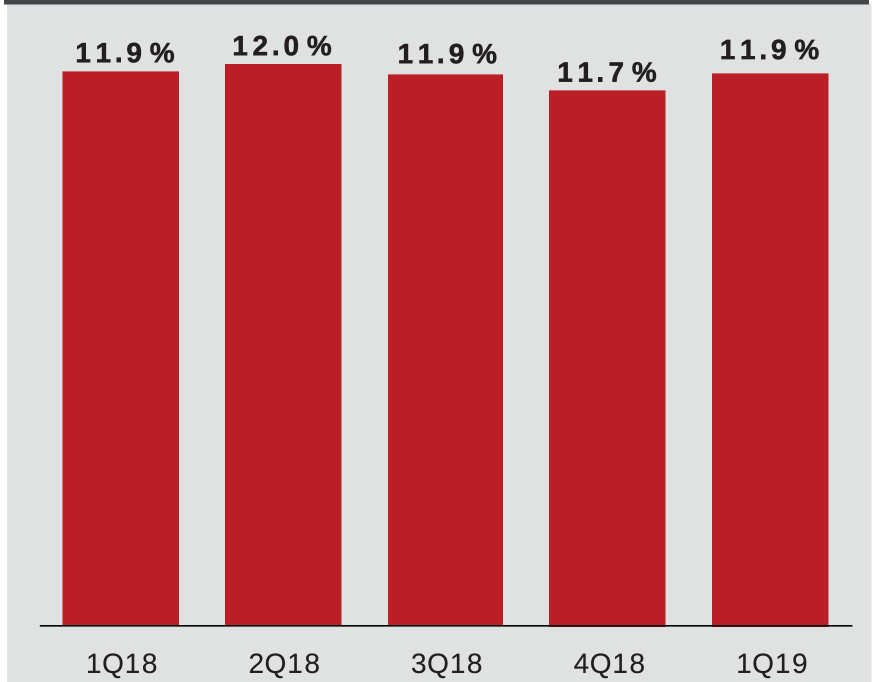




- Net charge-offs of $695 million, down $26 million LQ on lower consumer losses driven by seasonality
- 0.30% net charge-off rate, stable LQ
  - Commercial losses of 11 bps, up 1 bp LQ driven by lower recoveries
  - Consumer losses of 51 bps, down 2 bps LQ on seasonally lower automobile and other revolving credit and installment loan losses
- NPAs increased $394 million LQ
  - Nonaccrual loans [1] increased $409 million on a $609 million increase in commercial nonaccruals driven in part by a borrower in the utility sector, as well as increases in oil and gas, partially offset by a $200 million decline in consumer nonaccruals driven predominantly by consumer real estate
  - Foreclosed assets decreased $15 million
- $150 million reserve build primarily due to a higher probability of slightly less favorable economic conditions, as well as higher commercial nonaccruals
- Allowance for credit losses = $10.8 billion
  - Allowance covered 3.8x annualized 1Q19 net charge-offs

*(1) Financial information for periods prior to December 31, 2018, has been revised to exclude mortgage loans held for sale, loans held for sale and loans held at fair value of $339 million, $360 million, and $380 million at September 30, June 30, and March 31, 2018, respectively.*

# Capital

## Common Equity Tier 1 Ratio (Fully Phased-In) (1)




## Capital Position

- Common Equity Tier 1 ratio (fully phased-in) of 11.9% at 3/31/19 (1) was well above both the regulatory minimum of 9% and our current internal target of 10%

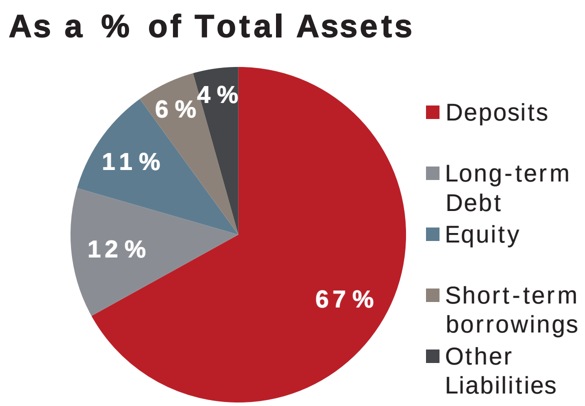
## Capital Return

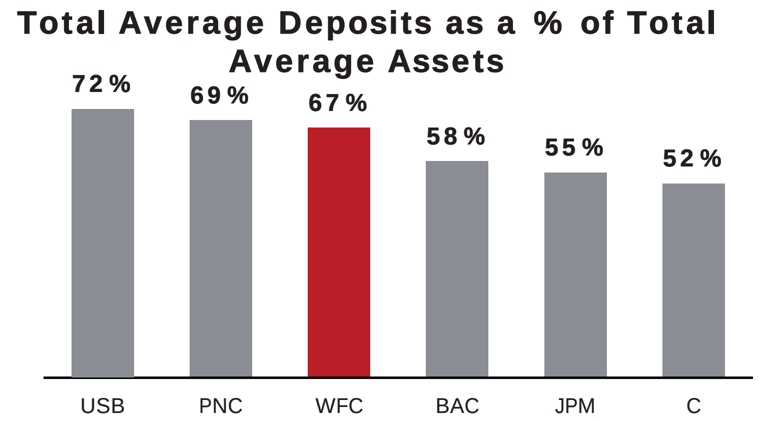
- Period-end common shares outstanding down 69.3 million shares, or 2%, LQ
  - Settled 97.4 million common share repurchases
  - Issued 28.1 million common shares
- Continued de-risking of the balance sheet and consistent level of profitability have contributed to capital levels well above regulatory requirements and internal targets, enabling significant capital returns to shareholders
  - Returned $6.0 billion to shareholders in 1Q19, up 49% YoY

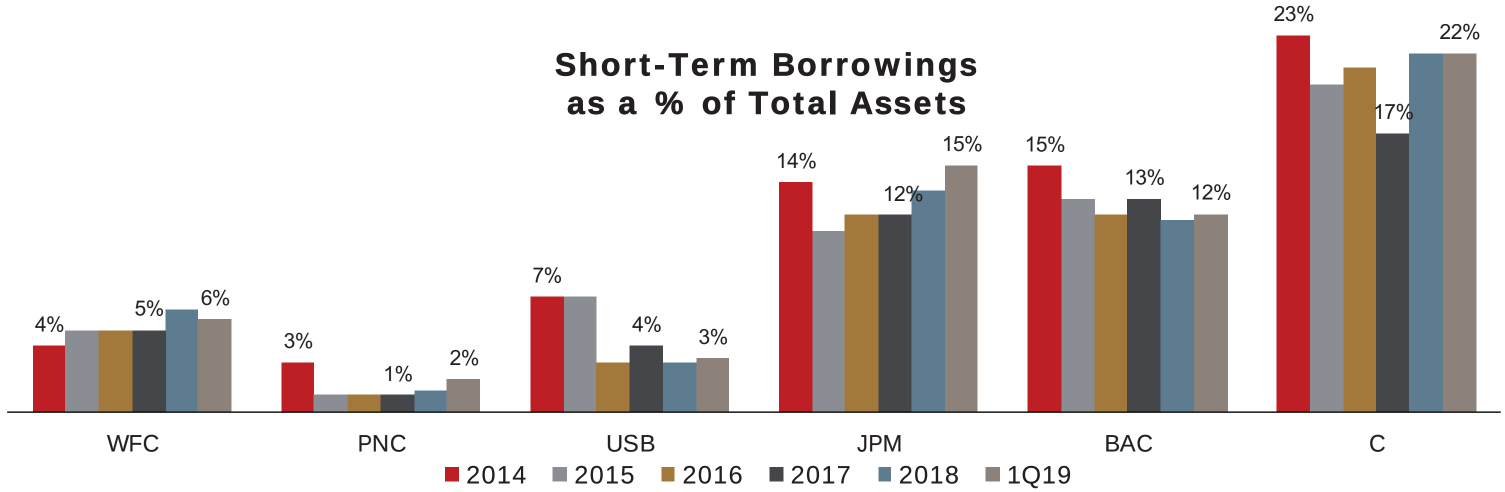
*(1) Fully phased-in capital ratios are calculated assuming the full phase-in of the Basel III capital rules. See page 25 for additional information regarding the Common Equity Tier 1 capital ratio.*

# Balance Sheet Funding and Capital Position

# Our funding structure is a source of strength



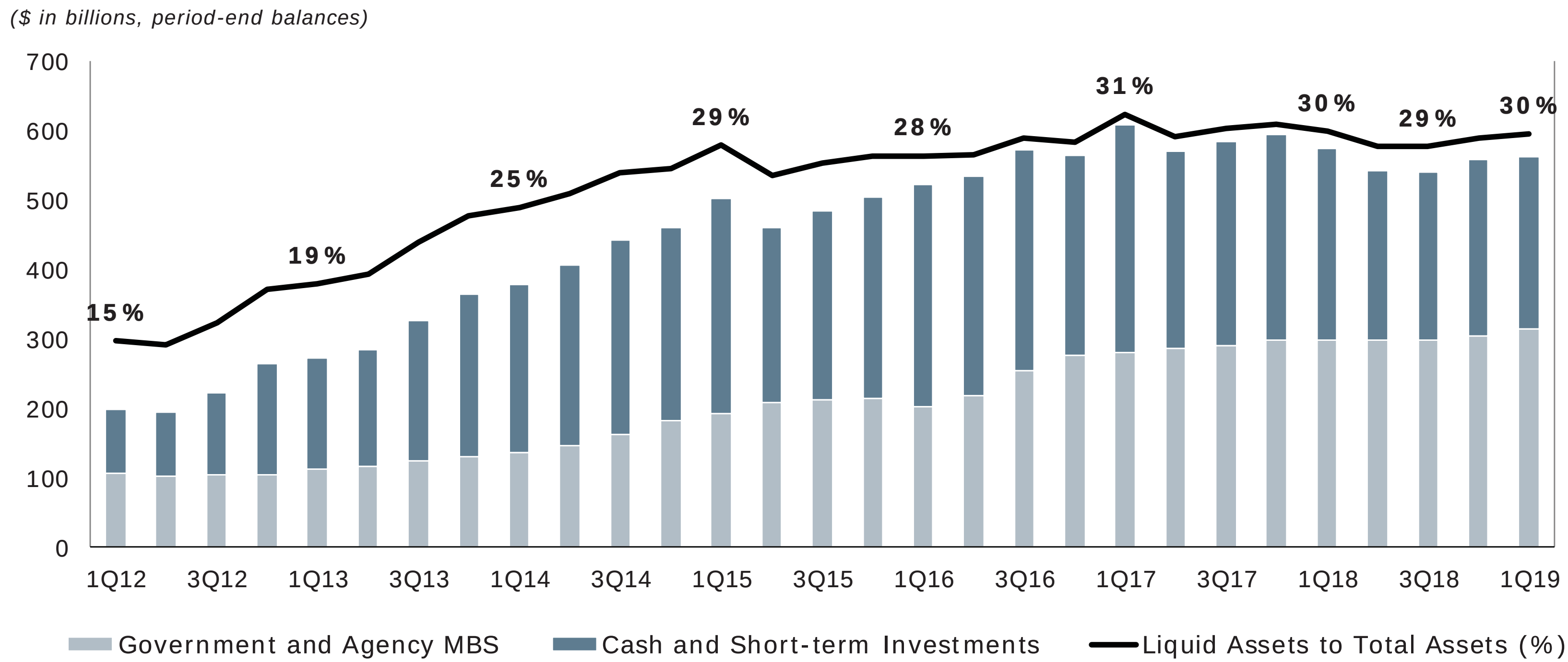




| As of 3/31/19 ($ in billions) | WFC | PNC | USB | JPM | BAC | C |
|---|---|---|---|---|---|---|
| Short-term borrowings | 107 | 8 | 15 | 412 | 287 | 429 |
| Total assets | 1,888 | 393 | 476 | 2,737 | 2,377 | 1,958 |

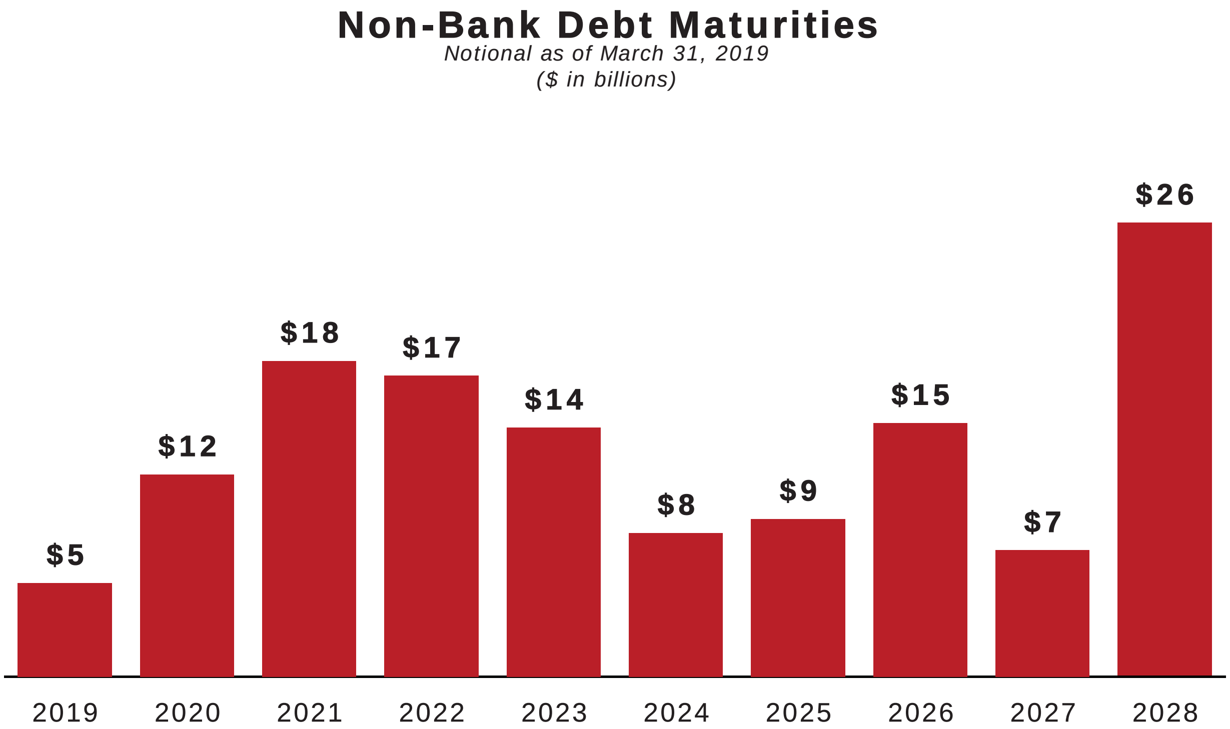
*Period-end balances, except where noted. As of 3/31/2019.*
*Sources: Bloomberg and SNL Financial.*

# Highly liquid Balance Sheet




- Liquid assets of $562.1 billion, or 30% of total assets in 1Q19
  - Cash and short-term equivalents of $247.6 billion
- 1Q19 quarterly average values for the daily-calculated Liquidity Coverage Ratio (LCR) = 123%, exceeds the regulatory minimum threshold of 100%

# Future non-bank debt maturities are well distributed



# Total loss absorbing capacity (TLAC) position

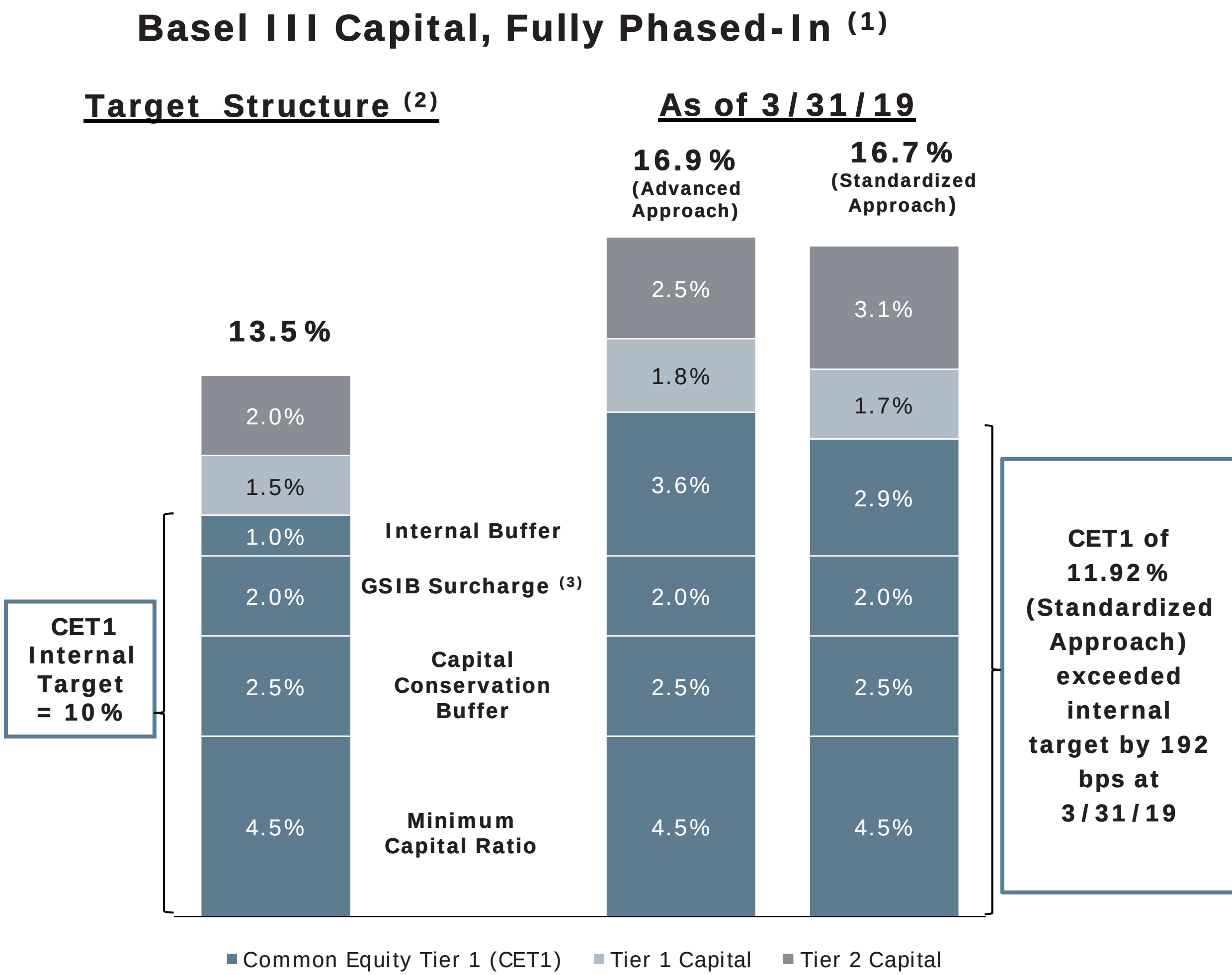
As of 3/31/19, our eligible external TLAC as a percentage of total risk-weighted assets was 23.85% compared with the required minimum of 22.0%

| | External TLAC | | LTD Requirement | |
|---|---|---|---|---|
| *($ in billions)* | **3/31/19 Actual** | **% of RWA** | **3/31/19 Actual** | **% of RWA** |
| Total Risk Weighted Assets (RWA) | $ 1,243.1 | | $ 1,243.1 | |
| Common Equity Tier 1 | 148.1 | 11.9 % | | |
| Qualifying Tier 1 instruments | 21.5 | 1.7 | | |
| Subordinated Debt | 25.1 | 2.0 | 25.1 | 2.0 % |
| Senior Debt | 101.8 | 8.2 | 93.9 | 7.6 |
| Total TLAC | 296.4 | 23.85 | 119.0 | 9.6 |
| Required TLAC / LTD | | 22.0 | | 8.0 |
| Estimated Excess | 22.9 | 1.8 % | 19.6 | 1.6 % |

- We will continue to issue eligible TLAC to fund maturities, RWA growth, and the expected migration of our Common Equity Tier 1 ratio toward our internal target over the next 2-3 years
- 2019 year-to-date [1], we have issued over $8 billion of TLAC-eligible senior unsecured debt including:
  - 1/16/19: $3 billion 5-year fixed rate, 3.75%
  - 1/16/19: $2.5 billion 10-year fixed rate, 4.15%
  - 2/1/19: 1 billion Canadian dollar, $761 million USD, 5-year fixed rate, 3.184%
  - 4/17/19: 1 billion Euro, $1.1 billion USD, 5-year fixed rate, 0.50%
  - 4/24/19: 600 million Sterling, $780 million USD, 10-year fixed rate, 2.50%

*(1) Year-to-date through April 30, 2019.*

# Strong capital position




Return of accumulated excess capital above our internal target is expected to occur over the next 2 – 3 years and will consider the following key factors:

- Pending feedback on 2019 CCAR submission
- Current and projected risk profile
- Operating environment
- Regulatory environment including changes to regulatory capital requirements and/or stress testing (i.e. Stress Capital Buffer)
- OCI risk
- Current expected credit loss (CECL) reserve accounting effective 1/1/2020

*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 26 for additional information regarding our capital ratios. See the Capital Management section in our First Quarter 2019 Form 10-Q for additional information on our capital requirements. (2) Estimated long-term targets; subject to change. (3) Reflects Method 2 GSIB surcharge.*

# Appendix

# Community Banking

| ($ in millions) | | 1Q19 | vs 4Q18 | | vs 1Q18 |
|---|---|---|---|---|---|
| Net interest income | $ | 7,248 | (1) | % | 1 |
| Noninterest income | | 4,502 | 9 | | (3) |
| Provision for credit losses | | 710 | 33 | | n.m. |
| Noninterest expense | | 7,689 | 9 | | (12) |
| Income tax expense | | 424 | (33) | | (48) |
| **Segment net income** | **$** | **2,823** | **(11)** | **%** | **48** |
| *($ in billions)* | | | | | |
| Avg loans, net | $ | 458.2 | - | | (3) |
| Avg deposits | | 765.6 | 1 | | 2 |

| | 1Q19 | 4Q18 | 1Q18 |
|---|---|---|---|
| **Key Metrics:** | | | |
| Total Retail Banking branches | 5,479 | 5,518 | 5,805 |

| ($ in billions) | | 1Q19 | 4Q18 | | 1Q18 |
|---|---|---|---|---|---|
| Auto Originations | $ | 5.4 | 4.7 | | 4.4 |
| **Home Lending** | | | | | |
| Applications | $ | 64 | 48 | | 58 |
| Application pipeline | | 32 | 18 | | 24 |
| Originations | | 33 | 38 | | 43 |
| Residential HFS production margin (1) | | 1.05 | 0.89 | % | 0.94 |

- Net income of $2.8 billion, up 48% YoY primarily due to lower operating losses and lower income tax expense, and down 11% LQ on seasonally higher personnel expense

**Key metrics**

- See pages 21 and 22 for additional information
- 5,479 retail bank branches reflects 40 branch consolidations in 1Q19
- Consumer auto originations of $5.4 billion, up 16% LQ and 24% YoY reflecting high quality origination growth following transformational changes made to the business
- Mortgage originations of $33 billion (held-for-sale = $22 billion and held-for-investment = $11 billion), down 13% LQ and 23% YoY
  - 70% of originations were for purchases, compared with 78% in 4Q18 and 65% in 1Q18
  - Correspondent channel was 55% of total originations vs. 55% in 4Q18 and 63% in 1Q18
    - Correspondent channel has lower production margins than retail originations
  - 1.05% residential held for sale production margin (1), up 16 bps LQ primarily due to an improvement in secondary market conditions
    - Current expectations are for the 2Q19 production margin to be in the range realized over the prior two quarters

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

# Community Banking metrics

| **Customers and Active Accounts** *(in millions)* | 1Q19 | 4Q18 | 3Q18 | 2Q18 | 1Q18 | vs. 4Q18 | vs. 1Q18 |
|---|---|---|---|---|---|---|---|
| Digital (online and mobile) Active Customers (1) (2) | 29.8 | 29.2 | 29.0 | 28.9 | 28.8 | 2% | 3% |
| Mobile Active Customers (1) (2) | 23.3 | 22.8 | 22.5 | 22.0 | 21.8 | 2% | 7% |
| Primary Consumer Checking Customers (1) (3) | 23.9 | 23.9 | 24.0 | 23.9 | 23.7 | 0.3% | 1.1% |
| Consumer General Purpose Credit Card Active Accounts (4)(5) | 7.8 | 8.0 | 7.9 | 7.8 | 7.7 | -2% | 2% |

- Digital (online and mobile) active customers (1) (2) of 29.8 million, up 2% LQ and 3% YoY reflecting growth in the customer base and ease of digital payment options
- Mobile active customers (1) (2) of 23.3 million, up 2% LQ and 7% YoY driven by growth in the customer base and increased adoption
- Primary consumer checking customers (1) (3) of 23.9 million, up modestly LQ and 1.1% YoY. The sale of 52 branches in 4Q18 reduced the YoY growth rate by 0.5%
- Consumer general purpose credit card active accounts (4) (5) of 7.8 million, down 2% LQ on seasonality and up 2% YoY driven by the July 2018 launch of our new Propel American Express® card along with expansion in direct mail and digital channels

| **Customer Experience Survey Scores with Branch** *(period end)* | 1Q19 | 4Q18 | 3Q18 | 2Q18 | 1Q18 | vs. 4Q18 | vs. 1Q18 |
|---|---|---|---|---|---|---|---|
| Customer Loyalty | 64.1% | 60.2% | 58.5% | 56.7% | 59.2% | 383 bps | 486 |
| Overall Satisfaction with Most Recent Visit | 80.2% | 78.7% | 77.9% | 76.6% | 78.2% | 151 | 199 |

- ‘Customer Loyalty’ and ‘Overall Satisfaction with Most Recent Visit’ branch survey scores reached 3-year highs in March

*(1) Metrics reported on a one-month lag from reported quarter-end; for example, 1Q19 data as of February 2019 compared with February 2018.*
*(2) Digital and mobile active customers is the number of consumer and small business customers who have logged on via a digital or mobile device in the prior 90 days.*
*(3) Customers who actively use their checking account with transactions such as debit card purchases, online bill payments, and direct deposit.*
*(4) Accounts having at least one POS transaction, including POS reversal, during the period.*
*(5) Credit card metrics shown in the table are for general purpose cards only.*

# Community Banking metrics

| **Balances and Activity** *(in millions, except where noted)* | 1Q19 | 4Q18 | 3Q18 | 2Q18 | 1Q18 | vs. 4Q18 | vs. 1Q18 |
|---|---|---|---|---|---|---|---|
| Consumer and Small Business Banking Deposits (Average) *($ in billions)* | $ 739.7 | 736.3 | 743.5 | 754.0 | 755.5 | 0% | -2% |
| Teller and ATM Transactions [1] | 313.8 | 334.8 | 343.6 | 351.4 | 343.3 | -6% | -9% |
| Consumer and Small Business Digital Payment Transactions [2] | 138.2 | 135.5 | 137.0 | 135.0 | 130.6 | 2% | 6% |
| Debit Cards [3] | | | | | | | |
| POS Transactions | 2,165 | 2,249 | 2,235 | 2,222 | 2,071 | -4% | 5% |
| POS Purchase Volume *(billions)* | $ 86.6 | 89.8 | 87.5 | 87.5 | 81.9 | -4% | 6% |
| Consumer General Purpose Credit Cards [4] *($ in billions)* | | | | | | | |
| POS Purchase Volume | $ 18.3 | 20.2 | 19.4 | 19.2 | 17.4 | -9% | 5% |
| Outstandings (Average) | 30.7 | 30.2 | 29.3 | 28.5 | 28.8 | 1% | 7% |

- Average consumer and small business banking deposit balances up modestly LQ, and down 2% YoY as consumers moved excess liquidity to higher rate cash alternatives
- Teller and ATM transactions [1] of 313.8 million in 1Q19, down 6% LQ and down 9% YoY reflecting continued customer migration to digital channels
- Consumer and small business digital payment transactions [2] of 138.2 million, up 2% LQ and 6% YoY reflecting increased usage and continued increases in digital adoption
- Debit cards [3] and consumer general purpose credit cards [4]:
  - Point-of-sale (POS) debit card transactions down 4% LQ on seasonality, and up 5% YoY on stronger usage per account
  - POS debit card purchase volume down 4% LQ due to seasonality, and up 6% YoY on higher transaction volume
  - POS consumer general purpose credit card purchase volume down 9% LQ from 4Q holiday spend, and up 5% YoY on higher transaction volume
  - Consumer general purpose credit card average balances of $30.7 billion, up 1% LQ and up 7% YoY on higher POS purchase volume

*(1) Teller and ATM transactions reflect customer transactions completed at a branch teller line or ATM and does not include customer interactions with a branch banker. Management uses this metric to help monitor customer traffic trends within the Company's Retail Banking business.*
*(2) Metrics reported on a one-month lag from reported quarter-end; for example, 1Q19 data includes December 2018, January 2019 and February 2019.*
*(3) Combined consumer and business debit card activity.*
*(4) Credit card metrics shown in the table are for general purpose cards only.*

# Wholesale Banking

| ($ in millions) | | 1Q19 | vs 4Q18 | | vs 1Q18 |
|---|---|---|---|---|---|
| Net interest income | $ | 4,534 | (4) | % | - |
| Noninterest income | | 2,577 | 18 | | (6) |
| Provision for credit losses | | 134 | n.m. | | n.m. |
| Noninterest expense | | 3,838 | (5) | | (4) |
| Income tax expense | | 369 | 46 | | (18) |
| **Segment net income** | **$** | **2,770** | **4** | **%** | **(4)** |
| *($ in billions)* | | | | | |
| Avg loans, net | $ | 476.4 | 1 | | 2 |
| Avg deposits | | 409.8 | (3) | | (8) |

| ($ in billions) | | 1Q19 | | vs 4Q18 | | vs 1Q18 |
|---|---|---|---|---|---|---|
| **Key Metrics:** | | | | | | |
| Commercial card spend volume [1] | $ | 8.5 | | (2) | % | 5 |
| U.S. investment banking market share [2] | | 3.5 | % | | | |

- Net income of $2.8 billion, down 4% YoY on lower noninterest income, and up 4% LQ reflecting higher noninterest income and lower noninterest expense
- Net interest income flat YoY and down 4% LQ
- Noninterest income up 18% LQ as higher market sensitive revenue, investment banking fees and other income was partially offset by lower loan fees and commercial real estate brokerage fees
- Provision for credit losses increased $162 million LQ reflecting a reserve build on higher nonaccrual loans, as well as lower recoveries
- Noninterest expense down 5% LQ driven by lower operating lease expense, core deposit and other intangibles amortization, and project-related expenses, partially offset by seasonally higher personnel expense

**Treasury Management**

- Treasury management revenue down 3% YoY on lower new sales and down 3% LQ on seasonality
- Commercial card spend volume [1] of $8.5 billion, up 5% YoY on increased transaction volumes, and down 2% LQ

**Investment Banking**

- 1Q19 U.S. investment banking market share of 3.5% [2] vs. 1Q18 of 3.1% [2] and full year 2018 of 3.2% [2] on higher market share in debt underwriting, as well as advisory

*(1) Includes commercial card volume for the entire company.*
*(2) Source: Dealogic U.S. investment banking fee market share.*

# Wealth and Investment Management

| *($ in millions)* | | 1Q19 | vs 4Q18 | | vs 1Q18 |
|---|---|---|---|---|---|
| Net interest income | $ | 1,101 | (1) | % | (1) |
| Noninterest income | | 2,978 | 5 | | (5) |
| Reversal of provision for credit losses | | 4 | n.m. | | n.m. |
| Noninterest expense | | 3,303 | 9 | | - |
| Income tax expense | | 192 | (17) | | (20) |
| **Segment net income** | **$** | **577** | **(16)** | **%** | **(19)** |
| *($ in billions)* | | | | | |
| Avg loans, net | $ | 74.4 | (1) | | 1 |
| Avg deposits | | 153.2 | (1) | | (14) |

| *($ in billions, except where noted)* | | 1Q19 | vs 4Q18 | | vs 1Q18 |
|---|---|---|---|---|---|
| **Key Metrics:** | | | | | |
| WIM Client assets (1) *($ in trillions)* | $ | 1.8 | 7 | % | (2) |
| Retail Brokerage | | | | | |
| Client assets *($ in trillions)* | | 1.6 | 8 | | (1) |
| Advisory assets | | 547 | 9 | | 1 |
| Financial advisors | | 13,828 | (1) | | (4) |
| Wealth Management | | | | | |
| Client assets | $ | 232 | 4 | | (4) |
| Wells Fargo Asset Management | | | | | |
| Total AUM (2) | | 476 | 2 | | (4) |
| Wells Fargo Funds AUM | | 195 | 1 | | (2) |
| Retirement | | | | | |
| IRA assets | | 404 | 8 | | - |
| Institutional Retirement Plan assets | | 379 | 4 | | (2) |

*(1) WIM Client Assets reflect Brokerage & Wealth assets, including Wells Fargo Funds holdings and deposits. (2) Wells Fargo Asset Management Total AUM not held in Brokerage & Wealth client assets excluded from WIM Client Assets.*

- Net income of $577 million, down 19% YoY and down 16% LQ primarily driven by lower asset-based fees and higher seasonal personnel expenses
- Net interest income down 1% LQ
- Noninterest income up 5% LQ largely driven by higher net gains from equity securities on deferred compensation plan investments of $307 million (P&L neutral), partially offset by lower asset-based fees
- Noninterest expense up 9% LQ primarily driven by $307 million higher deferred compensation plan expense (P&L neutral), and seasonally higher personnel expenses, partially offset by lower broker commissions and lower core deposit and other intangibles amortization expense

### WIM Segment Highlights

- WIM total client assets of $1.8 trillion, down 2% YoY driven primarily by net outflows, partially offset by higher market valuations
- Average loan balances up 1% YoY largely due to growth in nonconforming mortgage loans
- 1Q19 closed referred investment assets (referrals resulting from the WIM/Community Banking partnership) of $2.4 billion were up 10% from 4Q18

### Retail Brokerage

- Advisory assets of $547 billion, up 1% YoY driven primarily by higher market valuations, partially offset by net outflows

### Wells Fargo Asset Management

- Total AUM (2) of $476 billion, down 4% YoY primarily due to equity and fixed income net outflows and the sale of WFAM's ownership stake in RockCreek and removal of the associated AUM, partially offset by higher market valuations and higher money market fund net inflows

# 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) | | | **Mar 31, 2019** | Dec 31, 2018 | Sep 30, 2018 | Jun 30, 2018 | Mar 31, 2018 |
|---|---|---|---|---|---|---|---|
| Total equity | | **$** | **198.7** | 197.1 | 199.7 | 206.1 | 205.9 |
| Adjustments: | | | | | | | |
| Preferred stock | | | **(23.2)** | (23.2) | (23.5) | (25.7) | (26.2) |
| Additional paid-in capital on ESOP preferred stock | | | **(0.1)** | (0.1) | (0.1) | (0.1) | (0.1) |
| Unearned ESOP shares | | | **1.5** | 1.5 | 1.8 | 2.0 | 2.6 |
| Noncontrolling interests | | | **(0.9)** | (0.9) | (0.9) | (0.9) | (1.0) |
| Total common stockholders' equity | | | **176.0** | 174.4 | 177.0 | 181.4 | 181.2 |
| Adjustments: | | | | | | | |
| Goodwill | | | **(26.4)** | (26.4) | (26.4) | (26.4) | (26.4) |
| Certain identifiable intangible assets (other than MSRs) | | | **(0.5)** | (0.6) | (0.8) | (1.1) | (1.4) |
| Other assets (2) | | | **(2.1)** | (2.2) | (2.1) | (2.2) | (2.4) |
| Applicable deferred taxes (3) | | | **0.8** | 0.8 | 0.8 | 0.9 | 0.9 |
| Investment in certain subsidiaries and other | | | **0.4** | 0.4 | 0.4 | 0.4 | 0.4 |
| Common Equity Tier 1 (Fully Phased-In) under Basel III | (A) | | **148.1** | 146.4 | 148.9 | 153.0 | 152.3 |
| Total risk-weighted assets (RWAs) under Basel III (4) | (B) | **$** | **1,243.1** | 1,247.2 | 1,250.2 | 1,276.3 | 1,278.1 |
| Common Equity Tier 1 to total RWAs under Basel III (Fully Phased-In) | (A)/(B) | | **11.9%** | 11.7 | 11.9 | 12.0 | 11.9 |

(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 March 31, 2019, and December 31, September 30, June 30 and March 31, 2018, 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)**

| | | | Mar 31, 2019 | |
|---|---|---|---|---|
| (in millions, except ratios) | | | Advanced Approach | Standardized Approach |
| Total equity | | $ | 198,733 | 198,733 |
| Adjustments: | | | | |
| Preferred stock | | | (23,214) | (23,214) |
| Additional paid-in capital on ESOP preferred stock | | | (95) | (95) |
| Unearned ESOP shares | | | 1,502 | 1,502 |
| Noncontrolling interests | | | (901) | (901) |
| Total common stockholders' equity | | $ | 176,025 | 176,025 |
| Adjustments: | | | | |
| Goodwill | | | (26,420) | (26,420) |
| Certain identifiable intangible assets (other than MSRs) | | | (522) | (522) |
| Other assets (2) | | | (2,131) | (2,131) |
| Applicable deferred taxes (3) | | | 771 | 771 |
| Investment in certain subsidiaries and other | | | 401 | 401 |
| Common Equity Tier 1 (Fully Phased-In) | (A) | $ | 148,124 | 148,124 |
| Adjustments: | | | | |
| Preferred stock | | | 23,214 | 23,214 |
| Additional paid-in capital on ESOP preferred stock | | | 95 | 95 |
| Unearned ESOP shares | | | (1,502) | (1,502) |
| Other | | | (320) | (320) |
| Total Tier 1 capital (Fully Phased-In) | (B) | $ | 169,611 | 169,611 |
| Adjustments: | | | | |
| Long-term debt and other instruments qualifying as Tier 2 | | | 27,283 | 27,283 |
| Qualifying allowance for credit losses (4) | | | 2,630 | 10,821 |
| Other | | | (193) | (193) |
| Total Tier 2 capital (Fully Phased-In) | (C) | | 29,720 | 37,911 |
| Total qualifying capital (Fully Phased-In) | (B)+(C) | $ | 199,331 | 207,522 |
| Risk-Weighted Assets (RWAs) (5)(6): | | | | |
| Total RWAs (Fully Phased-In) | (D) | $ | 1,176,360 | 1,243,125 |
| Common Equity Tier 1 Capital Ratio | (A)/(D) | | 12.59% | 11.92 |
| Tier 1 Capital Ratio | (B)/(D) | | 14.42 | 13.64 |
| Total Capital Ratio | (B)+(C)/(D) | | 16.94 | 16.69 |

(1) Beginning January 1, 2018, the requirements for calculating CET1 and tier 1 capital, along with RWAs, became fully phased-in. However, the requirements for calculating tier 2 and total capital are still in accordance with Transition Requirements. Accordingly, 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) | | | Quarter ended Mar 31, 2019 |
|---|---|---|---|
| Return on average tangible common equity (1): | | | |
| Net income applicable to common stock | (A) | $ | 5,507 |
| Average total equity | | | 198,349 |
| Adjustments: | | | |
| Preferred stock | | | (23,214) |
| Additional paid-in capital on ESOP preferred stock | | | (95) |
| Unearned ESOP shares | | | 1,502 |
| Noncontrolling interests | | | (899) |
| Average common stockholders' equity | (B) | | 175,643 |
| Adjustments: | | | |
| Goodwill | | | (26,420) |
| Certain identifiable intangible assets (other than MSRs) | | | (543) |
| Other assets (2) | | | (2,159) |
| Applicable deferred taxes (3) | | | 784 |
| Average tangible common equity | (C) | $ | 147,305 |
| Return on average common stockholders' equity (ROE) (annualized) | (A)/(B) | | 12.71 % |
| Return on average tangible common equity (ROTCE) (annualized) | (A)/(C) | | 15.16 |

(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 first quarter 2019 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, 2018.*

## 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 the "Risk Management—Credit Risk Management—Purchased Credit-Impaired (PCI) Loans" section and Note 1 (Summary of Significant Accounting Policies) and Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in our most recent Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2018, for additional information regarding purchased credit-impaired loans.*