WELLS FARGO

Wells Fargo & Company

Annual Company-Run Dodd-Frank Act Stress Test Results
Supervisory Severely Adverse Scenario

June 28, 2024

Report information

In this report (the "Report"), when we refer to “Wells Fargo,” “the Company,” “we,” “our” or “us”, we mean Wells Fargo & Company and Subsidiaries (consolidated). When we refer to “Wells Fargo Bank, N.A.,” “WFBNA,” or “the Bank,” we mean Wells Fargo Bank, National Association, the Company’s principal subsidiary.

This Report contains forward-looking statements, including projections of our financial results and condition under a hypothetical scenario that incorporates a set of assumed economic and financial conditions prescribed by our regulators. The projections are not intended to be our forecast of expected future economic or financial conditions or our forecast of the Company’s or the Bank’s expected future financial results or condition, but rather reflect possible results under the prescribed hypothetical scenario. Our future financial results and condition will be influenced by actual economic and financial conditions and various other factors as described in our reports filed with the Securities and Exchange Commission (SEC).

Overview

As a large bank holding company, Wells Fargo is subject to rules issued by the Board of Governors of the Federal Reserve System (Federal Reserve) that include Supervisory and Company-Run Stress Test requirements to implement the stress testing and disclosure requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act stress tests or “DFAST”).

In this Report, we present the results of our 2024 annual company-run DFAST. This test evaluates the potential impact of the 2024 supervisory severely adverse scenario, inclusive of the global market shock and the counterparty default components (the Scenario), on the Company’s consolidated financial position.

- It is important to note that the Scenario is not a forecast but rather a hypothetical scenario with assumed economic and financial conditions designed by the Federal Reserve to assess the strength of banking organizations and their resilience to severely adverse economic environments and market conditions.
- The stress test results summarized in this Report should not be interpreted as expected or likely outcomes for the Company, but rather as a possible result under hypothetical, highly adverse economic conditions.
- Results incorporate capital action assumptions, as prescribed by the Federal Reserve's DFAST rule, which exclude dividends on any instruments that qualify as Common Equity Tier 1 Capital; include payments on instruments that qualify as additional Tier 1 capital or Tier 2 capital equal to the stated dividend, interest, or principal due on such instrument; exclude redemption or repurchase of any capital instrument that is eligible for inclusion in the numerator of a regulatory capital ratio; and exclude issuances of common stock or preferred stock.

We performed our stress test by projecting balance sheet changes, losses and related provision, revenue, expense, risk-weighted assets, and capital ratios under the Scenario using models and methodologies developed or selected by the Company, except where the assumptions, practices, or methodologies were specifically prescribed by rules or instructions published by the Federal Reserve.

- Because the Company employs models and methodologies developed internally, the Company’s results will differ, potentially significantly, from projections that the Federal Reserve will make for Wells Fargo as part of conducting its own DFAST using the same Scenario, such as differences in the Federal Reserve’s credit loss and provision assumptions compared to the Company’s assumptions.
- In addition, the stress test results summarized in this Report are not comparable to the results of other stress tests performed by the Company in the past due to a number of factors, including the uniqueness of the scenarios used to prepare each stress test, differences in market conditions and the Company’s financial position and exposures at the time each stress test is performed, and the regulatory capital frameworks that may be applicable at the time each stress test is conducted.

The results of our 2024 annual company-run stress test suggest that the Company’s performance would decline under the assumptions of the Scenario in response to increased provision expenses, reduced business volumes, and higher market-related and operational losses.

Supervisory severely adverse scenario overview

The Scenario published by the Federal Reserve and reflected in our stress test is characterized by a severe global recession, with prolonged declines in both residential and commercial real estate prices, which spill over into the corporate sector and affect investment sentiment. Additionally, and separate from the macroeconomic assumptions, it is assumed that an instantaneous market shock impacts our trading and counterparty exposures resulting in significant losses.

From the Federal Reserve's published variables, we construct a more detailed Scenario comprising approximately 5,000 variables. In all instances, the methodology to expand the published variables is designed to perform with a theoretically sound and empirically rigorous approach to facilitate coherence and internal consistency.

- At the national level for example, these additional variables include personal bankruptcy filings and mortgage foreclosures.
- At the regional level, the Scenario includes state and Metropolitan Statistical Area (MSA) measures of unemployment and home prices to better align with our geographic concentrations.

Key Economic Variables for the 2024 Supervisory Severely Adverse Scenario (1)	
Real GDP - Q4 2023 to Trough	(8.5)%
Unemployment Rate - Peak Level	10.0
Home Prices - Q4 2023 to Trough	(36.0)
Commercial Real Estate Prices - Q4 2023 to Trough	(40.0)
Dow Jones US Total Market Index - Q4 2023 to Trough	(55.0)
3-Month Treasury Yield – Trough	0.1
10-Year Treasury Yield – Trough	0.8

(1) For the full set of economic variables and scenario descriptions, *see* Board of Governors of the Federal Reserve "2024 Stress Test Scenarios," February 2024, available at https://www.federalreserve.gov/publications/files/2024-stress-test-scenarios-20240215.pdf. (Wells Fargo does not control the website that is linked. Wells Fargo has provided this link for your convenience, but does not endorse and is not responsible for the content, links, privacy policy, or security policy of this website.)

Summary results for the supervisory severely adverse scenario

Wells Fargo & Company pro forma capital ratios and risk-weighted assets projections

Company pro forma stressed capital ratio projections (1Q24 – 1Q26)

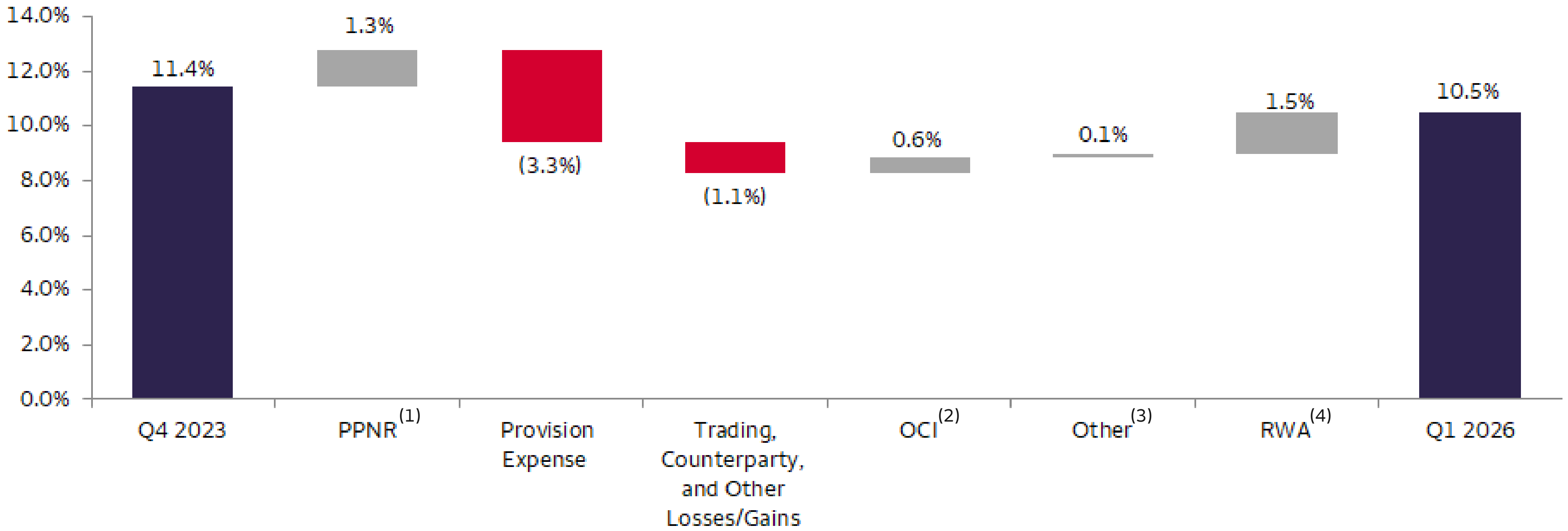
	Actual	Stressed pro forma ratios [1]	
	Dec. 31, 2023	Mar. 31, 2026	Minimum
Common Equity Tier 1	11.4 %	10.5 %	9.6 %
Tier 1 risk-based capital	13.0	12.3	11.2
Total risk-based capital	15.7	15.0	13.8
Tier 1 leverage	8.5	7.2	7.0
Supplementary leverage ratio	7.1	6.2	6.0
Memo items - Risk-Weighted Assets [2]			
(in billions)			
Standardized approach	$ 1,231.7	$ 1,055.0	

(1) Reflects capital actions dictated by the guidance provided within 12 C.F.R. § 252.56(b) which provides the assumptions in projecting post-stress capital levels and ratios. The guidance dictates that a covered company (1) will not pay any dividends on any instruments that qualify as common equity tier 1 capital; (2) will make payments on instruments that qualify as additional tier 1 capital or tier 2 capital equal to the stated dividend, interest, or principal due on such instrument; (3) will not make a redemption or repurchase of any capital instrument that is eligible for inclusion in the numerator of a regulatory capital ratio; and (4) will not make any issuances of common stock or preferred stock.

(2) Risk-weighted assets are calculated under the standardized risk-based capital approach.

Summary results for the supervisory severely adverse scenario

Wells Fargo & Company pro forma Common Equity Tier 1 (CET1) ratio attribution analysis



(1) Pre-provision net revenue.

(2) Other comprehensive income.

(3) Other incorporates all other adjustments, including goodwill and other intangibles, income tax, net income attributable to non-controlling interests, and allowable capital actions (i.e., preferred stock dividends).

(4) Risk-weighted assets.

Note: PPNR, Provision Expense, and Trading, Counterparty and Other Losses/Gains are on a pre-tax basis.

Summary results for the supervisory severely adverse scenario

Wells Fargo & Company pro forma profit and loss projections

Company pro forma nine-quarter cumulative projected net revenue, losses, and net income before taxes (1Q24 – 1Q26)

($ in billions)	Nine quarter cumulative, ending Mar. 31, 2026	Percentage of average assets [1]
Pre-provision net revenue [2]	$16.6	0.9%
equals		
Net interest income	78.8	
Noninterest income	45.1	
less		
Noninterest expense	107.3	
less		
Provision for credit losses [3]	41.7	
equals		
Provision for loan and lease losses	41.0	
Credit losses on investment securities (AFS/HTM) and other assets	0.7	
Trading and counterparty losses [4]	13.9	
Other losses / gains [5]	0.1	
Net income before taxes	$(39.1)	-2.1%
Memo items		
Other comprehensive income [6]	$7.0	
Other effects on capital	**Q4 2023**	**Q1 2026**
Accumulated other comprehensive income included in capital	$(10.8)	$(3.8)

Note: Numbers may not foot due to rounding

(1) Average assets is the nine-quarter average of total assets (from Q1 2024 through Q1 2026).

(2) Pre-provision net revenue represents net interest income plus noninterest income less noninterest expense. It includes losses from operational risk events and expenses associated with the change in the allowance for unfunded commitments. It includes the projected change in fair value of loans held for sale under the lower of cost or market (LOCOM) accounting method and loans accounted for under the fair value option.

(3) Provision for credit losses is reported in accordance with the reporting criteria required in the FR Y-14A. With the adoption of the current expected credit loss (CECL) accounting standard, the provision for credit losses consists of the provision for loan and lease losses and the credit losses on investment securities including credit losses from available-for-sale (AFS) as well as held-to-maturity (HTM) securities, in addition to other assets.

(4) Trading and counterparty losses include mark-to-market losses, changes in credit valuation adjustments (CVA), single largest counterparty default, incremental default losses, and losses on non-trading related private equity positions that were subject to the global market shock stress.

(5) Unrealized losses / (gains) on equity securities not held for trading.

(6) Other comprehensive income is reported in after-tax dollars and reflects the nine-quarter incremental change in unrealized losses/gains on AFS, amortization of unrealized losses/gains on securities which have been transferred from AFS to HTM, and unrecognized losses/gains on pension plan obligations and pension assets.

Summary results for the supervisory severely adverse scenario

Wells Fargo & Company pro forma loan loss projections

Company pro forma nine-quarter projected loan losses by type of loan (1Q24 – 1Q26)[1]

($ in billions)	Nine quarters cumulative Mar. 31, 2026	Cumulative portfolio loss rate [2]
First lien mortgages, domestic	$ 1.1	0.5%
Junior lien and home equity lines of credit, domestic	0.3	2.5%
Commercial & industrial [3]	8.1	4.8%
Commercial real estate, domestic	8.0	6.6%
Credit card	10.4	19.6%
Other consumer	2.7	5.1%
All other loans [4]	6.5	3.1%
Projected loan losses	$ 37.1	4.4%

(1) The loan categories presented adhere to FR Y-14A reporting definitions and will differ from the loan categories presented in our financial reports filed with the SEC.

(2) The cumulative portfolio loss rate is calculated by dividing the nine quarter cumulative net losses by the average loan balances over the same period. Average loan balances used to calculate portfolio loss rates exclude loans held for sale and loans held for investment under the fair value option.

(3) Commercial and industrial loans include commercial and industrial loans, corporate and business cards and small business loans.

(4) All other loans are largely commercial loans, and include loans to purchase or hold securities, loans secured by farmland, agricultural loans, loans to various financial institutions, international commercial real estate (CRE) Loans, and lease financing receivables, as well as overdrafts from commercial and consumer accounts.

Summary results for the supervisory severely adverse scenario

Wells Fargo Bank, N.A. pro forma capital ratio projections

Wells Fargo Bank, National Association (Wells Fargo Bank, N.A., WFBNA, or the Bank) is a separate legal entity operating under a national bank charter within the Wells Fargo organizational structure and is the Company's principal subsidiary. In addition to performing Dodd-Frank Act stress testing on the consolidated Company, we also performed the annual stress test required under rules and guidance published by the Office of the Comptroller of the Currency (OCC) with respect to the Bank.[1] The rules and guidance (including the macroeconomic severely adverse scenario) provided by the OCC for the Bank stress test were consistent with those provided by the Federal Reserve for the Dodd-Frank Act stress test performed on the consolidated Company.

WFBNA pro forma stressed capital ratio projections (1Q24 – 1Q26)

	Actual	Stressed pro forma ratios	
	Dec. 31, 2023	Mar. 31, 2026	Minimum
Common Equity Tier 1	12.5 %	14.0 %	11.6 %
Tier 1 risk-based capital	12.5	14.0	11.6
Total risk-based capital	14.6	16.1	13.7
Tier 1 leverage	8.4	8.1	7.4
Supplementary leverage ratio	6.9	6.9	6.2

(1) See 12 C.F.R. pt. 46 (2014)

Key risks captured in the annual company-run stress test

The following sections summarize key risks considered in the stress test results and incorporated into estimates of potential losses and revenue over the nine-quarter test horizon, when applicable.

Compliance Risk	The risk resulting from the failure to comply with laws (legislation, regulation, and rules) and regulatory guidance, and the failure to appropriately address associated impact, including to customers. Compliance risk encompasses violations of applicable internal policies, program requirements, procedures, and standards related to ethical principles applicable to the Company.
Model Risk	The risk arising from the potential for adverse consequences of decisions made based on model output that may be incorrect or used inappropriately
Operational Risk	The risk resulting from inadequate or failed internal processes, people and systems, or from external events
Credit Risk	The risk of loss associated with a borrower or counterparty default (failure to meet obligations in accordance with agreed upon terms). Credit risk exists with many of the Company's assets and exposures such as debt security holdings, certain derivatives, and loans.
Interest Rate Risk	The risk that market fluctuations in interest rates, credit spreads, or foreign exchange can cause a loss of the Company's earnings and capital stemming from mismatches in the cash flows of the Company's assets and liabilities generally arising from customer-related lending and deposit-taking activities.
Liquidity Risk	The risk arising from the inability of the Company to meet obligations when they come due, or roll over funds at a reasonable cost, without incurring heightened costs. Liquidity risk also considers the stability of deposits, including the risk of losing uninsured or non-operational deposits
Market Risk	The risk of possible economic loss from adverse changes in market risk factors such as interest rates, credit spreads, foreign exchange rates, equity and commodity prices, and the risk of possible loss due to counterparty exposure. This applies to implied volatility risk, basis risk, and market liquidity risk. It includes price risk in the trading book, mortgage servicing rights, the hedge effectiveness risk associated with the mortgage book held at fair value, and impairment on private equity investments.
Reputation Risk	The risk arising from the potential that negative stakeholder opinion or negative publicity regarding the Company's business practices, whether true or not, will adversely impact current or projected financial conditions and resilience, cause a decline in the customer base, or result in costly litigation. Key stakeholders include customers, employees, communities, shareholders, regulators, elected officials, advocacy groups, and media organizations.
Strategic Risk	The risk to earnings, capital, or liquidity arising from adverse business decisions, improper implementation of strategic initiatives, or inadequate responses to changes in the external operating environment.

Stress testing methodologies

This section provides a summary of the methodologies applied to estimate capital resources and uses over the nine-quarter test horizon. Key outputs from these methodologies are pro forma balance sheets and income statements, which are used to produce capital projections, including projections of risk-weighted assets, and all regulatory and other capital ratios. In developing pro forma financial statements, the Company applies accounting practices consistent with the Company's significant GAAP accounting policies and regulatory capital rules, except where supervisory guidance specifies alternative treatments.

The Company's stress testing methodologies focus on empirically defining the relationship between macroeconomic variables and business volumes, revenues, and losses where appropriate in order to estimate outcomes that may result from the specified Scenario. We use a series of models and estimation methodologies, coupled with management judgment, to produce a comprehensive estimate of future business performance.

- Stress testing methodologies are subject to considerable uncertainties and modeling limitations, including uncertainty about the extent to which historical relationships between macroeconomic factors and business outcomes will continue to be relevant in a severely stressed economic environment and the potential for changes to customer behavior in response to changes in the environment.
- Consideration for these uncertainties and limitations when evaluating stress test results is a core part of our capital adequacy process.

Pre-provision net revenue (PPNR)

Net Interest Income	**Interest Rate Risk** As a financial intermediary, the Company is exposed to interest rate risk, which can have a significant impact on earnings. The following fundamental components drive our net interest income projections: • Yield curve changes and the associated impact on balances and pricing terms • The behavior of the existing balance sheet • Planned new business growth and pricing Forecasted product behaviors in each scenario are evaluated relative to the Company’s experience in various relevant economic environments and for consistency with business strategy. **Liquidity Risk** The Company performs an analysis to determine the specific hypothetical liquidity events that may occur under the conditions specified in the Scenario. The Company then quantifies the potential outflows of cash and the related impacts to interest income and expense that might arise by considering factors such as the runoff of consumer and commercial deposits, nonrenewal of maturing wholesale funding sources, the drawdown of committed customer lines of credit, and additional pricing stress on market funding.
Noninterest Income	Projected noninterest income largely consists of revenue generated from deposit-related fees, lending-related fees, investment advisory and other asset-based fees, commissions and brokerage fees, investment banking fees, card fees, mortgage banking income, market-sensitive revenue and all other noninterest income. The estimation process for noninterest income is based on macroeconomic and financial market variable assumptions, as well as key business performance metrics. The models we use to estimate noninterest income vary across the major noninterest income categories and are tailored to the specific underlying business activity being considered. Our models are informed by historical relationships between macroeconomic drivers and revenue streams. We then leverage data-driven approaches (where appropriate), expectations around new business and the impact of regulatory changes, and management judgment. For example, specific financial market and macroeconomic variables such as the Dow Jones U.S. Total Market Index and GDP are incorporated into the projections based on their assumed levels in the Scenario.
Noninterest Expense	Estimates of noninterest expense, primarily personnel-related expenses, are closely associated with the projected level of business activity, the overall strength or weakness of the assumed economic environment, or otherwise based on standard, defined calculations. **Operational Risk** Our operational risk loss estimation process uses a blend of quantitative and qualitative estimation methods, including scenario analysis, internal and external reference data, and informed judgment in estimating losses for operational risks that are generally not closely tied to macroeconomic factors. Given the difficulty in applying statistical techniques to a small population of loss events and the application of a qualitative, scenario-based approach which relies on informed judgment, we benchmark the projections using multiple approaches to assess reasonableness of the loss projections. **Reputation Risk** Given the difficulty in quantifying and/or predicting reputation risk-related events, we use management judgment to assess the level of reputational risk stemming from negative public perceptions of the Company brand and determining projected impacts.

Provision for credit losses

Loan Losses	When estimating loan losses, probability of default (PD), loss given default (LGD), and exposure at default (EAD) risk parameters are combined to produce loan loss estimates. Loss estimates take into consideration the unique characteristics of our commercial and consumer loan portfolio segments. For each portfolio segment, losses are estimated collectively for groups of loans with similar risk characteristics. • **Wholesale Lending: Individually Graded** – The Wholesale loan portfolio consists of two major segments for loss modeling purposes: investor/developer CRE loans and Corporate loans. Loans in the Wholesale portfolio are subject to individual risk assessments using our internal borrower and collateral quality ratings. The loss modeling framework uses a borrower risk rating transition approach to estimate the response of PDs to changing macroeconomic conditions. • **Retail Lending: Residential Real Estate** – Losses on residential first lien mortgages and home equity loans are forecasted using models which project both PD and LGD. The loss forecast model for first lien portfolios is a loan-level model that predicts the conditional probabilities of reaching loss based on national, MSA- and state-level economic variables and loan attributes. The junior lien loans and home equity lines of credit loss forecasting process leverages a loan-level model which projects PD, LGD, and EAD based on national and MSA-level variables and loan attributes. • **Retail Lending: Credit Cards** – Projected credit card loan portfolio losses are based mainly upon borrower characteristics and the impact of forecasted macroeconomic variables. An account-level model projects losses for the largest segments of this portfolio. A segment-level moving average approach is used to assign hazards based on product, delinquency status, and charge-off type for the less significant credit card segments. • **Retail Lending: Other** – Customized product models, which are mostly estimated at the loan level, are used to project losses within this diverse collection of portfolios.
Allowance for Loan and Lease Losses	The Current Expected Credit Losses (CECL) accounting standard requires an approach that incorporates expected losses for the remaining estimated life of the financial asset to determine the allowance for credit losses using historical experience, current conditions, and reasonable and supportable forecasts. In addition, an incremental estimate for qualitative factors is included in allowance estimates to reflect inherent uncertainty in the process, judgments and estimates (e.g., model risk and unforeseen changes in customer behavior).
Credit losses on investment securities	The securities portfolio primarily consists of debt securities with any losses projected through the CECL accounting standard over the stress test horizon. • Allowance on available-for-sale securities is determined by using a discounted cash flow (DCF) methodology which incorporates PD, LGD and EAD on a security-by-security basis. Positions that are non-performing or that are projected to experience adverse credit migration are evaluated for potential impairment and are assigned credit losses under the Scenario utilizing a methodology similar to that for the Wholesale Lending portfolio. • Allowance on the majority of held-to-maturity debt securities is determined by utilizing an expected loss methodology similar to that for the Wholesale Lending portfolio, which incorporates PD, LGD and EAD. No future sales of securities are assumed to occur over the test horizon in the Scenario. Therefore, in the stress test we recognize credit losses if, under Scenario conditions, we would not expect to recover the entire amortized cost basis of the security.

Market risk related losses and other changes in capital

Trading Risk	Our approach to projecting trading stress loss estimates is based upon shocking market risk factors and observing their impact on the value of the Company's trading and private equity portfolios. The trading portfolio stress loss estimate is computed using a full revaluation methodology in which the portfolio is fully repriced under the stressed market conditions. For the specified scenario, the shifts of one or more risk factors are applied simultaneously to the portfolio position and the portfolio is revalued. The difference between the base trade valuation and the post-shock valuation is the stress loss (or gain) estimate. The results are calculated for each position and aggregated to determine the stress loss estimate for the entire trading portfolio.
Counterparty Credit Risk	Counterparty related market losses occur when trading obligations are not fulfilled and is measured by the likelihood of default of our trading counterparties. Additionally, unrealized losses can also occur if either positive exposures or expected default increase due to underlying market movement. The estimation of counterparty credit risk varies across the different portfolios and is multidimensional in nature to capture the stress of exposures, the stress of credit quality, and timing. Stressing of exposures predominantly occurs through the application of shocks to market risk drivers associated with underlying trades. To calculate the losses attributed to the Largest Counterparty Default (LCD) scenario component, the net stressed exposures are calculated by applying the market risk factor shocks, which drives identification of the largest counterparty exposure. • A stressed LGD is applied and the impact of stressed Credit Valuation Adjustment for the counterparty is removed, resulting in the LCD impact. • The selected counterparty is incorporated into our Incremental Default Losses as well as our Default Fund Contribution for centrally cleared counterparties to help capture expected market contagion impacts.
Other Comprehensive Income	Our general approach to estimating stressed security prices and the impact to other comprehensive income is to combine the scenario-specific projected macroeconomic variables with granular security-by-security pricing assumptions in a DCF analysis. This process utilizes a full revaluation of each security as opposed to an approximation based on duration, convexity, and other factors.
Capital and Capital Ratios	Capital estimates are derived from quarterly pro forma financial statements generated through the stress test projection process. The resulting equity capital balance for each quarter is adjusted for certain regulatory deductions prescribed by U.S. regulatory capital rules, including goodwill, to arrive at estimated regulatory capital. The pro forma balance sheet is risk-weighted from one quarter to the next to account for changes in the overall balance sheet size and mix and for changes in off-balance sheet exposures. Assets are categorized and risk-weighted for each quarter of the nine-quarter horizon under the standardized approach. Other risk-weighted components (such as market risk and other adjustments) are also projected and included in the risk-weighted calculation process. The resulting regulatory capital estimate and risk-weighted assets are used to generate pro forma quarterly capital ratios.