

# Wells Fargo: Committed to Rebuilding Trust

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Wells Fargo was founded in California 160 years ago and remains a strong, California-based financial institution with more than 44,000 team members in the state. In September 2016, Wells Fargo released the results of an internal investigation which found that a large number of potentially unauthorized accounts may have been opened between 2011 and mid-2015. Wells Fargo voluntarily entered into consent orders with the Consumer Financial Protection Bureau (CFPB), the Office of Comptroller of the Currency (OCC) and a settlement with the Los Angeles City Attorney's Office related to the opening of the unauthorized accounts, and is taking aggressive action to address the issue. We are voluntarily expanding our reviews and remediation back to 2009 and forward through Sept. 30, 2016 — beyond the time period required by the OCC and CFPB.

## *About our initial internal investigation:*

- **Period of time in question subject to consent order:** 2011-2015
- **Number of accounts examined:** 82.7 million customer deposit accounts, 11.6 million credit card accounts and line of credit accounts, totaling 94.2 million accounts
- **Number of accounts that needed to be remediated with refunds:** approximately 130,000
- **Total amount refunded:** \$3.26 million to customers for fees incurred by potentially unauthorized deposit, credit card and line of credit accounts (average of \$25 per customer)
- **Resulting terminations:** This led to the termination over five years of 5,300 managers and team members, or just under two percent of Wells Fargo's current total workforce.

*We failed to act sooner and more boldly to correct the problems. We are working to make things right by changing the way we operate, and by taking decisive actions to restore trust with our customers, our team members and the American public.*

**Initial steps we've taken** to help impacted customers, correct what went wrong, restore trust, and build a better and stronger Wells Fargo:

**Appointed** a new leader to oversee the community banking business, and split the position of new CEO Tim Sloan from the role of Chairman, creating two separate positions.

**Terminated** four senior managers in Community Banking due to executive accountability actions related to retail sales practices.

**Eliminated** all product sales goals for retail bankers in branches and call centers.

**Removed** the cross-sell metric as a measure of success for retail bankers.

**Reached out** to 40 million retail and 3 million small business customers through statement messaging, other mailings and online communications asking them to contact us with any concerns.

**Started sending** automatic direct notifications to customers after opening a checking or savings account, and sending an acknowledgement letter for each new credit card application.

**Established** a *24/7 hotline at (877) 924-8697* to address customer concerns in real time.

**Created** a new compensation plan for retail bankers focused on customer experience, stronger oversight and controls, and team versus individual incentives.

## *In 2017, our company will continue to:*

**Expand** reviews and remediation back to 2009, and forward through Sept. 30, 2016 — beyond the time period required by the OCC and the CFPB.

**Examine** impact analysis and additional data to determine the best way to make things right with our customers whose credit scores, and credit accounts, may have been affected.

**Provide** additional third-party mediation services at no charge to our customers.

## *Next Steps*

Our company is continuing to work under the CFPB and OCC's supervision to reimburse our customers. We also retained an independent consultant to conduct an additional thorough review of the bank's sales practices. Once Wells Fargo receives the independent consultant's report, we will work with regulators to develop a plan to address any remaining sales practices issues and implement the consultant's recommendations. Efforts will focus on:

**Continuing to refund** any remaining fees related to unauthorized accounts.

**Closing** any remaining unauthorized accounts, and working with credit bureaus to correct erroneous reporting of credit accounts.

**Contacting** customers who obtained credit products with Wells Fargo or another lender while an unauthorized credit inquiry or credit account may have been impacting their credit score. The bank's intent is to err on the side of customers and compensate them for these impacts.

## *Preventing Future Problems*

Wells Fargo is developing an advanced risk management and oversight program designed to detect and prevent future sales integrity issues. We agreed with regulators that this program will require:

**Escalation** of sales practices information to senior management and the Board so problems are addressed and solved quickly.

**Collection and analysis** of risk indicator metrics and impact data to determine the best way to make things right with our customers whose credit scores and subsequent loans and other credit activity may have been affected by unauthorized account openings.

**Assessments** of the risks associated with team member incentive programs. This has already led us to eliminate sales goals and introduce a new performance plan for retail bankers based on customer service and risk management, not simply on opening new accounts.

**Reviews** of customer and team member complaints. There will be controls in place to monitor bad behavior, including more proactive monitoring and additional oversight at the regional and corporate level.

**Assessment and remediation** of customer harm after team member terminations. We've refunded \$3.26 million to customers for fees incurred by potentially unauthorized deposit, credit card and line of credit accounts. We've contacted 40,000 customers with inactive credit cards to confirm if they want to keep their cards and ensure all their concerns have been addressed. We're also examining whether any customers' FICO® scores were affected by unwanted account activity and, if so, we will address it.

**Strengthening** our corporate values statement and improving how it is communicated. We've already updated the existing companywide Code of Ethics and Business Conduct with which all our team members must comply.

We are enhancing our enterprise-wide complaints management policy and line of business procedures to improve our ability to manage, track, and respond to complaints.

Wells Fargo is fully committed to making things right. From new leaders with fresh perspective to better ways to care for customers and team members, action is being taken to build a stronger Wells Fargo.



# Frequently Asked Questions

## *How did this happen? How does Wells Fargo find itself in this situation today?*

We failed to act sooner and more boldly to correct the problems that ultimately brought us to where we are today. Here are some reasonable conclusions:

- First, we had product sales goals that sometimes resulted in behaviors and practices that did not serve our customers' or our team members' interests. We were slow to see the harm they caused.
- Second, we allowed bad practices and bad behavior to persist, because we either minimized the problem, or we failed to see the problem for what it really was – something bigger than we originally imagined.
- Third, we failed to acknowledge the role leadership played, and, as a result, many felt we blamed our team members.
- Fourth, there were warnings signs in hindsight that we should have heeded sooner.
- And finally, our workplace should have invited inspection more often and welcomed credible challenges to how we operate.

All of this was unacceptable. Our focus is now on ensuring these lessons, and others we'll learn, remain part of our ongoing conversation with team members, so we may learn from our mistakes.

## *Do these practices reflect Wells Fargo's culture – what needs to change?*

While we do not believe these practices reflect Wells Fargo's culture, we need to recognize the following:

- There are things that are broken within our culture. There are weaknesses within it that we must change.
- There are ways in which we behaved and did business that did not serve our customers, team members, investors or the many institutions and communities that rely on us to get things right.

That is not an easy thing to say, especially for a company with a long history of success like ours. But if our top priority is to restore the trust we've lost, then we need to make it safe to talk about the problems that got us here -- no matter where they began, no matter where their responsibility lies.

## *What opportunities will be given to former team members who are eligible to return?*

- As we work to restore trust in Wells Fargo, we are committed to increased transparency and engagement with our stakeholders and that includes team members.

- We are meeting with team members across our company to talk about the problems and to update them on our plans to resolve them.
- This includes assisting former team members who may be interested in returning to Wells Fargo, who left the Community Bank due to performance issues, and remain eligible for rehiring.
- We have created a special recruiting team to assist former team members that are still eligible for rehiring who left Community Banking for performance reasons.

## *What communities were targeted or adversely affected?*

We don't collect demographic information for deposit and credit card customers, but our goal is to take all necessary steps to guard against these types of practices occurring in the future.

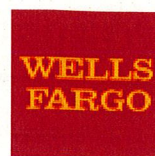
## *What was the EthicsLine's role during this time?*

While certain executives were aware of these issues going back to 2011, it was believed that the problem was more isolated than it actually was. We were wrong.

- To ensure problems like this do not get missed again, we have strengthened our lines of communication between senior executives and managers of the Community Banking division.
- We are doing a thorough review of our EthicsLine process with the help of objective, third-party experts to identify any gaps and improve our end-to-end processes.
- We've already identified a few areas in our EthicsLine process which can be strengthened. We are implementing EthicsLine system and process enhancements to further protect team members who report concerns, reduce complexity and ensure a consistent team member experience.
- We are gathering data and feedback from our team members about how they experience ethics and integrity in the workplace and will use these insights, in conjunction with our other research efforts, to inform future plans for strengthening our culture of ethics and integrity.
- We are committed to keeping team members informed about any additional findings and changes to our EthicsLine process as quickly as possible.

# Wells Fargo: We're California's Bank

For more than 160 years, Wells Fargo has remained a strong American financial institution that today has more than 44,000 team members in the state. We are a California-based, values-driven company committed to our vision of satisfying our customers' financial needs and serving our communities.



California's **#1** U.S. Small Business Association lender as of 2015

Extended **\$6.1 billion** in small business loans to California business owners in 2015

California's top mortgage lender in 2015, extending **54,116** mortgages worth **\$24.3 billion**

Invested **\$35 million** in LIFT programs since 2012 to create **1,918** homeowners in nine communities by offering homebuyer education and down payment assistance grants



A California institution for **160 years** with **44,443** current team members in the state

**\$2.07 billion** in community development lending and investments in 2015

**#1** lender to minorities and low- and moderate-income (LMI) customers in the state of California as of 2015

**241,259** Wells Fargo team member volunteer hours in 2015

Contributed **\$52.6 million** to **2,884** nonprofits and **456** communities in 2016

## Wells Fargo



### Affordable housing

Providing volunteer and financial resources to local and national nonprofit housing organizations to help low-to-moderate income households become homeowners.

### Community programs

Supporting nonprofit programs and services through local and regional philanthropic grants.

### Volunteerism

Volunteering as board members, teachers, event coordinators, and participants. We use our *Hands on Banking*® curriculum to teach financial education in our communities.

### Workforce & Economic Development

Supporting community agencies that provide job training and workforce and economic development programs. Team member volunteers teach resume building and interview skills.

Together we'll go far

