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November 28, 2016

The Honorable Elizabeth Warren
317 Hart Senate Office Building
United States Senate
Washington, DC 20510

The Honorable Bernard Sanders
332 Dirksen Senate Office Building
United States Senate
Washington, DC 20510

The Honorable Mazie K. Hirono
330 Hart Senate Office Building
United States Senate
Washington, DC 20510

The Honorable Edward J. Markey
255 Dirksen Senate Office Building
United States Senate
Washington, DC 20510

Dear Senators Warren, Sanders, Hirono and Markey:

Thank you for your letter dated October 27, 2016.

KPMG is committed to audit quality and to preserving the integrity of our capital markets and takes very seriously its role as independent auditor of Wells Fargo's financial statements and internal controls over financial reporting. KPMG also takes very seriously the conduct described in the Consumer Financial Protection Bureau (CFPB) settlement and other reports. At the outset, it is important to emphasize that not every illegal act has a meaningful impact on a company's financial statements or its system of internal controls over financial reporting. From the facts developed to date, including those set out in the CFPB settlement, the misconduct described did not implicate any key control over financial reporting and the amounts reportedly involved did not significantly impact the bank's financial statements. Most importantly, KPMG is confident that its audits and reviews of Wells Fargo's consolidated financial statements were appropriately planned and performed in accordance with applicable professional standards.

Listed below are your questions and our responses to your questions.

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1) *Was KPMG aware of any of the illegal sales practices committed by Wells Fargo employees from 2011 -2015 and addressed in the CFPB settlement?*

As part of KPMG's audits of Wells Fargo's financial statements, KPMG performed procedures to identify instances of unethical and illegal conduct. The audit team interviewed the company's chief auditor, members of the company's primary investigative department known as the Corporate Investigations Unit, the company's controller's office, attorneys in the legal department, and, at times, outside counsel. KPMG also inspected regulatory reports and interviewed the banking regulators, and reviewed reports provided to executive management and board members. These included the chief compliance officer's report to the audit committee, and reports to the bank's Audit & Examination Committee[1] (A&E Committee) containing investigations that related to accounting, internal accounting controls, auditing, whistleblower claims and claims of retaliation under the Sarbanes-Oxley Act of 2002.

As a result of these procedures, KPMG became aware of instances of unethical and illegal conduct by Wells Fargo employees, including incidents involving these improper sales practices, and we were satisfied that the appropriate members of management were fully informed with respect to such conduct. In 2013, the company initiated an investigation into potential sales misconduct (referred to as "simulated funding") in Southern California. The investigation into this "simulated funding" continued into 2014, and led to the termination of a number of employees, including branch managers and an area manager. In 2015, KPMG became aware that the City Attorney of Los Angeles had initiated a lawsuit over improper sales practices, and that the company had hired an outside consultant to review its entire sales incentive program. The audit team monitored the progress of this lawsuit and reviewed the consultant's report and the conclusions therein.

> *a) Did KPMG communicate this knowledge with top executives at Wells Fargo? If so, please provide electronic or paper copies of any and all communications.*

KPMG has not identified any information known to us that was not also known to executive management through its internal processes. Importantly, the bank's A&E Committee received reports describing instances of employee misconduct, including the sales practices issues. The A&E Committee meetings were attended by the bank's executive management, and the materials KPMG's auditors obtained were provided to executive management as well. Moreover, the 2013 investigation and the 2015 lawsuit were widely reported in the press and well known to the bank's executives.

> *b) Did you assess whether Wells Fargo had controls in place to prevent this illegal activity? What was your assessment about the quality of these controls and how well they were executed?*

As the independent auditor of Wells Fargo's financial statements and management's assessment of the effectiveness of its internal controls over financial reporting, KPMG considered the bank's controls over these practices from a financial reporting perspective. And, from a financial reporting perspective, the improper sales practices did not involve key controls over financial reporting. From the financial statement perspective, its effects were not financially significant.

The opening of an unauthorized account did not itself have an impact on Wells Fargo's financial statements. If a bank employee placed a customer's funds in one authorized account, or in many unauthorized accounts, the total amount of deposits remained constant. Only the total

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[1] The A&E Committee consists of a minimum of three Board members and meets regularly at least nine times per year.

amount of deposits is reported in the bank's financial statements. KPMG analyzed the potential impact on the financial statements of setting up unauthorized accounts, whether caused by an improper sales practice or otherwise. The audit team concluded that the potential impact of any such errors would likely be insignificant. They received additional support for this conclusion when an outside consultant calculated the potential financial impact of the improper sales practices. That consultant concluded the fees associated with unauthorized accounts were less than $5 million, and that amount had accumulated over a five-year period.

KPMG's audit team, however, did not limit their consideration to the numbers. They also looked at who was involved in the improper sales practices. None worked in financial reporting or had the ability to influence the financial reporting process.

It should be noted that a special committee of independent directors of the Board is conducting an investigation into this matter. In accordance with our professional responsibilities, KPMG's audit team is closely monitoring this investigation to determine its impact on our assessment.

2) *Did any employee of Wells Fargo mislead any employee of KPMG about the extent and impact of the unauthorized account creation addressed in the CFPB settlement during your audits?*

KPMG has not reached a conclusion as to whether any Wells Fargo employee misled our auditors about the extent and impact of the conduct described in the CFPB settlement. Any conclusion on that question will be made on the basis of all the facts developed in this matter, including the results of the special committee investigation.

3) *Has KPMG conducted any internal reviews, reexaminations, or reassessments of its Wells Fargo audits in light of the information revealed in the settlement?*

In accordance with our professional obligations, we have evaluated the information in the CFPB settlement and other reports and continue to monitor new information to determine the impact on our prior and current audits. To date this information supports KPMG's conclusions with respect to the effect that improper sales practices had on the company's financial statements and internal controls over financial reporting. The CFPB found that the fees improperly charged to customers amounted to less than $2.5 million over a five-year period, and directed Wells Fargo to place $5 million in reserve for all affected customers. These numbers are to be considered in context of the bank's reported results, which included approximately $23 billion in net income in 2015 alone. Furthermore, the CFPB settlement attributed the misconduct to employees seeking to obtain credit under the incentive-compensation program, and did not identify any person involved in the improper sales practices who was involved in or had influence over financial reporting.

As stated above, the special committee's investigation into the issues raised by the CFPB is currently ongoing. Any conclusions that KPMG reaches, including any reconsideration of the prior work, will be informed by the facts developed by that investigation. Even prior to the completion of that investigation, the facts described in the CFPB settlement and ensuing investigation are being closely monitored by KPMG's audit team and will inform KPMG's ongoing audit approach.

4) *Has KPMG faced any disciplinary action or queries from the Public Company Accounting Oversight Board (PCAOB) in relation to your audits of Wells Fargo? If so, please provide details on these actions or queries.*

KPMG has not been subject to any discipline by the PCAOB with respect to the Wells Fargo audit engagements. The Wells Fargo audit engagements are covered by the PCAOB inspection program. Since the announcement of the CFPB settlement, KPMG has had appropriate and relevant communications with the PCAOB consistent with what I have described in this letter.

5) *Based on your present knowledge of the creation of unauthorized accounts at Wells Fargo, does your firm stand by its conclusions from 2011-2015 that "Wells Fargo maintained, in all material respects, effective internal control over financial reporting"?*

Yes. Accordingly, KPMG has not withdrawn its reports on the bank's financial statements or management's assessment of the effectiveness of its internal controls over financial reporting. As detailed above, the facts developed thus far with respect to the improper sales practices do not implicate the effectiveness of internal controls over financial reporting. Of course, in accordance with our professional obligations, KPMG will continue to monitor the situation, with particular attention to the investigation by the special committee.

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Thank you for your letter. I appreciate the opportunity to respond to your questions.

Sincerely,

Lynne M. Doughtie
Chairman and CEO
KPMG LLP