Wells Fargo & Company

Basel III Pillar 3
Regulatory Capital Disclosures

For the quarter ended June 30, 2019

Table of Contents

03 Disclosure Map
06 Introduction
06 Executive Summary
07 Company Overview
07 Basel III Overview
13 Capital Requirements and Management
15 Capital Summary
17 Credit Risk
17 Overview
19 Wholesale Credit Risk
21 Retail Credit Risk
23 Historical Credit Results
25 Counterparty Credit Risk
29 Securitization Credit Risk
33 Equity Credit Risk
37 Operational Risk
39 Market Risk
45 Supplementary Leverage Ratio
47 Glossary of Acronyms
48 Forward-Looking Statements

Any reference to "Wells Fargo," "the Company," "we," "our," or "us" in this Report, means Wells Fargo & Company and Subsidiaries (consolidated). When we refer to the "Parent," we mean Wells Fargo & Company. See the Glossary of Acronyms for definitions of terms used throughout this Report. This Report contains forward-looking statements, which may include our current expectations and assumptions regarding our business, the economy, and other future conditions. Please see the "Forward-Looking Statements" section for more information, including factors that could cause our actual results to differ materially from our forward-looking statements.

Disclosure Map

The table below shows where disclosures related to topics addressed in this Pillar 3 disclosure report can be found in our second quarter 2019 Form 10-Q and our 2018 Form 10-K.

Pillar 3 Requirement	Pillar 3 Report Page	Pillar 3 Requirement Description	Second Quarter 2019 Form 10 Q Reference	2018 Form 10 K Reference
Scope of Application/ Capital Structure & Capital Adequacy	6-12	Overview	Risk Management, Capital Management, Other Regulatory Capital Matters, Note 1, and Note 3	Risk Management, Risk Management Framework, Board and Management-level Committee Structures, Board Oversight of Risk, Management Oversight of Risk, Capital Management, Note 1, and Note 3
	13-14	Capital Management and Structure	Risk Management, Capital Management, Capital Planning and Stress Testing, and Note 17	Risk Management, Risk Management Framework, Board and Management-level Committee Structures, Board Oversight of Risk, Management Oversight of Risk, Capital Management, Capital Planning and Stress Testing, Note 19, and Note 20
	15-16	Measurement of Capital/RWA		
Credit Risk: General Disclosures	17-25	Credit Risk Management Overview	Credit Risk Management, Asset/Liability Management, and Note 1	Credit Risk Management, Model Risk Management, Asset/Liability Management, and Note 1
	18	Exposure types/Impaired Loans and ALLL	Note 5, Note 6, Note 15, and Table 27	Note 5, Note 6, Note 17, and Table 35
	18	Industry and Geographic distribution	Note 5, Note 15, Table 1, Table 8, Table 12, Table 13, Table 14, Table 16, Table 20, Table 22, and Table 26	Note 5, Note 17, Table 5, Table 13, Table 18, Table 19, Table 20, Table 22, Table 26, Table 29, and Table 34
Credit Risk: Internal Ratings-Based	17-25	Credit Risk Management	Credit Risk Management, Asset/Liability Management, and Note 1	Credit Risk Management, Model Risk Management, Asset/Liability Management, and Note 1
	17-25	Credit Quality Overview	Table 27	Table 35
Counterparty Credit Risk	25-26	Overview		
	26-29	Counterparty Credit Risk Management/Collateral	Note 15	Note 17
Credit Risk Mitigation	—	Guarantees and Credit Derivatives	Note 13	Off-Balance Sheet Arrangements and Note 17
Securitization	29-31	Objectives and Roles	Note 1 and Note 10	Note 1 and Note 9
	29-33	Risk Management and Methodology		
	31-33	Accounting, Valuation, and Current Period Activity	Note 10	Note 9
	32-33	Assets Securitized and Resecuritized	Note 10	Note 9
Equity	33-34	Summary of Significant Accounting Policies	Note 1 and Note 8	Note 1 and Note 8
	35-36	Nonmarketable and Marketable Equity Securities		
	35-36	Realized and Unrealized Gains/(Losses)	Market Risk - Equity Securities and Note 8	Market Risk - Equity Securities and Note 8
Operational Risk	37-38	Operational Risk		Operational Risk Management
Market Risk	39-44	Market risk	Market Risk, and Market Risk - Trading Activities	Risk Management Framework, Board Oversight of Risk, Management Oversight of Risk, Market Risk, and Market Risk - Trading Activities
Interest Rate Risk for Non-Trading Activities	—	Overview	Interest Rate Risk	Interest Rate Risk
	—	Earnings Sensitivity	Asset/Liability Management and Table 29	Asset/Liability Management and Table 37
Supplementary Leverage Ratio	45-46	Supplementary Leverage Ratio	Capital Management	Capital Management

The tables below provide page references to our second quarter 2019 Form 10-Q and our 2018 Form 10-K for certain topics and financial information listed in the table on the previous page.

Second Quarter 2019 Form 10-Q		Page Reference
Management's Discussion and Analysis		
Credit Risk Management		24-43
Asset/Liability Management		43-48
Interest Rate Risk		43-44
Market Risk - Trading Activities		44-45
Market Risk - Equity Securities		45-46
Capital Management		49-54
Other Regulatory Capital Matters		53
Capital Planning and Stress Testing		53-54
Table 1	Average Balances, Yields and Rates Paid (Taxable-Equivalent Basis)	8
Table 8	Maturities for Selected Commercial Loan Categories	21
Table 12	Commercial and Industrial Loans and Lease Financing by Industry	26
Table 13	CRE Loans by State and Property Type	27
Table 14	Select Country Exposures	29
Table 16	Real Estate 1-4 Family First and Junior Lien Mortgage Loans by State	30
Table 20	Junior Lien Mortgage Line and Loan and First Lien Mortgage Line Portfolios Payment Schedule	34
Table 22	Analysis of Changes in Nonaccrual Loans	36
Table 26	Loans 90 Days or More Past Due and Still Accruing	40
Table 27	Net Charge-offs	41
Table 29	Net Interest Income Sensitivity Over Next Two-Year Horizon Relative to Base Expectation	44
Forward-Looking Statements		58-59
Notes to Consolidated Financial Statements		
Note 1	Summary of Significant Accounting Policies	69-71
Note 3	Cash, Loan and Dividend Restrictions	72
Note 5	Available-for-Sale and Held-to-Maturity Debt Securities	74-79
Note 6	Loans and Allowance for Credit Losses	80-93
Note 6	Table 6.5 (Allowance for Credit Losses)	82
Note 8	Equity Securities	96-97
Note 10	Securitizations and Variable Interest Entities	99-105
Note 13	Guarantees, Pledged Assets and Collateral, and Other Commitments	110-113
Note 15	Derivatives	119-128
Note 17	Preferred Stock	149-151

2018 Form 10-K		Page Reference
Management's Discussion and Analysis		
Off-Balance Sheet Arrangements		69-70
Risk Management		71-102
Risk Management Framework		71
Board and Management-level Committee Structure		71-72
Board Oversight of Risk		72
Management Oversight of Risk		73
Operational Risk Management		73-74
Model Risk Management		74-75
Credit Risk Management		75-95
Asset/Liability Management		95-102
Market Risk		98
Market Risk - Trading Activities		98-99
Market Risk - Equity Securities		99-100
Capital Management		102-109
Capital Planning and Stress Testing		108-109
Risk Factors		120-136
Table 35	Net Charge-offs	92
Notes to Consolidated Financial Statements		
Note 1	Summary of Significant Accounting Policies	147-159
Note 3	Cash, Loan and Dividend Restrictions	160
Note 6	Loans and Allowance for Credit Losses	170-186
Note 6	Table 6.5 (Allowance for Credit Losses)	173
Note 15	Guarantees, Pledged Assets and Collateral, and Other Commitments	209-213
Note 19	Preferred Stock	249-251
Note 20	Common Stock and Stock Plans	252-255

Introduction

Executive Summary

The Pillar 3 disclosures included within this Report are required by the regulatory capital rules issued by the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (FRB) (collectively, the Agencies), and the Federal Deposit Insurance Corporation (FDIC), and are designed to comply with the rules and regulations associated with the Basel III capital adequacy framework, which prescribed these disclosures under its Pillar 3 - Market Discipline rules. These disclosures should be read in conjunction with our Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 (second quarter 2019 Form 10-Q) and our Annual Report on Form 10-K for the year ended December 31, 2018 (2018 Form 10-K). The Pillar 3 disclosures provide qualitative and quantitative information about regulatory capital calculated under the Advanced Approach for second quarter 2019.

At June 30, 2019, we calculated our Common Equity Tier 1 (CET1), tier 1 and total capital ratios in accordance with the Standardized and Advanced Approaches. The lower of each ratio calculated under the two approaches is used in the assessment of our capital adequacy. The CET1, tier 1, and total capital ratios were lower under the Standardized Approach. Table 1 summarizes CET1, tier 1, total capital, risk-weighted assets (RWAs), and the respective capital ratios under the Advanced and Standardized Approaches at June 30, 2019. The capital ratios set forth in Table 1 exceed the minimum required capital ratios for CET1, tier 1, and total capital ratios, respectively.

Table 1: Capital Components and Ratios Under Basel III (1)

(in millions, except ratios)		Advanced Approach (June 30, 2019)	Standardized Approach (June 30, 2019)	
Common Equity Tier 1 Capital	$	**149,183**	**149,183**	
Tier 1 Capital		**170,675**	**170,675**	
Total Capital		**200,810**	**208,817**	
Risk-Weighted Assets		**1,182,838**	**1,246,683**	
Common Equity Tier 1 Capital Ratio		**12.61%**	**11.97%**	*
Tier 1 Capital Ratio		**14.43**	**13.69**	*
Total Capital Ratio		**16.98**	**16.75**	*

(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.

* Denotes the lowest capital ratio determined under the Advanced and Standardized Approaches.

In addition, under supplementary leverage ratio (SLR) requirements, which required disclosure beginning in 2015, the Company's SLR was 7.75% at June 30, 2019, calculated under the Advanced Approach capital framework. The SLR rule, which became effective on January 1, 2018, requires a covered bank holding company to maintain a minimum SLR of at least 5.0% to avoid restrictions on capital distributions and discretionary bonus payments. The rule also requires that all of our insured depository institutions maintain a SLR of at least 6.0% under applicable regulatory capital adequacy guidelines. Based on our review, our current leverage levels would exceed the applicable requirements for each of our insured depository institutions.

In December 2016, the FRB finalized rules to address the amount of equity and unsecured long-term debt a U.S. G-SIB must hold to improve its resolvability and resiliency, often referred to as Total Loss Absorbing Capacity (TLAC). As of June 30, 2019, our eligible external TLAC as a percentage of total risk-weighted assets was 24.09% compared with a required minimum of 22.0%. For additional information, see the "Other Regulatory Capital Matters" section in Management's Discussion and Analysis to our second quarter 2019 Form 10-Q.

Company Overview

Wells Fargo & Company is a diversified, community-based financial services company with $1.92 trillion in assets. Founded in 1852 and headquartered in San Francisco, we provide banking, investment and mortgage products and services, as well as consumer and commercial finance, through 7,600 locations, more than 13,000 ATMs, digital (online, mobile, and social), and contact centers (phone, email, and correspondence), and we have offices in 32 countries and territories to support customers who conduct business in the global economy. With approximately 263,000 active, full-time equivalent team members, we serve one in three households in the United States and ranked No. 29 on *Fortune's* 2019 rankings of America's largest corporations. We ranked fourth in assets and third in the market value of our common stock among all U.S. banks at June 30, 2019.

Wells Fargo manages a variety of risks that can significantly affect our financial performance and our ability to meet the expectations of our customers, stockholders, regulators, and other stakeholders. We operate under a Board approved risk management framework which outlines our company-wide approach to risk management and oversight, and describes the structures and practices employed to manage current and emerging risks inherent to Wells Fargo. A discussion of our risk management framework and culture is provided in the "Risk Management," "Risk Management Framework," "Board and Management-level Committee Structure," "Board Oversight of Risk," and "Management Oversight of Risk" sections in Management's Discussion and Analysis to our 2018 Form 10-K, and is applicable to our management of the conduct, operational, compliance, credit, and asset/liability management risks as discussed in this Report.

Basel III Overview

The Company is subject to final and interim final rules issued by the Agencies and FDIC to implement the Basel Committee on Banking Supervision (BCBS) Basel III capital requirements for U.S banking organizations (Final Rule). Basel III establishes a capital adequacy framework, which provides for measuring required capital under two approaches applied in a phased manner encouraging market discipline. These approaches consist of the Advanced Approach and Standardized Approach. The Advanced Approach is only applicable to banking organizations with consolidated assets greater than $250 billion or with foreign exposures exceeding $10 billion on their balance sheet. See the "Capital Management" section in Management's Discussion and Analysis to our second quarter 2019 Form 10-Q and our 2018 Form 10-K for additional information concerning various regulatory capital adequacy rules applicable to us.

In the assessment of our capital adequacy, we must report the lower of our CET1, tier 1, and total capital ratios calculated under the Standardized Approach and under the Advanced Approach. As of June 30, 2019, our CET1, tier 1, and total capital ratios were lower under the Standardized Approach. The capital requirements that apply to us can change in future reporting periods as a result of these rules, and the tables within this report include RWAs information under the Advanced Approach.

The Final Rule is part of a comprehensive set of reform measures and regulations intended to improve the banking sector's ability to absorb shocks arising from financial and economic stress, improve risk management and governance, and strengthen banks' transparency and disclosures. To achieve these objectives, the Final Rule, among other things, requires on a fully phased-in basis:

- A minimum CET1 ratio of 9.0%, comprised of a 4.5% minimum requirement plus a capital conservation buffer of 2.5% and for us, as a global systemically important bank (G-SIB), a capital surcharge to be calculated annually, which is 2.0% for 2019;
- A minimum tier 1 capital ratio of 10.5%, comprised of a 6.0% minimum requirement plus the capital conservation buffer of 2.5%, and the G-SIB capital surcharge of 2.0%;
- A minimum total capital ratio of 12.5%, comprised of a 8.0% minimum requirement plus the capital conservation buffer of 2.5%, and the G-SIB capital surcharge of 2.0%;
- A potential countercyclical buffer of up to 2.5% to be added to the minimum capital ratios, which is currently not in effect but could be imposed by regulators at their discretion if it is determined that a period of excessive credit growth is contributing to an increase in systemic risk;
- A minimum tier 1 leverage ratio of 4.0%; and
- A minimum SLR of 5.0% (comprised of a 3.0% minimum requirement plus a supplementary leverage buffer of 2.0%) for large and internationally active bank holding companies (BHCs).

On April 10, 2018, the FRB issued a proposed rule that would add a stress capital buffer and a stress leverage buffer to the minimum capital and tier 1 leverage ratio requirements. The buffers would be calculated based on the decrease in a financial institution's risk-based capital and tier 1 leverage ratios under the supervisory severely adverse scenario in the Comprehensive Capital Analysis and Review (CCAR), plus four quarters of planned common stock dividends. The stress capital buffer would replace the 2.5% capital conservation buffer under the Standardized Approach, whereas the stress leverage buffer would be added to the current 4% minimum tier 1 leverage ratio.

Because the Company has been designated as a G-SIB, we are also subject to the FRB's rule implementing the additional capital surcharge of between 1.0-4.5% on the minimum capital requirements of G-SIBs. Under the rule, we must annually calculate our surcharge under two methods and use the higher of the two surcharges. The first method (method one) considers our size, interconnectedness, cross-jurisdictional activity, substitutability, and complexity, consistent with the methodology developed by the BCBS and the Financial Stability Board (FSB). The second (method two) uses similar inputs, but replaces substitutability with use of short-term wholesale funding and will generally result

in higher surcharges than the BCBS methodology. The G-SIB surcharge became fully phased-in on January 1, 2019. Our 2019 G-SIB surcharge under method two is 2.0% of the Company's risk-weighted assets (RWAs), which is the higher of method one and method two. Because the G-SIB surcharge is calculated annually based on data that can differ over time, the amount of the surcharge is subject to change in future years.

The Company is not subject to any limitations on capital distributions and discretionary bonus payments under the Final Rule as our capital ratios at June 30, 2019 exceeded the minimum required capital ratios with transition requirements by 297 bps for CET1, 319 bps for tier 1 capital, and 425 bps for total capital under the Standardized Approach.

The following table presents the minimum required capital ratios, with transition requirements, and their anticipated phase-in through 2019:

	2015	2016	2017	2018	2019 (1) (2)
Common Equity Tier 1 Capital	4.500%	5.625%	6.750%	7.875%	9.000%
Tier 1 Capital	6.000%	7.125%	8.250%	9.375%	10.500%
Total Capital	8.000%	9.125%	10.250%	11.375%	12.500%

(1) As of January 1, 2019, under transition requirements, the CET1, tier 1, and total capital minimum ratio requirements for Wells Fargo & Company include a capital conservation buffer of 2.500% and a G-SIB surcharge of 2.000%.

(2) These minimum required capital ratios assume that no countercyclical buffer has been imposed, a G-SIB surcharge of 2.0%, and a capital conservation buffer of 2.5%.

The Final Rule is structured around three Pillars as follows:

- **Pillar 1 - Minimum Capital Adequacy Standards:** Relative to Basel I, Basel III requires banks to develop more refined approaches to quantifying the capital requirements for credit risk, and also introduces a capital charge for operational risk under the Advanced Approach, which was not included in Basel I.
- **Pillar 2 - Internal Capital Adequacy Assessment Process:** Pillar 2 modifies Pillar 1 capital requirements to include idiosyncratic risk in addition to risks banks face that are not included in Pillar 1 (e.g., interest rate risk on the banking book). Pillar 2 is principle-based and places significant emphasis not just on the calculations of capital, but also the calculation processes and the mechanisms management uses to assure itself that Wells Fargo is adequately capitalized. In accordance with Pillar 2, Wells Fargo is required to develop and maintain an Internal Capital Adequacy Assessment Process (ICAAP) to support the assessment of its capital adequacy. Furthermore, Pillar 2 outlines principles of supervisory review to monitor the banks' capital and evaluate the banks' management of risks through the use of internal control processes.
- **Pillar 3 - Market Discipline:** The objective of Pillar 3 is to improve risk disclosure in order to permit market forces to exert pressure on insufficiently capitalized banks. This results in the establishment of new minimum requirements for qualitative and quantitative disclosures to be made available to the public that contain the outcome of capital calculations and risk estimates, as well as the methods and assumptions used in performing those calculations. Wells Fargo was required to comply with the Final Rule beginning January 1, 2014, with certain provisions subject to phase-in periods. In January 2015, the BCBS issued phase 1 of the

Pillar 3 disclosure requirements, and phase 2 was finalized in March 2017. Phase 3 of the Pillar 3 disclosure requirements was finalized in December 2018, with an implementation deadline of January 1, 2022. These revisions will enable market participants to compare banks' disclosures of risk-weighted assets and improve transparency of the internal model-based approaches that banks use to calculate minimum regulatory capital requirements. The Agencies have not yet published the proposed rules to implement the revised requirements issued by the BCBS.

Scope of Application of Basel III

The Basel III framework applies to Wells Fargo & Company and its subsidiary banks. Wells Fargo & Company's subsidiary banks are Wells Fargo Bank, National Association (Wells Fargo Bank, N.A.), Wells Fargo Bank South Central, National Association (Wells Fargo Bank South Central, N.A.), Wells Fargo Trust Company, National Association (Wells Fargo Trust Company, N.A.), Wells Fargo National Bank West, and Wells Fargo Bank, Ltd.

The basis of consolidation used for regulatory reporting is the same as that used under U.S. Generally Accepted Accounting Principles (GAAP). We currently do not have any unconsolidated entities whose capital is deducted from the Company's total capital except for certain insurance subsidiaries. For additional information on our basis for consolidating entities for accounting purposes, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our second quarter 2019 Form 10-Q and our 2018 Form 10-K. For information regarding restrictions or other major impediments on the transfer of funds and capital distributions, see Note 3 (Cash, Loan and Dividend Restrictions) to Financial Statements in our second quarter 2019 Form 10-Q and our 2018 Form 10-K.

Capital under Basel III

Basel III modified earlier rules by narrowly defining qualifying capital and increasing capital requirements for certain exposures. CET1 capital primarily includes common stockholders' equity, accumulated other comprehensive income (AOCI), and retained earnings less deductions for certain items such as goodwill, gains related to securitization transactions, intangibles, and minority interest, as well as certain items exceeding specified thresholds including: mortgage servicing rights (MSRs), deferred tax assets (DTAs), and investments in financial institutions as defined by the Final Rule. Tier 1 capital consists of CET1 capital in addition to capital instruments that qualify as tier 1 capital such as preferred stock. Tier 2 capital includes qualifying allowance for credit losses and long-term debt and other instruments qualifying as tier 2 capital. Total capital is the sum of tier 1 and tier 2 capital. The requirements of CET1 capital, tier 1 capital, and total capital are subject to a phase-in period that began on January 1, 2014 and concludes on December 31, 2021. Beginning January 1, 2018, the requirements for calculating CET1 and tier 1 capital, along with RWAs, became fully phased-in.

Risk-Weighted Assets under Basel III

Compared with the Standardized Approach, the calculation of RWAs under the Advanced Approach requires that applicable banks employ robust internal models for risk quantification. The significant differences in the two approaches consist of the following:

- Credit Risk: under the Advanced Approach, credit risk RWA is calculated using risk-sensitive calculations that rely upon internal credit models based upon the Company's experience with internal rating grades, whereas under the Standardized Approach, credit risk RWA is calculated using risk-weights prescribed in the Final Rule that vary by exposure type;
- Operational Risk: the Advanced Approach includes a separate operational risk component within the calculation of RWAs, while the Standardized Approach does not;
- Credit Valuation Adjustment (CVA) capital charge: the Advanced Approach for counterparty credit risk includes a capital charge for CVA and the Standardized Approach does not; and
- Add-on Multiplier: under the Advanced Approach, a 6% add-on multiplier is applied to all components of credit risk RWAs other than the CVA component.

The primary components of RWAs under the Advanced Approach include:

- Credit Risk RWAs, which reflect the risk of loss associated with a borrower or counterparty default (failure to meet obligations in accordance with agreed upon terms) and is presented by exposure type including wholesale credit risk, retail credit risk, counterparty credit risk, securitization credit risk, equity credit risk, and other assets;
- Market Risk RWAs, which reflect 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 risk; and
- Operational Risk RWAs, which reflect the risk of loss resulting from inadequate or failed internal controls and processes, people and systems, or resulting from external events.

Transitional Period for Basel III

The Final Rule provides for a transitional period for certain elements of the rule calculations extending through the end of 2021, at which point the capital requirements become fully phased-in, as demonstrated in the diagram below. 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.

		Transitional Period		Fully Phased-in
		2014	2015-2017	2018 & beyond
Capital (Numerator)		Basel III Transitional Capital		Basel III Capital (1)
Risk-Weighted Assets (Denominator)	Standardized Approach	Basel I With 2.5 (2)	Basel III Standardized	
	Advanced Approach (3)	Basel III Advanced		

(1) Trust preferred securities (TruPS) and other non-qualifying capital instruments to be phased-out by December 31, 2021.
(2) Refers to the Final Market risk rule issued August 30, 2012. Collectively, this approach is referred to as the "General Risk-Based Capital Approach".
(3) Only firms that have exited parallel are allowed to use the Advanced Approach.

Capital Requirements and Management

Wells Fargo's objective in managing its capital is to maintain capital at an amount commensurate with our risk profile and risk tolerance objectives, and to meet both regulatory and market expectations. We primarily fund our regulatory capital needs through the retention of earnings net of both dividends and share repurchases, as well as through the issuance of preferred stock, long-term debt and other qualifying instruments. We manage capital to meet internal capital targets with the goal of ensuring that sufficient capital reserves remain in excess of regulatory requirements and applicable internal buffers (set in excess of minimum regulatory requirements by the Company's Board of Directors). There are operational and governance processes in place designed to manage, forecast, monitor, and report to management and the Company's Board of Directors capital levels in relation to regulatory requirements and capital plans.

The Company and each of its insured depository institutions are subject to various regulatory capital adequacy requirements administered by the Agencies and the FDIC. Risk-based capital guidelines establish a risk-adjusted ratio relating capital to different categories of assets and off-balance sheet exposures. Our capital adequacy assessment process contemplates material risks that the Company is exposed to and also takes into consideration our performance under a variety of stressed economic conditions, as well as regulatory expectations and guidance.

Capital Management

Wells Fargo actively manages capital through a comprehensive process for assessing its overall capital adequacy. Our Capital Management Committee (CMC) and Corporate Asset/Liability Management Committee (ALCO), each overseen by the Finance Committee of our Board of Directors (Board), provide oversight of our capital management framework. CMC recommends our capital objectives and strategic actions to the Finance Committee for approval, establishes our capital targets and triggers, and sets the capital policy. ALCO reviews the actual and forecasted capital levels every month, and together with CMC, monitors capital against regulatory requirements and internal triggers for signs of stress. CMC and ALCO review the Company's capital management performance against objectives to ensure alignment with the expectations and guidance offered by regulatory agencies and our Board. The Company's annual capital plan serves as our primary planning tool to establish and test our capital strategy relative to our capital policy and provides a comprehensive discussion of our capital targets. Throughout the year, progress against our capital plan is monitored and reported to executive management, CMC, ALCO, and our Board. Our capital plan incorporates baseline forecasts as well as forecasts under stress, in order to assess our capital position under multiple economic conditions. Our Board's Risk Committee, Finance Committee, and Credit Committee meet regularly throughout the year to establish the risk appetite, and the Finance Committee and Credit Committee review the results of stress testing in order to evaluate and oversee the management of the Company's projected capital adequacy. For information on the terms and conditions of our regulatory capital instruments, refer to Note 17 (Preferred Stock) to

Financial Statements in our second quarter 2019 Form 10-Q and to Note 19 (Preferred Stock) and Note 20 (Common Stock and Stock Plans) to Financial Statements in our 2018 Form 10-K. For a discussion on our risk management framework, see the “Risk Management,” “Risk Management Framework,” “Board and Management-level Committee Structure,” “Board Oversight of Risk,” and “Management Oversight of Risk” sections in Management's Discussion and Analysis to our 2018 Form 10-K.

Additionally, the Company’s Capital Reporting Committee (CRC) provides oversight of the regulatory capital calculation results and capital calculation disclosures. The CRC reports directly to the Regulatory and Risk Reporting Oversight Committee (RRROC), a management-level governance committee overseen by the Audit and Examination Committee of the Company’s Board. The RRROC provides oversight of Wells Fargo’s regulatory reporting and disclosures, and assists senior management in fulfilling their responsibilities for oversight of the regulatory financial reports and disclosures made by the Company.

Wells Fargo & Company is the primary provider of capital to its subsidiaries. However, each of the Company’s insured depository institutions manages its own capital to support planned business growth and meet regulatory requirements within the context of the Company’s annual capital plan. For additional information on our capital management, see the “Capital Management” section in Management's Discussion and Analysis to our second quarter 2019 Form 10-Q and our 2018 Form 10-K.

Internal Capital Adequacy Assessment Process (ICAAP)

Our internal capital adequacy assessment process, referred to as ICAAP, is designed to identify our exposure to material risks and evaluate the capital resources available to absorb potential losses arising from those risks. Semiannually, we execute company-wide capital stress tests as a key analytical tool to assess our capital adequacy relative to our risk profile and risk appetite. Company-wide capital stress testing is a forward-looking assessment of the potential impact of adverse events and circumstances on Wells Fargo’s capital adequacy. The key outputs from stress testing are pro forma balance sheets and income statements prepared consistent with U.S. GAAP, which are then used to evaluate capital adequacy.

Comprehensive Capital Analysis and Review

In addition to its use in Wells Fargo’s ongoing ICAAP, company-wide capital stress testing also supports the FRB’s annual CCAR, the FRB’s ‘Mid-Cycle Stress Test’ as required by the Dodd-Frank Act, and the OCC Annual Stress Test, including related regulatory reporting requirements and disclosure by Wells Fargo of stress testing methodologies and certain adverse scenario results.

For details on our CCAR process, refer to the “Capital Planning and Stress Testing” section in Management's Discussion and Analysis to our second quarter 2019 Form 10-Q and our 2018 Form 10-K.

Capital Summary

Table 2 shows the adequacy of risk-based capital for Wells Fargo & Company and its insured depository subsidiaries under the Advanced Approach at June 30, 2019.

Table 2: Capital Adequacy of Wells Fargo & Company and its Insured Depository Subsidiaries (1) June 30, 2019

Advanced Approach (in millions, except ratios)		CET 1 Capital (2)	Tier 1 Capital (3)	Total Capital (4)	Advanced Approach RWAs (5)	CET1 Capital Ratio (6)	Tier 1 Capital Ratio (7)	Total Capital Ratio (8)
Wells Fargo & Company	$	149,183	170,675	200,810	1,182,838	12.61%	14.43%	16.98%
Wells Fargo Bank, N.A.		146,505	146,505	159,090	1,059,642	13.83	13.83	15.01
Wells Fargo Bank South Central, N.A.		758	758	758	1,964	38.58	38.58	38.59
Wells Fargo Trust Company, N.A.		1,209	1,209	1,209	510	237.13	237.13	237.13
Wells Fargo National Bank West		1,416	1,416	1,416	2,681	52.81	52.81	52.81
Wells Fargo Bank, Ltd.		542	542	542	953	56.87	56.87	56.87

(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.
(2) Common Equity Tier 1 capital (CET1 capital) consists of common shares issued and additional paid-in capital, retained earnings, and other reserves excluding cash flow hedging reserves, less specified regulatory adjustments.
(3) Tier 1 capital is the sum of CET1 capital and additional tier 1 capital.
(4) Total capital is defined as tier 1 capital plus tier 2 capital.
(5) Total Risk-Weighted Assets (RWA) under Advanced Approach includes the 6% credit risk multiplier where applicable.
(6) CET1 capital ratio = CET1 capital / RWA.
(7) Tier 1 capital ratio = Tier 1 capital / RWA.
(8) Total capital ratio = Total capital / RWA.

Table 3 provides information regarding the components of capital used in calculating CET1 capital, tier 1 capital, tier 2 capital, and total capital under the Advanced Approach for Wells Fargo & Company at June 30, 2019.

Table 3: Total Regulatory Capital Base (1) June 30, 2019

(in millions)		Risk-Based Capital
Common stock plus related surplus, net of treasury stock	$	14,908
Retained earnings		164,551
Accumulated other comprehensive income (AOCI)		(2,224)
Common Equity Tier 1 capital (CET1) before regulatory adjustments and deductions		**177,235**
Less: Goodwill (net of associated deferred taxes)		27,327
Other (includes intangibles, net gain/loss on cash flow hedges)		725
Total adjustments and deductions for Common Equity Tier 1 capital		**28,052**
CET1 capital		**149,183**
Additional Tier 1 capital instruments plus related surplus		21,807
Less: Total additional Tier 1 capital deductions		315
Additional Tier 1 capital		**21,492**
Tier 1 capital		**170,675**
Tier 2 capital before regulatory adjustments and deductions		30,338
Less: Total Tier 2 capital deductions		203
Tier 2 capital		**30,135**
Total capital	**$**	**200,810**

(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.

Table 4 presents information on the RWAs components included within our regulatory capital ratios under the Advanced Approach on a fully phased-in basis for Wells Fargo & Company at June 30, 2019.

Table 4: Risk-Weighted Assets by Risk Type - Advanced Approach

		June 30, 2019
(in millions)		**Advanced Approach RWAs**
Credit Risk-Weighted Assets		
Wholesale exposures:		
Corporate	$	290,198
Bank		9,720
Sovereign		3,400
Income Producing Real Estate		99,896
High Volatility Commercial Real Estate		4,531
Total Wholesale exposures		**407,745**
Retail exposures:		
Residential mortgage - first lien		54,495
Residential mortgage - junior lien		2,315
Residential mortgage - revolving		30,216
Qualifying revolving (1)		43,744
Other retail		65,850
Total Retail exposures		**196,620**
Counterparty exposures:		
OTC Derivatives		15,141
Margin loans and repo style transactions		10,952
Cleared transactions (2)		2,049
Unsettled Trades		30
Total Counterparty exposures		**28,172**
Credit Valuation Adjustments (CVA)		**18,054**
Securitization exposures		**39,431**
Equity exposures		**44,930**
Other exposures (3)		**67,102**
Total Credit Risk-Weighted Assets		**802,054**
Market risk		**43,209**
Operational risk		**337,575**
Total Risk-Weighted Assets (Advanced Approach)	**$**	**1,182,838**

(1) Qualifying revolving exposures are unsecured revolving exposures where the undrawn portion of the exposure is unconditionally cancellable by the bank.

(2) Includes Derivative and Repo exposures to Central Counterparties with RWAs of $753 million and $41 million, respectively. Default fund contribution to counterparties resulted in RWAs of $1,255 million, which is also included.

(3) Other exposures include other assets, non-deducted Intangibles, and Mortgage Servicing Rights.

Credit Risk

Overview

We define credit risk as 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 our assets and exposures such as debt security holdings, certain derivatives, and loans. Our loan portfolios represent the largest component of assets on our balance sheet for which we have credit risk. A key to our credit risk management is our adherence to a well-controlled underwriting process, which we believe is appropriate for the needs of customers as well as investors who purchase loans or securities collateralized by the loans we underwrite. Our processes are designed to only approve applications and make loans if we believe the customer has the ability to repay the loan or line of credit in accordance with all of its contractual terms. Our ongoing methods for monitoring and measuring various forms of credit risks are discussed by respective credit risk type in subsequent sections.

The Company's credit risk management oversight process is governed centrally, but provides for decentralized management and accountability by our lines of business. Under Wells Fargo's credit risk management operating model, each business group and enterprise function is responsible for identifying, assessing, managing, and mitigating the credit risk associated with its activities. Independent Risk Management establishes, implements, and maintains the company's risk management program, oversees each business groups and enterprise function's execution of its risk management responsibilities, and provides independent and credible challenge of credit risk decisions through the Corporate Risk function. The overall credit process includes comprehensive credit policies, disciplined credit underwriting, frequent and detailed risk measurement and modeling, extensive credit training programs, and a continual independent loan review and audit process. In addition, regulatory examiners review and perform detailed tests of our credit underwriting and loan administration processes.

The Company uses numerous control processes to monitor and validate its systems on an ongoing basis. These control processes are independent of the development, implementation, and operation of the Advanced Internal Ratings Based (A-IRB) systems. Under the A-IRB systems, risk parameters (probability of default - PD, loss given default - LGD, and exposure at default - EAD) are calculated using internal models. We rely on historical data along with external benchmarks, such as agency reports and macroeconomic data, to develop and implement these models, and various corporate risk groups are responsible for independent model validation (Corporate Model Risk, or CMoR) and ongoing performance monitoring (Corporate Functional Model Oversight, or CFMO).

For additional information about our credit risk management and practices, accounting policies, and current exposures as reported under U.S. GAAP, refer to the "Credit Risk Management" section in Management's Discussion and Analysis to our second quarter 2019 Form 10-Q and our 2018 Form 10-K . The following provides specific references:

Accounting Policies

- Refer to Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our second quarter 2019 Form 10-Q and our 2018 Form 10-K for a summary of our significant accounting policies, including policy discussion on nonaccrual and past due loans, as well as returning nonaccrual loans to accrual status, impaired loans, and loan charge-off policies.

Total Credit Risk Exposures, Impaired Loans, Net Charge-offs, and Allowance for Credit Losses

- Debt Securities - refer to Note 5 (Available-for-Sale and Held-to-Maturity Debt Securities) to Financial Statements in our second quarter 2019 Form 10-Q;
- Credit Exposure and Impaired Loans - refer to Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in our second quarter 2019 Form 10-Q;
- Derivatives - refer to Note 15 (Derivatives) to Financial Statements in our second quarter 2019 Form 10-Q; and
- Net Charge-offs - refer to Table 27 (Net Charge-offs) and Table 6.5 (Allowance for Credit Losses) in Note 6 (Loans and Allowance for Credit Losses) to Financial Statements in our second quarter 2019 Form 10-Q.
- Actual credit losses in the quarter are presented in Table 27 (Net Charge-offs) in Management's Discussion and Analysis in our second quarter 2019 Form 10-Q. The discussion of quarterly net charge-offs describes changes from prior periods. The *Historical Credit Results* section in this report compares actual credit losses as measured using the inputs to the Advanced Approach.

Distribution by Geography, Industry or Counterparty Type and Contractual Maturity

- Debt Securities - refer to Note 5 (Available-for-Sale and Held-to-Maturity Debt Securities) to Financial Statements in our second quarter 2019 Form 10-Q for details on counterparty type and contractual maturity;
- Loans - refer to Table 8 (Maturities for Selected Commercial Loan Categories), Table 12 (Commercial and Industrial Loans and Lease Financing by Industry), Table 13 (CRE Loans by State and Property Type), Table 14 (Select Country Exposures), Table 16 (Real Estate 1-4 Family First and Junior Lien Mortgage Loans by State), Table 20 (Junior Lien Mortgage Line and Loan and First Lien Mortgage Line Portfolios Payment Schedule), Table 22 (Analysis of Changes in Nonaccrual Loans), and Table 26 (Loans 90 Days or More Past Due and Still Accruing) in Management's Discussion and Analysis in our second quarter 2019 Form 10-Q;
- Derivatives - refer to Note 15 (Derivatives) to Financial Statements in our second quarter 2019 Form 10-Q.

Average Balances

- Refer to Table 1 (Average Balances, Yields and Rates Paid (Taxable-Equivalent Basis)) in Management's Discussion and Analysis in our second quarter 2019 Form 10-Q.

Following is a discussion of how we assess, manage, and measure credit risk by Basel exposure type.

Wholesale Credit Risk

Overview/Management approach

Wholesale exposures primarily include the following:

- All individually risk-rated loans and commitments, excluding certain commercial loans under $1 million which receive retail regulatory capital treatment and other commercial loans which meet the definition of securitization exposures;
- Deposits with and money due from banks, excluding cash items in the process of collection;
- Debt securities, excluding those asset-backed securities (ABS) which meet the definition of a securitization exposure;
- Trading assets that do not qualify as covered positions under the market risk capital rules, but meet the definition of a wholesale exposure;
- Accounts receivable that do not fit in other reporting categories;
- Certain insurance exposures where the Company could suffer a loss if the insurer were to default;
- Reverse repurchase transactions that do not meet the definition of a securitization exposure or a repo-style transaction due to the nature of the collateral or contractual terms of the arrangement; and
- Non-derivative financial guarantees that obligate the Company to make payment if another party fails to perform.

At origination, and throughout the life of a wholesale loan exposure, our underwriters and loan officers use a risk rating methodology to indicate credit quality. Risk rating is essential to wholesale credit approval, risk management monitoring and reporting, loan pricing, determination of an appropriate allowance for loan and lease losses, regulatory capital assignments under the Advanced Approach, and sound corporate governance processes. Risk ratings are individually evaluated and incorporate quantitative and qualitative factors including both point-in-time and through-the-cycle elements. External ratings and other assessments may be considered by underwriters and loan officers as a part of their overall credit evaluation and independent assignment of an internal rating.

Credit Officers certify risk ratings quarterly and are accountable for their accuracy. Our Corporate Credit and Market Risk functions and line of business credit functions continually evaluate and modify credit policies, including risk ratings, to address unacceptable levels of risk as they are identified. Further oversight is provided by our Corporate Risk Asset Review group.

RWAs Measurement: Advanced Internal Ratings Based

Table 4 presents risk-weighted assets by Basel reporting classification. The Corporate, Bank and Sovereign classifications include credit exposure to corporate entities, banks, and sovereign entities, respectively. Some loans made for the purposes of real estate acquisition, development and construction, other than 1-4 family residential properties, present higher risk and are categorized as high volatility commercial real estate (HVCRE) per regulatory instructions, which were updated in 2018. Additionally, loans which finance commercial real estate (CRE), where the prospects for repayments and recovery depend on the cash flows generated by the real estate serving as collateral for the exposures, are categorized as income-producing real estate (IPRE) in the Final Rule.

Risk-weighted assets are determined by using internal risk parameters. The estimation process for these parameters begins with internal borrower risk-ratings assigned to the obligor and internal collateral quality ratings assigned to the credit facility. The borrower ratings are mapped to estimates of PD and the collateral quality ratings are mapped to estimates of LGD. Borrower ratings and collateral quality ratings are used for both internal risk management and regulatory capital calculations. Parameters are based on models which are validated and back-tested against historical data - including data from periods outside of those used to develop the models - by an independent internal model risk governance team. A Corporate Functional Model Oversight team also performs ongoing monitoring of the models, back-testing model performance against results from the past few years, focused on assessing performance under current conditions.

To calculate wholesale credit RWAs, the Company inputs its modeled risk parameters (PD, EAD, and LGD) and maturity (M) into the A-IRB risk weight formula, as specified by the Final Rule. PD is an estimate of the probability that an obligor will default over a one-year horizon. EAD is an estimate of the amount that would be owed to Wells Fargo if the obligor were to default. LGD is an estimate of the portion of the EAD that would be lost (including the economic cost of delayed recovery and the cost of collection) in a stressed environment with high default rates. M is the effective remaining maturity of the exposures. Additionally, modeled parameters may be supplemented with judgmental overlays to address model or data limitations and to help ensure conservatism where appropriate.

The risk mitigating benefit of guarantees are reflected in the RWAs calculation by adjusting the PD or LGD. At June 30, 2019, $94.3 billion of wholesale exposures reflected the benefit of eligible guarantees.

Table 5 provides the distribution of wholesale exposures and key parameter estimates by PD bands. The commercial loan portfolio comprises more than half of the wholesale EAD and nearly 90% of the wholesale RWAs. The non-loan categories (identified in the bullet points at start of Wholesale Credit Risk section) add significant balances to the low-risk part of the portfolio.

Table 5: The Company's Credit Risk Assessment of Wholesale Exposures by Probability of Default (PD) Grades June 30, 2019

(in millions, except ratios)						Exposure-weighted average		
PD Range (percentage)		Balance Sheet Amount	Undrawn Commitments	Exposure at Default	Advanced Approach RWAs (1)	PD	LGD	Risk Weight
0.00 to < 0.05	$	494,946	13,581	500,725	19,831	0.02%	10.26%	3.96%
0.05 to < 0.25		189,619	216,330	271,318	95,261	0.14	37.63	35.11
0.25 to < 1.50		211,795	112,003	261,862	186,328	0.54	43.92	71.16
1.50 to < 5.00		63,194	24,678	74,133	70,855	2.29	32.04	95.58
5.00 to < 13.50		17,071	7,937	22,279	25,738	7.46	26.90	115.53
13.50 to < 100		2,245	1,056	2,739	5,838	22.82	37.62	213.10
100 (default)		3,186	897	3,723	3,894	100.00	40.03	104.58
Total Wholesale (2)	**$**	**982,056**	**376,482**	**1,136,779**	**407,745**	**0.77%**	**34.29%**	**35.87%**

(1) RWAs under Basel III Advanced Approach includes the 6% credit risk multiplier where applicable.

(2) Includes commercial loans, debt securities, deposits with (and other funds due from) banks/other institutions, plus other non-loan exposures.

Retail Credit Risk

Overview/Management approach

The credit quality of retail exposures is indicated through loan scoring or other statistical approaches appropriate for homogenous types of credits. Modelers supporting lines of business with retail portfolios are responsible for developing valid, statistically based models for credit decisions, collateral valuation, and risk management. All credit scoring, loss forecasting, valuation, and other risk management models are subject to the Wells Fargo Model Risk Management Policy. See the “Asset/Liability Management” section in Management's Discussion and Analysis to our second quarter 2019 Form 10-Q and the "Model Risk Management" and "Asset/Liability Management" sections in Management's Discussion and Analysis to our 2018 Form 10-K for discussion on our model risk management.

RWAs Measurement: Advanced Internal Ratings Based

In accordance with Basel III, the retail population for regulatory capital includes all loans in the consumer loan portfolio segment for U.S. GAAP plus certain small business banking loans and some accounts receivable related to other retail exposures. Retail exposures are assigned PDs and LGDs by retail segment. Retail segmentation is determined by portfolios which align with respective Basel categories: Residential Mortgage - First Lien, Residential Mortgage - Junior Lien, Residential Mortgage - Revolving, Qualifying Revolving Exposures, and Other Retail. The retail segmentation process uses various factors relevant to the credit risk of retail borrowers and groups those borrowers into pools for risk quantification purposes, after which the risk parameters are quantified at the pool level. The model development methodology selection incorporates expert judgment, business knowledge, account management, collection strategy, and risk management experience. PD and LGD are estimated separately for each retail segment, and EAD is estimated for each retail exposure. The risk parameters for each retail segment are used as inputs to an A-IRB risk-based capital formula specified in the Final Rule. As with the wholesale parameters, the retail risk parameters are estimated using proprietary internal models and independently validated and back-tested by the CMoR team and monitored on an ongoing basis by the CFMO team.

Table 6 provides the distribution of the portfolio segments in alignment with Basel segmentation and key parameter estimates by PD bands.

Table 6: The Company's Credit Risk Assessment of Retail Exposures by Probability of Default (PD) Grades June 30, 2019

(in millions, except ratios)					Exposure-weighted average		
PD range (percentage)	Balance Sheet Amount	Undrawn Commitments	Exposure at Default	Advanced Approach RWAs (1)	PD (2)	LGD	Risk Weight
Residential mortgage - first lien:							
0.00 to < 0.10	$ 221,568	—	221,568	16,644	0.10%	30.61%	7.51%
0.10 to < 0.20	384	—	384	36	0.13	29.42	9.31
0.20 to < 0.75	39,323	21,260	55,581	9,047	0.28	30.53	16.28
0.75 to < 5.50	11,714	157	11,873	6,393	1.65	31.41	53.85
5.50 to < 10.00	6,813	143	6,964	7,654	7.38	26.11	109.91
10.00 to < 100.00	6,708	—	6,708	7,840	37.79	22.13	116.86
100 (default)	10,948	—	10,948	6,881	100.00	20.96	62.85
Total residential mortgage first lien	**$ 297,458**	**21,560**	**314,026**	**54,495**	**4.63%**	**30.01%**	**17.35%**
Residential mortgage - junior lien:							
0.00 to < 0.10	$ 608	—	608	99	0.07%	81.11%	16.29%
0.10 to < 0.20	17	—	17	2	0.13	33.54	10.61
0.20 to < 0.75	541	—	541	262	0.34	78.14	48.45
0.75 to < 5.50	706	1	707	1,060	1.97	76.72	149.88
5.50 to < 10.00	140	—	140	444	7.36	81.77	318.02
10.00 to < 100.00	68	—	68	299	31.87	80.64	437.35
100 (default)	145	—	145	149	100.00	79.92	102.77
Total residential mortgage junior lien	**$ 2,225**	**1**	**2,226**	**2,315**	**11.21%**	**78.62%**	**103.99%**
Residential mortgage - revolving:							
0.00 to < 0.10	$ 8,788	51,643	23,785	1,967	0.03%	82.30%	8.27%
0.10 to < 0.20	17,085	6,770	18,072	5,517	0.17	82.64	30.53
0.20 to < 0.75	3,316	262	3,394	1,398	0.25	82.81	41.20
0.75 to < 5.50	9,383	294	9,487	13,039	1.52	83.87	137.43
5.50 to < 10.00	662	540	829	2,951	7.16	86.06	356.11
10.00 to < 100.00	824	30	838	4,108	27.62	85.02	490.20
100 (default)	1,124	65	1,195	1,236	100.00	77.35	103.38
Total residential mortgage revolving	**$ 41,182**	**59,604**	**57,600**	**30,216**	**2.91%**	**82.69%**	**52.46%**
Qualifying revolving: (3)							
0.00 to < 0.50	$ 9,673	102,637	29,861	3,386	0.22%	96.04%	11.34%
0.50 to < 2.00	13,644	13,816	19,435	10,423	1.35	96.79	53.63
2.00 to < 3.50	8,987	2,235	10,993	10,680	3.28	97.01	97.16
3.50 to < 5.00	1,618	1,404	1,809	1,825	3.90	94.29	100.87
5.00 to < 8.00	4,084	492	4,649	7,090	6.46	96.97	152.49
8.00 to <100.00	3,828	598	4,238	10,339	33.07	96.59	243.96
100 (default)	—	—	—	1	100.00	96.70	106.00
Total qualifying revolving	**$ 41,834**	**121,182**	**70,985**	**43,744**	**3.47%**	**96.45%**	**61.62%**
Other retail:							
0.00 to < 0.50	$ 33,510	31,032	49,140	11,903	0.14%	76.57%	24.22%
0.50 to < 2.00	33,658	4,408	37,385	27,904	0.97	70.01	74.64
2.00 to < 3.50	8,220	1,372	9,555	9,786	2.66	71.06	102.41
3.50 to < 5.00	4,537	24	4,641	4,782	4.24	62.75	103.04
5.00 to < 8.00	1,597	181	1,744	2,444	6.21	93.16	140.10
8.00 to <100.00	6,065	31	6,310	8,547	19.68	64.25	135.44
100 (default)	516	16	530	484	100.00	83.14	91.29
Total other retail	**$ 88,103**	**37,064**	**109,305**	**65,850**	**3.54%**	**72.94%**	**60.24%**
Total Retail Exposures	**$ 470,802**	**239,411**	**554,142**	**196,620**	**4.11%**	**52.67%**	**35.48%**

(1) RWAs under Basel III Advanced Approach includes the 6% credit risk multiplier where applicable.

(2) Exposure-weighted average PD may fall outside of the PD range due to precision.

(3) Qualifying revolving exposures are unsecured revolving exposures where the undrawn portion of the exposure is unconditionally cancellable by the bank.

Historical Credit Results

Actual credit losses, presented below in Table 7 (Net Charge-offs), are based on the categories as disclosed in our second quarter 2019 Form 10-Q. These categories are aligned with the Basel Wholesale and Retail subcategories, although not equivalent.

The Basel Wholesale category includes commercial and industrial (C&I) loans and leases, commercial real estate mortgages, real estate construction loans, and leases. They also include some non-loan credit exposures such as bonds (excluding asset-backed bonds treated as securitizations), money due from other banks, and certain accounts receivable, none of which are included in the charge-off table below. The non-loan exposures are almost entirely very low-risk. The Basel Wholesale category excludes certain loans treated as securitization exposures, which could produce charge-offs but which do not contribute to Expected Credit Loss (ECL). These exposures have contributed very little to actual credit losses for several years. Additionally, some small business exposures are included in the commercial loan categories in the table below, but are classified under the Other Retail category for Basel purposes.

The Basel Retail category includes 1-4 family first lien mortgages, 1-4 family junior lien mortgages, credit cards, automobile loans, and other revolving consumer lines and loans in alignment with Table 7 below. The Basel subcategory for residential mortgages can be compared with the “real estate 1-4 family first mortgage” and “real estate 1-4 family junior lien mortgage” lines. The Basel subcategory for revolving loans secured by residential mortgages includes both first- and second-lien loans, with the latter category comprising nearly 75% of the revolving residential mortgage exposures. The Basel Retail qualifying revolving exposures (QRE) category aligns primarily with the credit card lines in the charge-off tables cited below; less than 10% of the QRE balances are from the other revolving credit and installment lines in Table 27 (Net Charge-offs) in our second quarter 2019 Form 10-Q and Table 35 (Net Charge-offs) in our 2018 Form 10-K. The Basel Other Retail subcategory consists of automobile loans, the remaining other revolving credit and installment loans, and Retail small business loans as described above.

The actual net credit losses were $653 million, or 0.28% of average total loans outstanding for the quarter ended June 30, 2019, compared with $602 million, or 0.26% of average total loans outstanding for the quarter ended June 30, 2018. For more details on net charge-offs, refer to Table 27 (Net Charge-offs) in Management's Discussion and Analysis in our second quarter 2019 Form 10-Q, and to Table 35 (Net Charge-offs) in Management's Discussion and Analysis in our 2018 Form 10-K.

Table 7: Net Charge-Offs

(in millions)		Quarter ended June 30, 2019	Quarter ended March 31, 2019	Year ended December 31, 2018	2017	2016	2015	2014
Commercial loans:								
Commercial and industrial	$	**159**	**133**	423	492	1,156	482	258
Real estate mortgage		**4**	**6**	(28)	(44)	(89)	(68)	(94)
Real estate construction		**(2)**	**(2)**	(13)	(30)	(37)	(33)	(127)
Lease financing		**4**	**8**	47	28	30	6	7
Total Commercial		**165**	**145**	**429**	**446**	**1,060**	**387**	**44**
Consumer loans:								
Real estate 1-4 family first mortgage		**(30)**	**(12)**	(88)	(48)	79	262	509
Real estate 1-4 family junior lien mortgage		**(19)**	**(9)**	(40)	13	229	376	626
Credit Card		**349**	**352**	1,292	1,242	1,052	941	864
Automobile		**52**	**91**	584	683	520	417	380
Other revolving credit and installment		**136**	**128**	567	592	580	509	522
Total Consumer		**488**	**550**	**2,315**	**2,482**	**2,460**	**2,505**	**2,901**
Total Net Loan Charge-offs	$	**653**	**695**	**2,744**	**2,928**	**3,520**	**2,892**	**2,945**

Credit losses shown in the above Table 7 may be compared to ECL as defined by the Basel III capital rule shown in Table 8 below. There are, however, some definitional differences between the two measures.

ECL is in most cases the product of PD, LGD, and EAD as described in the Credit Risk Overview section of this document. PD is measured as the through-the-cycle long-run average of exposures with given risk characteristics (e.g. risk ratings for wholesale exposures and credit score, loan-to-value, etc., for retail exposures). PD (and ECL) will rise and fall less over a full credit cycle than actual defaults and credit losses will vary for the same periods. LGD is the loss rate expected for loans that default under severely stressed periods and includes costs (workout expenses and discounting of delayed cash flows) that are not included in charge-offs. LGD (and ECL) will therefore be higher than losses shown as charge-offs, particularly during non-stressed periods. Further, ECL includes the losses expected for defaulted loans that remain on the balance sheet. We expect future charge-offs from these loans as well as from loans that are not yet defaulted. However, the ECL for such loans should not be included when summing ECL across time in order to compare with actual losses to avoid double counting. At June 30, 2019, the amount of ECL for defaulted exposures was marginal except in the residential mortgage portfolio, where ECL was $0.1 billion.

Table 8: Expected Credit Loss (ECL)

(in millions)	Quarter ended June 30, 2019	Quarter ended March 31, 2019	2018	2017	Year ended December 31, 2016	2015	2014
Commercial loans:							
Commercial and industrial	**$ 1,761**	1,899	1,822	2,091	2,565	2,319	2,107
Real estate mortgage	**468**	476	461	651	678	810	942
Real estate construction	**156**	165	168	211	232	228	210
Lease financing	**244**	224	233	215	263	91	82
Total Commercial Expected Credit Loss (1)	**2,629**	**2,764**	**2,684**	**3,168**	**3,738**	**3,448**	**3,341**
Consumer loans:							
Real estate 1-4 family first mortgage	**947**	1,012	1,070	1,730	1,815	2,287	3,048
Real estate 1-4 family junior lien mortgage	**347**	372	359	569	704	854	1,370
Credit Card	**2,315**	2,277	2,330	2,179	2,225	1,931	1,857
Automobile	**847**	834	838	1,342	1,064	996	987
Other revolving credit and installment	**471**	494	530	537	582	535	477
Total Consumer Expected Credit Loss	**4,927**	**4,989**	**5,127**	**6,357**	**6,390**	**6,603**	**7,739**
Total Loan Expected Credit Loss	**7,556**	**7,753**	**7,811**	**9,525**	**10,128**	**10,051**	**11,080**
Non-loan Expected Credit Loss (2)	**390**	358	351	239	324	327	211
Total Expected Credit Loss	**$ 7,946**	**8,111**	**8,162**	**9,764**	**10,452**	**10,378**	**11,291**

(1) Total Commercial ECL reported in the Basel Other Retail category was $1.2 million for second quarter 2019, $1.1 million for first quarter 2019, and $1.4 million, $2.5 million, $4.3 million, $7.1 million, and $2.4 million for 2018, 2017, 2016, 2015, and 2014, respectively.

(2) Credit losses for non-loan exposures are not taken as Charge-Offs. Such losses are in nearly all cases (including all periods shown) immaterial.

Counterparty Credit Risk

Overview/Management Approach

Counterparty Credit Risk (CCR) is the possibility that a customer or trading counterparty will fail to fulfill contractual obligations, and such failure may result in the termination or replacement of the transaction at a loss to Wells Fargo. Such exposures arise primarily in relation to over-the-counter (OTC) derivatives, repo-style transactions, margin loans, transactions cleared through a central counterparty or exchange, and unsettled trades. The majority of CCR exposure is incurred in transactions designed to help our clients manage their interest rate, currency, and other risks, and in the associated hedging of those transactions.

Wells Fargo uses a range of models and methodologies to estimate the potential size of counterparty exposures and establishes limits and controls around activities incurring these risks. Counterparty exposure is typically mitigated using collateral. Collateral arrangements supporting Wells Fargo's counterparty credit risk exposures can be grouped into two broad categories:

- Many of Wells Fargo's counterparty risks arise out of its derivatives activities undertaken with corporate clients. In many cases, the counterparty credit risk is managed by relationship/credit officers close to the client and is cross-collateralized with securities supporting loan and other exposures to the same counterparty (e.g., receivables and inventory). Any benefit deemed to accrue from this type of cross-collateralization is reflected in the credit grades applied to the exposure, which in turn impacts the regulatory capital required.
- Exposures for many counterparty relationships are covered by stand-alone collateral arrangements which require the posting of liquid financial collateral. Collateral arrangements are managed by a dedicated collateral

management function, which handles the posting and receipt of collateral per the Collateral Support Annex (CSA). The CSA is supporting documentation for a collateral arrangement between counterparties. The majority of the absolute value of collateral received and posted typically comprises cash with the remainder primarily in the form of instruments issued or backed by the U.S. Government or Government Sponsored Entities (GSEs) (e.g., treasuries, agencies, or agency mortgage-backed securities). For disclosure of the impact on the amount of collateral we would be required to post in the event of a significant deterioration in our credit, see Note 15 (Derivatives) to Financial Statements in our second quarter 2019 Form 10-Q.

The Final Rule provides a specific definition of derivative exposures, which differs from the U.S. GAAP definition. Some of the key differences include:

- Certain forward-settling transactions are considered derivatives under the Final Rule, but not under U.S. GAAP due to the timing of settlement;
- Derivative transactions where we act as an agent between a qualifying clearing agent and a client are considered derivatives under the Final Rule, but not recognized as assets or liabilities under U.S. GAAP; and
- Certain embedded derivatives subject to bifurcation are considered derivatives under U.S. GAAP, but not under the Final Rule.

Wells Fargo establishes counterparty credit risk exposure limits in a decentralized manner that relies on the expertise of those closest to the customer, and is guided by policies and procedures established at the enterprise-level as well as within the individual lines of business. Aggregate counterparty risk is managed on a centralized basis to ensure consistent application of standards and risk appetite. Internal ratings are the starting point in establishing credit assessments and are based on multiple factors including the counterparty's financial condition, liquidity, quality of management, and the counterparty's financial performance. Risk limits are set based on the credit assessment, customer need, and risk mitigation embedded in a qualifying master netting agreement, which can cover items such as daily margining, termination events, credit support, and cross collateralization. At the enterprise-level, risk limit exceptions are identified and delivered to each risk officer responsible for the specific counterparty limit. Risk officers are responsible for addressing each one of these exceptions. Enterprise Counterparty Risk Management (ECRM) team maintains a record of all responses; with unapproved exceptions reported and discussed with senior management on a monthly basis.

RWAs Measurement

Wells Fargo uses the Current Exposure Method (CEM) to calculate EAD, which is used in the calculation of RWAs using the wholesale credit risk exposure model. Mitigants are recognized using the Collateral Haircut approach with prescribed regulatory haircuts. Under the CEM approach, EAD is the sum of current credit exposure (CCE) and the potential future exposure (PFE). The CCE is the sum of net positive fair values and the PFE is an estimate of the maximum amount of the exposure that could occur over a one year horizon. The PFE is based on the derivative notional amount and a credit

conversion factor (CCF) and is a component of EAD irrespective of the fair value of the derivative contract. The CCF is based on the underlying contract type and remaining maturity. PFE is also adjusted for those contracts subject to a master netting agreement as prescribed by the Final Rule.

The netting benefits of master netting agreements (e.g., International Swaps and Derivatives Association) and collateral arrangements (e.g., Credit Support Annex) are reflected in the EAD. For descriptions of counterparty credit risk, see Note 15 (Derivatives) to Financial Statements in our second quarter 2019 Form 10-Q.

Table 9 shows derivative metrics by underlying exposure type and segregates our derivative activity between contracts traded in OTC markets from those cleared through a central counterparty or exchange. OTC derivatives are those traded between two parties directly without the use of an exchange and result in counterparty credit exposure to the OTC counterparty. Derivatives cleared through a central counterparty or an exchange limit counterparty risk because the central clearing party or exchange serves as the counterparty to both parties to the derivative.

Table 9: Counterparty Credit Risk Derivatives Exposure Types June 30, 2019

(in millions)	Notional (1)	Gross Positive Fair Value	Adjusted PFE	Pre-Mitigant EAD	Netting & Collateral Benefit	Post Mitigant EAD	Advanced Approach RWAs (2)
OTC derivatives:							
Interest rate contracts	$ 4,703,187	24,038	9,096	33,134	19,808	13,327	7,271
Foreign exchange contracts	397,177	5,727	4,813	10,540	5,018	5,522	2,695
Equity contracts	145,521	6,059	5,158	11,217	6,121	5,097	2,580
Credit derivatives contracts	33,501	94	1,459	1,553	733	820	476
Commodities and Other	72,786	1,353	3,869	5,222	767	4,455	2,119
Total OTC derivative contracts (principal+agent)	**$ 5,352,172**	**37,271**	**24,395**	**61,666**	**32,447**	**29,221**	**15,141**
Central counterparty (CCP) & Exchange traded derivatives:							
Interest rate contracts	$ 9,444,961	1,494	14,456	15,950	1,126	14,824	419
Foreign exchange contracts	—	—	—	—	—	—	—
Equity contracts	52,357	2,168	1,867	4,035	1,255	2,779	176
Credit derivatives contracts	6,600	5	626	631	(15)	646	14
Commodities and Other	25,819	390	1,153	1,544	(908)	2,451	144
Total CCP & Exchange traded derivatives contracts (principal+agent)	**$ 9,529,737**	**4,057**	**18,102**	**22,160**	**1,458**	**20,700**	**753**

(1) Excluding sold derivatives and written options.

(2) RWAs under Basel III Advanced Approach includes the 6% credit risk multiplier where applicable.

The table above distinguishes between OTC and centrally cleared or exchange traded derivatives, and includes:

- Notional, which is used in the calculation of the PFE add-on;
- Gross Positive Fair Value, which is the sum of all derivative transactions with a positive fair value before the mitigating effects of counterparty netting and collateral;
- Adjusted PFE, which is the PFE adjusted for those contracts subject to a master netting agreement as prescribed by the Final Rule;
- Pre-mitigant EAD, which is the sum of the Gross Positive Fair Value and the Adjusted PFE;

- Netting & Collateral Benefit, which is the EAD reduction realized by fair value netting and the application of collateral, when valid netting agreements are in place;
- Post Mitigant EAD, which is the EAD after fair value netting and application of eligible collateral. This is the total EAD amount used for RWAs calculation; and
- Advanced Approach RWAs, which is calculated under the Basel III Advanced Approach on a fully phased-in basis.

Table 10 displays a breakout of collateral by type which has been received by the Company as part of derivatives, repo-style transactions, and margin loans.

Table 10: Counterparty Collateral Types June 30, 2019

(in millions)		Derivatives Collateral	Repo & Margin Loan Collateral
Cash	$	11,487	131,580
Treasuries		6,464	59,294
Agencies		990	41,407
Corporate Bonds		544	4,612
Main Index Equities		1,229	13,973
Other Public Equities		2,477	61,582
Mutual Funds		61	11,692
Other		10	4,406
Total Collateral	**$**	**23,262**	**328,546**

Table 11 presents a distribution of EAD, RWAs, and weighted average measures by PD band for counterparty credit risk exposures.

Table 11: Counterparty Credit Risk Exposure Type June 30, 2019

(in millions, except ratios)				Exposure-weighted average		
PD Range (percentage)		Exposure at Default	Advanced Approach RWAs (1)	PD	LGD	Risk Weight
OTC Derivatives & Repos						
0.00 to < 0.05	$	3,424	404	0.03%	46.56%	11.80%
0.05 to < 0.25		35,661	12,424	0.13	45.16	34.84
0.25 to < 1.50		13,819	10,660	0.76	43.13	77.14
1.50 to < 5.00		753	740	2.83	31.73	98.35
5.00 to < 13.50		105	188	12.63	36.94	178.94
13.50 to < 100		—	—	—	—	—
100 (default)		3	3	100.00	34.12	106.00
Default Fund Contribution		4,140	1,255	—	—	30.31
Margin Loans		2,255	1,674	—	—	74.23
Cleared Transactions (2)		22,630	794	—	—	3.51
Unsettled Trades		56	30	—	—	53.07
Total Counterparty Credit Risk Exposure	**$**	**82,846**	**28,172**	**0.35%**	**44.51%**	**34.01%**

(1) RWAs under Basel III Advanced Approach includes the 6% credit risk multiplier where applicable.

(2) Includes cleared derivative and cleared repo transactions.

CVA Capital Charge

A credit valuation adjustment (CVA) is a required fair value adjustment under U.S. GAAP, which is included in earnings and capital, to reflect counterparty credit risk in the valuation of an OTC derivative contract. In order to improve a bank's ability to withstand losses due to CVA volatility, an incremental CVA capital charge was introduced in the Final Rule. The CVA capital charge is a bank holding company level, bi-lateral derivative portfolio measure and is based on counterparty credit quality, remaining trade duration, and EAD. The RWAs arising due to the CVA capital charge were $18.1 billion at June 30, 2019.

Securitization Credit Risk

Overview/Management Approach

Securitization exposures are those which arise from traditional securitization, synthetic securitization, or resecuritization transactions where credit risk from underlying assets has been transferred to third parties and separated into at least two tranches reflecting different levels of seniority, whereby, the performance of the issued exposures is dependent on the performance of the underlying assets, and substantially all of the underlying assets are considered financial assets. A resecuritization is a securitization which has more than one underlying exposure and in which one or more of the underlying exposures is a securitization exposure. In addition, the Final Rule distinguishes between traditional and synthetic securitizations. In a traditional securitization, assets, which are typically loans or debt securities, are transferred from an originator or sponsor to a special purpose entity (SPE), which receives funds to purchase the assets by issuing debt and equity securities to investors. Synthetic securitization achieves the transfer of credit risk to the investor through the use of credit derivatives or guarantees.

Conforming residential mortgage loan securitizations are those guaranteed by the GSEs, including the Government National Mortgage Association (GNMA). Due to the additional credit protection provided by the government guarantee, these positions usually do not include credit tranching. Since the presence of tranches is the key determinant of whether a given exposure would be subject to the securitization capital rules, such exposures do not meet the definition of a securitization per the Final Rule. As a result, our investments in conforming residential mortgage securitizations have been excluded from our disclosure of securitization exposure and activity in this report.

On-balance sheet securitization exposures include a portion of the assets classified on our balance sheet as loans for U.S. GAAP purposes, securities, and non-GSE securitization servicer cash advances. Off-balance sheet securitization exposures include commitments, guarantees, and derivatives to SPEs.

Wells Fargo's objectives in relation to securitization activity are as follows:

- Provide proactive and prudent management of our balance sheet and multiple, diverse sources of funding;

- Earn fee income by providing credit facilities to clients via securitization related activities;
- Earn fee income from structuring securitizations for internally and third-party originated assets; and
- Earn fee income as servicer and/or trustee for asset securitizations.

In connection with our securitization activities, the Company also has various forms of ongoing involvement with SPEs which may include:

- Making markets in ABS;
- Providing OTC derivatives to Securitization SPEs that require securitization treatment; and
- Providing credit enhancement on securities issued by SPEs or market value guarantees of assets held by SPEs through the use of letters of credit, financial guarantees (on a limited basis), credit default swaps, and total return swaps; or entering into other derivative contracts with SPEs.

Wells Fargo's roles in the securitization process are multi-faceted and generally include certain or all the following:

- Originator: where the bank, through the extension or credit or otherwise, creates a financial asset that collateralizes an asset-backed security, and sells that asset directly or indirectly to a sponsor. The originator may be a sole originator or affiliated with the sponsor (including for legacy positions);
- Sponsor: where the bank organizes and initiates an asset-backed securities transaction by selling or transferring assets, either directly or through an affiliate, to the issuing entity. This includes approving positions, and where applicable, managing a securitization program that retains residual tranches (providing excess spread or over collateralization), with sponsors having first loss exposure;
- Investor: where the bank assumes the credit risk of a securitization exposure (other than through acting as originator or sponsor);
- Trustee: where the bank considers the interests of investors who own the securities issued via the securitization and which retains primary responsibility for administering the SPE or trust that maintains the securitized assets; and
- Servicer: where the bank engages in direct interaction with borrowers by collecting payments, providing customer service, administrating escrow accounts, and managing the delinquency process (including loan modifications, short sales, and foreclosures).

Our due diligence process provides us with an understanding of the features that would materially affect the performance of a securitization or resecuritization. Based on the requirements of the Final Rule, for all securitization and resecuritization positions, Wells Fargo conducts initial due diligence prior to acquiring the position and documents the due diligence within three business days after the acquisition. We also evaluate, review, and update our ongoing

understanding of each securitization position at least quarterly, as appropriate. The level of detail is commensurate with the complexity of the position and materiality of the position in relation to capital. The Company's accounting policies, with respect to securitization and securitization vehicles, are established in accordance with U.S. GAAP. For additional information, refer to Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our second quarter 2019 Form 10-Q and in our 2018 Form 10-K and Note 10 (Securitizations and Variable Interest Entities) to Financial Statements in our second quarter 2019 Form 10-Q.

As part of the initial and ongoing due diligence process, we review the following items in accordance with the Final Rule:

- Structural features of the securitization that would materially impact the performance of the position;
- Relevant information regarding the performance of the underlying credit exposure(s);
- Relevant market data on the securitization; and
- For any resecuritization position, performance information on the underlying securitization exposures.

When applicable, individual business lines must review the accuracy of any assigned internal risk ratings within their portfolios on a quarterly basis. Minimum credit exposure thresholds for this certification may be established by the businesses with approval from the Corporate Credit and Market Risk functions. Initial reviews may include collateral quality, credit subordination levels, and structural characteristics of the securitization transaction. Ongoing regular performance reviews may include checks of periodic servicer reports against any performance triggers/covenants in the loan documentation, as well as overall performance trends in the context of economic, sector, and servicer developments.

The Company manages the risks associated with securitization and resecuritization positions through the use of offsetting positions and portfolio diversification. The monitoring of resecuritization positions takes into consideration the performance of the securitized tranches' underlying assets, to the extent available, as it relates to the resecuritized position.

RWAs Measurement

Based on regulatory guidance, Wells Fargo uses a combination of the Supervisory Formula Approach (SFA) and the Simplified Supervisory Formula Approach (SSFA) in assessing its regulatory capital requirements for securitization exposures. SSFA is used for the majority of the exposures, except for those exposures where the data available permits the application of SFA. SSFA requires the use of inputs and assumptions which consider the credit quality of the underlying assets, the point in the SPE’s capitalization at which our exposure begins to absorb losses, and likewise, the point in the SPE’s capitalization that would result in a total loss of principal. The SFA requires a calculation of the capital requirement of the underlying exposures as if they were held by us directly as well as the degree of credit enhancement provided by the structure. Use of the SFA approach requires approval by our regulators.

Table 12 presents the aggregate EAD amount of the Company's outstanding on-balance sheet and off-balance sheet securitizations positions and RWAs by exposure type:

Table 12: Aggregate Amount of On- and Off- Balance Sheet Securitization Exposures June 30, 2019

(in millions)	On Balance Sheet EAD	Off-Balance Sheet EAD	Total Exposure at Default	Advanced Approach RWAs (1)
Commercial mortgages	11,922	6,777	18,699	5,717
Residential mortgages	2,005	615	2,620	863
Corporate	55,122	7,926	63,047	13,462
Auto loans / leases	10,030	5,036	15,066	4,125
Student loans	4,927	109	5,036	1,079
Other	7,735	8,023	15,759	14,185
Total Securitization Exposures	**$ 91,741**	**28,486**	**120,227**	**39,431**

(1) RWAs under Basel III Advanced Approach includes the 6% credit risk multiplier where applicable.

Table 13 presents the aggregate EAD amount of securitization exposures retained or purchased and their associated risk approaches and RWAs, categorized between securitization and resecuritization exposures.

Table 13: Aggregate Amount of Securitized and Resecuritized Exposures by Risk Weights and Approach June 30, 2019

	SFA		SSFA		1250% Risk Weight		Total	
(in millions)	Exposure at Default	Approach RWAs (1)	Exposure at Default	Approach RWAs (1)	Exposure at Default	Approach RWAs (1)	Exposure at Default	Approach RWAs (1)
Securitizations:								
Risk Weight								
0% to <50%	$ 61,827	24,201	55,850	12,335	—	—	117,677	36,536
50% to <100%	10	6 *	1,172	946	—	—	1,182	952
100% to <1250%	28	62	482	1,602	—	—	510	1,665
Equal to 1250%	—	—	4	51	—	—	4	51
Total Securitizations	**$ 61,865**	**24,269**	**57,508**	**14,934**	**—**	**—**	**119,373**	**39,204**
Re-securitizations (2):								
Risk Weight								
0% to <50%	$ —	—	814	173	—	—	814	173
50% to <100%	—	—	—	—	—	—	—	—
100% to <1250%	—	—	40	54	—	—	40	54
Equal to 1250%								
Total Resecuritizations	**$ —**	**—**	**854**	**227**	**—**	**—**	**854**	**227**
Total Securitizations and Resecuritizations	**$ 61,865**	**24,269**	**58,362**	**15,161**	**—**	**—**	**120,227**	**39,431**

(1) RWAs under Basel III Advanced Approach includes the 6% credit risk multiplier where applicable.

(2) The bank is not applying credit risk mitigation to any resecuritization exposures.

* The bank holds the RWAs buffer of $11.1 billion to account for the uncertainty to execute the SFA for certain portfolios under the Advanced Approach.

Securitization Activity

For information on our 2019 activity and realized gains or loss on sales of financial assets in securitizations, see Note 10 (Securitizations and Variable Interest Entities) to Financial Statements in our second quarter 2019 Form 10-Q. Gains on sale from securitization of $41 million were deducted from tier 1 capital as of June 30, 2019. This deduction is required for a portion of the gain generated through the sale of assets resulting from securitization transactions.

In addition to the assets already securitized, we currently have $1.2 billion of commercial mortgage loans and $0.6 billion of residential mortgage loans we intend to securitize that are currently risk-weighted as wholesale and retail exposures, respectively. Exposures we intend to securitize include those loans currently classified on our balance sheet as either mortgages held for sale or loans held for sale and are saleable in an active securitization market.

We periodically securitize consumer and CRE loans. For a discussion on this topic, refer to loans sales and securitization activity in Note 10 (Securitizations and Variable Interest Entities) to Financial Statements in our second quarter 2019 Form 10-Q.

Table 14 provides information on the principal amount of past due or impaired assets and losses recognized on our balance sheet related to interests held in securitization transactions we transferred assets to and/or sponsored.

Table 14: Impaired / Past-Due Assets and Current Quarter Recognized Losses on Securitized Assets by Exposure Types June 30, 2019

(in millions)		Total Impaired or Past Due Amount on Securitized Assets (1)	Total Current Period Losses (2)
Commercial mortgages	$	—	—
Residential mortgages		207	(2)
Commercial loans and debt obligations		—	—
Other loans		—	—
Total Securitized Assets	**$**	**207**	**(2)**

(1) The total impaired amount on securitized assets represents the carrying value of investment securities held by us that were issued from securitization transactions we sponsored and for which we have recognized other-than-temporary impairment (OTTI) for accounting purposes. This column also includes the total past due amount on securitized assets, which represents loans recorded on our balance sheet that are 90 days or more past due or in nonaccrual status that are held in securitization transactions we sponsored.

(2) Total Current Period Losses represents year-to-date other-than-temporary impairment recognized on investment securities and charge-offs and allowances recognized on loans held on our balance sheet related to securitization transactions we sponsored.

Equity Credit Risk

Overview/Management Approach

Equity exposures that are subject to the equity credit risk capital rules include banking book equity exposures and trading book equity exposures not covered under the market risk capital rules. These exposures are classified as equity securities in our financial statements. Marketable equity securities are measured at fair value through earnings. Nonmarketable equity securities are measured at either fair value through earnings, under the cost method (cost, less impairment), or accounted for under the measurement alternative or equity method of accounting. The measurement alternative is similar to the cost method, except that the carrying value is adjusted to fair value through earnings upon the occurrence of observable transactions in the same or similar investment.

Investments subject to the equity method of accounting are adjusted for our proportionate share of the investees' earnings and other changes in shareholders' equity, less impairment. All equity securities, other than those measured at fair value through earnings, are assessed at least quarterly for other-than-temporary impairment (OTTI). For information on accounting policies related to equity securities, refer to Note 1 (Summary of Significant Accounting

Policies) to Financial Statements in our second quarter 2019 Form 10-Q and our 2018 Form 10-K. For information on net gains arising from equity securities refer to the "Market Risk - Equity Securities" section in Management's Discussion and Analysis and Note 8 (Equity Securities) to Financial Statements in our second quarter 2019 Form 10-Q.

Investments in equity securities made with a strategic objective or to maintain strategic relationships include investments in support of the Community Development Reinvestment Act, statutory and/or financing investments required for membership in the Federal Reserve or Federal Home Loan Bank, and separate account bank-owned life insurance (BOLI) invested in various asset strategies. Equity exposures subject to the equity credit risk capital rules are also held to generate capital gains and include discretionary private equity and venture capital transactions. Under the Final Rule, equity exposures also include investment funds (including separate accounts) and investments made in connection with certain employee deferred compensation plans.

Our investments in equity securities are conducted in accordance with corporate policy and regulatory requirements. Discretionary investments in equity securities are reviewed at both the individual investment and portfolio level. Individual lines of business are responsible for conducting a periodic review of all individual investments which may include recent financial performance, exit strategy, current outlook, and expected returns. We monitor nonmarketable equity securities through portfolio reviews, which include monitoring portfolio objectives, current assessments of portfolio performance and internal ratings, historical returns, risk profiles, current strategies, and unfunded commitments. Corporate Risk provides independent oversight over our investments in equity securities.

Investments in separate account BOLI portfolios, which are considered equity exposures and classified in other assets in our financial statements, make up a significant percentage of our equity securities portfolio and are monitored centrally within Corporate Treasury and reported on a monthly basis to senior management and annually to the Board. The investments in separate accounts are exclusive of balances attributable to stable value protection, which are considered wholesale credit exposures to the underlying insurance company. Separate account exposures are assigned risk weights using a look-through approach, whereas, general account exposures are considered general obligations of the issuing insurance company and are risk-weighted as wholesale exposures to the issuing insurance company. General and separate account BOLI exposures are reported as an aggregate amount included in other assets in our 2018 Form 10-K.

RWAs Measurement

For equity exposures, the Company applies the Full Look-Through Approach (FLTA), the Simple Risk-Weight Approach (SRWA) or the Alternative Modified Look-Through Approach (AMLTA) to determine RWAs. Under the FLTA, risk weights are applied on a proportional ownership share basis to each equity exposure held by an investment fund, as if Wells Fargo held the exposure directly. Under the SRWA, the RWAs for each equity exposure are calculated by multiplying the adjusted carrying value of the equity exposure by the applicable regulatory prescribed risk weight. Under the AMLTA, the adjusted carrying value of the equity exposure in an investment fund is assigned on a pro rata

basis to different risk weight categories based on investment limits in the fund's prospectus or other legal document. Wells Fargo's non-significant equity exposure is the sum of publicly and non-publicly traded equity securities that are 10% or less of total capital, and is risk-weighted at 100%.

Table 15 details the carrying value and estimated fair value of the Company's equity exposures in the banking book as well as those in the trading book not covered under the market risk capital rules as of June 30, 2019.

Table 15: Equity Securities — June 30, 2019

(in millions)		Carrying Value	Fair Value	Unrealized gain/(loss) (1)
Publicly Traded Equity Securities:				
Marketable equity securities held for trading (2)	$	318	318	—
Marketable equity securities not held for trading		5,191	5,191	—
Total Publicly Traded Equity Securities		5,509	5,509	—
Non-Publicly Traded Equity Securities:				
Nonmarketable equity securities under equity method				
Low income housing tax credit investments		11,162	11,162	—
Private equity and other		3,352	6,356	3,004
Tax-Advantage renewable energy		3,051	3,051	—
New Market tax credit and other		294	294	—
Total equity method		17,859	20,863	3,004
Other nonmarketable equity securities				
Nonmarketable equity securities at fair value		7,244	7,244	—
Federal bank stock and other at cost (3)		5,622	5,654	32
Private equity at measurement alternative		2,106	2,426	320
Total Other nonmarketable equity securities		14,972	15,324	352
Total Non-Publicly Traded Equity Securities		**32,831**	**36,187**	**3,356**
Separate Account BOLI (4)		13,553	13,553	—
Total Equity Securities (5)	**$**	**51,893**	**55,249**	**3,356**

(1) Represents unrealized gain/(loss) not recognized on our balance sheet or through earnings.

(2) Primarily includes trading portfolio positions not covered under the market risk capital rules. Excludes certain equity derivatives subject to hedge pair treatment.

(3) Carrying value includes $0.2 million of accrued interest/dividends associated with Federal Reserve Bank stock.

(4) Total carrying value for BOLI is $19.9 billion. The carrying value of certain separate account BOLI components which are classified as equity exposures under the Final Rule is $13.5 billion. The carrying value of BOLI considered obligations of the issuer and classified as wholesale exposures under the Final Rule is $6.4 billion (remaining carrying value of separate account BOLI and carrying value of general account BOLI).

(5) Equity exposures that are considered securitization and wholesale under the Final Rule are not included in Table 15.

Table 16 includes the RWAs for equity exposures as of June 30, 2019.

Table 16: Capital Requirements by Risk Weight for Equity Exposures June 30, 2019

(in millions)		Carrying Value	Exposure at Default	Advanced Approach RWAs (1)
Simple Risk Weight Approach (SRWA)				
Federal Reserve stock and Sovereign exposures	$	3,535	3,535	—
Federal Home Loan Bank exposures		2,085	2,085	442
Community development equity exposures		11,555	11,657	12,356
Effective portion of hedge pairs		7,154	8,315	8,814
Non-significant equity exposures (2)		10,483	12,303	13,041
Significant investments in unconsolidated financial institutions		1,251	1,724	4,570
600% risk-weight equity exposures		6	20	126
Equity Exposures to Investment Funds				
Full look-through approach		14,348	14,433	4,451
Alternative modified look-through approach		1,476	1,477	1,130
Total Equity Exposures	**$**	**51,893**	**55,549**	**44,930**

(1) RWAs under Basel III Advanced Approach includes the 6% credit risk multiplier where applicable.

(2) Publicly and non-publicly traded equity exposures do not exceed 10% of the Company's total capital.

Operational Risk

Operational risk is defined as the risk resulting from inadequate or failed internal controls and processes, people and systems, or from external events. Operational risk may result in a loss from events such as fraud, breaches of customer privacy, business disruptions, vendors that do not adequately or appropriately perform their responsibilities, and regulatory fines and penalties. At June 30, 2019, our operational risk RWA was $337.6 billion.

Operational Risk Capital Measurement

As one of the largest bank holding companies in the United States, we are required to develop a quantification system using the Advanced Measurement Approach (AMA) to estimate the regulatory capital charge for the Company's operational risk exposures. To satisfy this requirement, the AMA model estimates aggregate operational risk exposure at a 99.9% confidence level over a one-year time horizon.

Per the regulatory guidance, we incorporate the following data elements into our AMA model:

- Internal Loss Data (ILD) - a factual, quantitative historical view of our loss experience that provides the foundation for capital modeling efforts. We record and maintain operational loss event data, an essential element in our ability to measure and manage operational risk and to comply with the requirements of the AMA. Operational loss events are recorded in an internal database, with those $10,000 or greater appropriately enriched and reviewed, and are captured across all business lines, product types, and geographic locations;
- External Loss Data (ELD) - a factual, quantitative historical view of the loss experiences of other financial institutions that supports capital modeling efforts by supplementing ILD. Event-level ELD is obtained through our membership in the Operational Riskdata eXchange Association (ORX), an industry consortium containing information on operational risk loss events of €20,000 or more;
- Scenario Analysis Estimates (SAE) - a hypothetical, qualitative view of potential loss experience should certain risks manifest. We conduct an annual scenario analysis process designed to identify risk drivers and control failures which form the basis of loss severity estimates under varying levels of stress for plausible, yet hypothetical operational loss events over a forward looking horizon. The scenario analysis process and the resulting estimates are informed by internal and external loss data to provide useful insight for the subject matter experts when assessing potential future losses, especially those that have not yet been observed;
- Business Environment and Internal Control Factors (BEICF) - a qualitative view based on management's forward-looking assessment of the state of internal controls and the current operational risk business environment. BEICF data is obtained from a variety of sources including, but not limited to, the Risk and Control Self-Assessment (RCSA) process, risk appetite measures, and operational risk profile reports. The

RCSA is a process executed across the Company designed to capture management's assessment of the operational risk and controls in its business. The BEICF assessment considers the products and activities, the existing and emerging risks, the design and effectiveness of controls, and any changes in the business environment.

The AMA model is based on a Loss Distribution Approach (LDA) that estimates the frequency and severity of operational losses that could occur to determine, quarterly, the level of operational risk capital required to meet management and regulatory expectations.

Under the LDA:

- Our internal losses (and relevant external losses) are segmented into units of measure (UOMs), or partitions, defined by business line and seven event types prescribed by international regulatory guidance;
- For each partition, the LDA combines two distributions: one for the loss frequency (based on our historical loss experience) and the other for the severity of events (based on our historical loss experience, as well as relevant external loss data);
- The frequency and severity distributions are combined into the aggregate loss distribution for each partition; and
- The enterprise-level operational risk exposure is estimated by aggregating the partition-level loss distributions, taking into account correlation across business lines and event types.
- The LDA model incorporates internal and external loss data two quarters following the period in which the internal losses were realized or the external losses were booked into the ORX database due to processing times (and to keep the datasets in synch). These losses remain in the LDA model even after the factors contributing to the losses may have been reduced or remediated.

The scenario analysis estimates and BEICF information are then evaluated and considered in conjunction with the statistical model results, and adjustments are made as appropriate to reflect the Company's operational risk profile.

Use of Insurance

While Wells Fargo purchases insurance to provide financial protection against specific losses, these policies are not currently incorporated into the AMA capital model to provide any offset to the capital levels calculated.

For additional information on operational risk, refer to the "Operational Risk Management" section in Management's Discussion and Analysis to our 2018 Form 10-K.

Market Risk

Market risk is the risk of possible economic loss from adverse changes in market risk factors such as interest rates, credit spreads, foreign exchange rates, and equity and commodity prices, and the risk of possible loss due to counterparty risk. Market risk is intrinsic to the Company's sales and trading, market making, investing, and risk management activities. For information on the Company's market risk oversight, monitoring and controls, please refer to the "Market Risk - Trading Activities" section in Management's Discussion and Analysis to our second quarter 2019 Form 10-Q and our 2018 Form 10-K. For a discussion of risk oversight, refer to the "Risk Management Framework," "Board Oversight of Risk," and "Management Oversight of Risk" sections in Management's Discussion and Analysis to our 2018 Form 10-K and the "Market Risk" sections in Management's Discussion and Analysis to our second quarter 2019 Form 10-Q.

Regulatory Market Risk Capital

Regulatory market risk capital reflects U.S. regulatory agency risk-based capital regulations that are based on the international agreed set of measures developed by the BCBS. The Company must calculate regulatory capital under the Basel III market risk capital rule, which requires banking organizations with significant trading activities to ensure their capital requirements reflect the market risks of those activities based on comprehensive and risk sensitive methods and models. The market risk capital rule is intended to cover the risk of loss in value of covered positions due to changes in market conditions.

Composition of Material Portfolio of Covered Positions

Covered positions, as defined by the Basel III rule, include trading assets and liabilities, specifically those held by the Company for the purpose of short-term resale or with the intent of benefiting from actual or expected short-term price movements, or to lock in arbitrage profits. In addition, foreign exchange and commodity positions are considered covered positions, except for structural foreign currency positions. Positions excluded from market risk regulatory capital treatment are considered non-covered trading positions and are subject to the credit risk capital rules. Wells Fargo has internal governance for determining which positions meet the definition of covered positions under the Basel III capital rules.

The material portfolio of the Company's covered positions is concentrated in the trading assets, and liabilities within Wholesale Banking where the substantial portion of market risk capital resides. Wholesale Banking engages in the fixed income, traded credit, foreign exchange, equities, and commodities markets businesses. Other business segments hold smaller trading positions covered under the market risk capital rule.

Table 17 shows the Company's market risk capital and RWA by capital component. The Market Risk RWA for the Company was $43.2 billion for the quarter ended June 30, 2019.

Table 17: Market Risk Capital and RWA

(in millions)		June 30, 2019 Risk-Based Capital	Risk-Weighted Assets
Total VaR	$	199	2,482
Total Stressed VaR		1,624	20,300
Incremental Risk Charge		35	440
Internal Models Total	$	**1,858**	**23,222**
Securitization Product Charge		463	5,793
Standard Specific Risk Charge		1,128	14,103
De Minimis Charges (positions not included in models)		8	91
Company Capital and RWA	$	**3,457**	**43,209**

Regulatory Market Risk Capital Components

The capital required for market risk on the Company's covered positions is determined by internally developed models or standardized specific risk charges. The market risk regulatory capital models are subject to internal model risk management and validation. The models are continuously monitored and enhanced in response to changes in market conditions and composition of positions. The Company is required to obtain and has received prior written approval from its regulators before using its internally developed models to calculate the market risk capital charge.

VaR is a statistical risk measure used to estimate the potential loss from adverse moves in the financial markets. The VaR measures assume that historical changes in market values (historical simulation analysis) are representative of the potential future outcomes and measure the expected loss over a given time interval at a given confidence level. The Company calculates VaR as prescribed by the Basel III capital rule, using a 10-day holding period at a 99% confidence level. We treat data from all historical periods as equally relevant and use a 12-month look-back period. A portfolio of positions is usually less risky than the sum of the risks from the individual components. Each risk category can offset the exposure to the other risk category creating a diversification benefit.

The VaR models measure exposure to the following risk categories:

- Credit risk - exposures from corporate, asset-backed security, and municipal credit spreads.
- Interest rate risk - exposures from changes in the level, slope, and curvature of interest rate curves and volatilities.
- Equity risk - exposures to changes in equity prices and volatilities.
- Commodity risk - exposures to changes in commodity prices and volatilities.
- Foreign exchange risk - exposures to changes in foreign exchange rates and volatilities.

Basel III prescribes various VaR measures in the determination of regulatory capital and RWAs. For regulatory purposes, we use the following metrics to determine the Company's market risk capital requirements:

- General VaR measures the risk of broad market movements such as changes in the level of credit spreads, interest rates, equity prices, commodity prices, and foreign exchange rates. General VaR uses historical

simulation analysis based on 99% confidence level with a 10-day holding period and a 12-month look-back period.

Table 18 shows the General VaR measure categorized by major risk categories. Average 10-day Company Regulatory General VaR was $63 million for the quarter ended June 30, 2019.

Table 18: Regulatory 10-Day 99% General VaR by Risk Category June 30, 2019

	June 30, 2019	Three months ended June 30, 2019		
(in millions)	Period End	High	Low	Average
Wells Fargo Regulatory General VaR by Risk Category				
Credit	$ 36	45	29	35
Interest rate	87	114	66	90
Equity	3	43	0	4
Commodity	5	16	3	6
Foreign exchange	7	10	6	8
Diversification benefit (1)	(76)	N/A	N/A	(80)
Company Regulatory General VaR	$ 62	105	28	63

(1) The period-end and average Company VaRs were less than the sum of the VaR components described above, which is due to portfolio diversification. The diversification benefit is not applicable (N/A) for low and high metrics since they may occur on different days.

- Specific Risk measures the risk of loss that could result from factors other than broad market movements, and includes event risk, default risk, and idiosyncratic risk. Specific Risk is calculated for both debt and equity position and uses Monte Carlo simulation analysis based on a 99% confidence level and a 10-day holding period.
- Total VaR is the combination of General VaR and Specific Risk. Total VaR-Based Capital uses the multiplier of 3 as prescribed by the Basel III capital rules based on regulatory back-testing outcomes discussed later in this document.

Table 19: Total VaR Risk-Weighted Assets June 30, 2019

	June 30, 2019	Three months ended June 30, 2019				
(in millions)	Period End	High	Low	Average	Risk-Based Capital	Risk-Weighted Assets
Total VaR	$ 67	108	34	66	199	2,482

- Total Stressed VaR uses a historical period of significant financial stress over a continuous 12-month period using historically available market data and calibrated monthly against current exposures. Total Stressed VaR is the combination of Stressed General VaR and Stressed Specific Risk, and uses the same methodology and models as Total VaR.

June 30, 2019

Table 20: Total Stressed VaR Risk-Weighted Assets

(in millions)		June 30, 2019	Three months ended June 30, 2019				
		Period End	High	Low	Average	Risk-Based Capital	Risk-Weighted Assets
Total Stressed VaR	$	603	662	418	541	1,624	20,300

- Incremental Risk Charge captures losses due to both issuer default and credit migration risk at the 99.9% confidence level over a 12-month capital horizon under a constant position assumption.

The Company calculates Incremental Risk by generating a portfolio loss distribution using Monte Carlo simulation, which assumes numerous scenarios, where an assumption is made that the portfolio's composition remains constant for a 12-month time horizon. Individual issuer credit grade migration and issuer default risk is modeled through generation of the issuer's credit rating transition based upon statistical modeling. Correlation between credit grade migration and default is captured by a multifactor proprietary model which takes into account industry classifications as well as regional effects. Additionally, the impact of market and issuer specific concentrations is reflected in the modeling framework by assignment of a higher charge for portfolios that have increasing concentrations in particular issuers or sectors. Lastly, the model captures product basis risk; that is, it reflects the material disparity between a position and its hedge.

Incremental Risk Charge uses the higher of the quarterly average or the quarter end result as defined by the Basel III rule. For second quarter 2019, the required capital for market risk equals the average for the quarter.

June 30, 2019

Table 21: Incremental Risk Charge (IRC) Risk - Weighted Assets

(in millions)		June 30, 2019	Three months ended June 30, 2019				
		Period End	High	Low	Average	Risk-Based Capital	Risk-Weighted Assets
IRC	$	26	70	22	35	35	440

- Securitization Positions Charge - Basel III requires a separate market risk capital charge for positions classified as a securitization or resecuritization. The primary criteria for classification as a securitization are whether there is a transfer of risk and whether the credit risk associated with the underlying exposures has been separated into at least two tranches reflecting different levels of seniority. Covered trading securitizations positions include consumer and commercial asset-backed securities (ABS), commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), and collateralized loan and other debt obligations (CLO/CDO) positions. The securitization capital requirements are the greater of the capital requirements of the net long or short exposure, and are capped at the maximum loss that could be incurred on any given transaction.

Table 22 shows the aggregate net fair market value of securities and derivative securitization positions by exposure type that meet the regulatory definition of a covered trading securitization position at June 30, 2019.

Table 22: Covered Securitization Positions by Exposure Type (Net Market Value)

June 30, 2019

(in millions)		ABS	CMBS	RMBS	CLO/CDO
Securities	$	718	381	864	999
Derivatives		(1)	(1)	3	0
Total	$	717	380	867	999

- Securitization Due Diligence and Risk Monitoring - The market risk capital rule requires that the Company conduct due diligence on the risk of each securitization position within three days of its purchase. The Company's due diligence seeks to provide an understanding of the features that would materially affect the performance of a securitization or resecuritization. The due diligence analysis is re-performed on a quarterly basis for each securitization and resecuritization position. The Company aims to manage the risks associated with securitization and resecuritization positions through the use of offsetting positions and portfolio diversification.
- Standardized Specific Risk Charge - For debt and equity positions that are not processed by approved internal specific risk models, a regulatory prescribed standard specific risk charge is applied. The standard specific risk add-on for sovereign entities, public sector entities, and depository institutions is based on the Organization for Economic Co-operation and Development (OECD) country risk classifications (CRC) and the remaining contractual maturity of the position. These specific risk add-ons for debt positions range from 0.25% to 12%. The add-on for corporate debt is based on creditworthiness and the remaining contractual maturity of the position. All other types of debt positions are subject to an 8% add-on. The standard specific risk add-on for equity positions is generally 8%.
- Comprehensive Risk Charge/Correlation Trading - The market risk capital rule requires capital for correlation trading positions. The Company's correlation trading exposure covered under the market risk capital rule matured in fourth quarter 2014.
- De Minimis Charge is applied to risks that are not captured in the VaR models.

VaR Back-testing

The market risk capital rule requires back-testing as one form of validation of the VaR model. Back-testing is a comparison of the daily VaR estimate with clean profit and loss (clean P&L) as defined by the market risk capital rule. Clean P&L is the change in the value of the Company's covered trading positions that would have occurred had previous end-of-day covered trading positions remained unchanged (therefore, excluding fees, commissions, net interest income, and intraday trading gains and losses). Any clean P&L loss that exceeds Total VaR is considered a market risk regulatory capital back-testing exception. The Company observed no back-testing exceptions during the preceding 12 months.

Table 23 shows daily Total VaR (1-day, 99%) used for regulatory market risk capital back-testing for the 12 months ended June 30, 2019. The Company's average Total VaR for second quarter 2019 was $19 million with a high of $27 million and a low of $12 million.

Table 23: Daily Total 1-Day 99% VaR Measure (Rolling 12 Months)

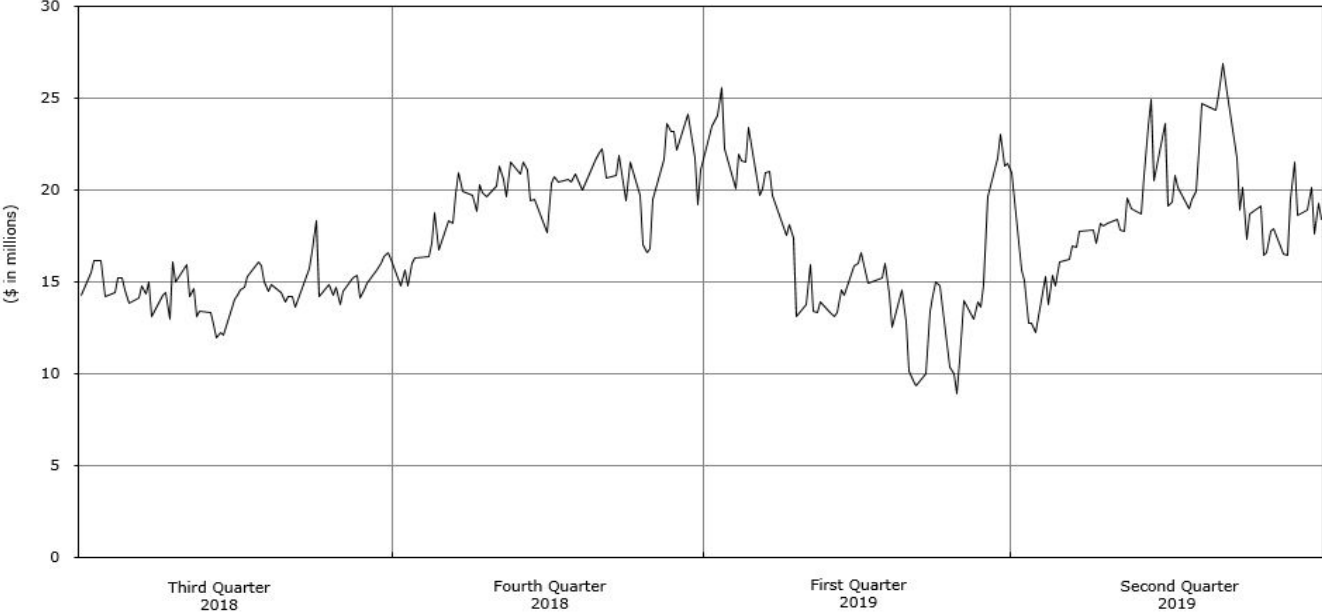
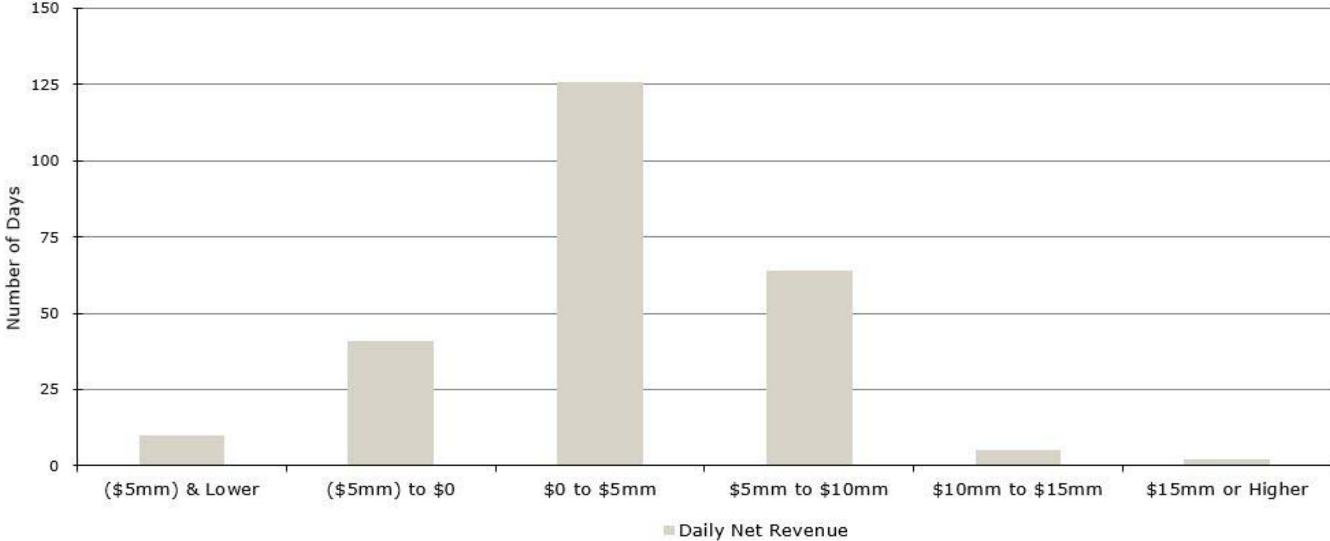


Table 24 provides information on the distribution of daily trading-related revenues for the Company's covered positions. This trading-related revenue is the clean P&L of the Company's covered trading positions that would have occurred had previous end-of-day covered trading positions remained unchanged, as defined above.

Table 24: Distribution of Daily Trading-Related Revenues



Supplementary Leverage Ratio

In April 2014, federal banking regulators finalized a rule that enhances the supplementary leverage ratio (SLR) requirements for BHCs, like Wells Fargo, and their insured depository institutions. The calculation of the SLR is tier 1 capital divided by the Company's total leverage exposure. Total leverage exposure consists of total average assets, less goodwill and other permitted tier 1 capital deductions (net of deferred tax liabilities), plus certain off-balance sheet exposures. The SLR rule, which became effective on January 1, 2018, requires a covered BHC to maintain a SLR of at least 5.0% to avoid restrictions on capital distributions and discretionary bonus payments. The SLR rule also requires that all of our insured depository institutions maintain a SLR of 6.0% under applicable regulatory capital adequacy guidelines. In April 2018, the FRB and OCC proposed rules (the "Proposed SLR Rules") that would replace the 2% supplementary leverage buffer with a buffer equal to one-half of the firm's G-SIB capital surcharge. The Proposed SLR Rules would similarly tailor the current 6% SLR requirement for our insured depository institutions. For additional details on the SLR, refer to the "Capital Management" section in Management's Discussion and Analysis to our second quarter 2019 Form 10-Q.

The following table sets forth our Supplementary Leverage Ratio and related components for the quarter ended June 30, 2019.

Table 25a: Supplementary Leverage Ratio

(in millions, except ratio)			June 30, 2019
Tier 1 capital	**(A)**	**$**	**170,675**
Total average assets			1,900,627
Less: amounts deducted from Tier 1 capital			28,821
Total adjusted average assets			1,871,806
Adjustment for derivative exposures (1)			68,229
Adjustment for repo-style transactions (2)			5,033
Adjustment for other off-balance sheet exposures (3)			257,539
Total off-balance sheet adjustments			330,801
Total leverage exposure	**(B)**		**2,202,607**
Supplementary leverage ratio	**(A)/(B)**		**7.75%**

(1) Adjustment represents derivatives and collateral netting exposures as defined for supplementary leverage ratio determination purposes.

(2) Adjustment represents counterparty credit risk for repo-style transactions where Wells Fargo & Company is the principal (i.e., principal counterparty facing the client).

(3) Adjustment represents credit equivalent amounts of other off-balance sheet exposures not already included as derivatives and repo-style transactions exposures.

The table below presents the components of the total leverage exposure for derivatives, repo-style transaction and other off-balance sheet exposures. The other off-balance sheet exposures consist of wholesale and retail commitments after the application of credit conversion factors.

Table 25b: Components of Total Leverage Exposure

(in millions)		June 30, 2019
On-balance sheet exposures		
Total average assets, as reported	$	1,900,627
Less: amounts deducted from Tier 1 capital		28,821
Total on-balance sheet exposures		1,871,806
Derivative exposures		
Replacement cost for derivative exposures (that is, net of cash variation margin)		14,833
Add-on amounts for potential future exposure (PFE) for derivative exposures		46,403
Gross-up for cash collateral posted if deducted from the on-balance sheet assets, except for cash variation margin		4,725
LESS: Deductions of receivable assets for cash variation margin posted in derivative transactions, if included in on-balance sheet assets		—
LESS: Exempted CCP leg of client-cleared transactions		—
Effective notional principal amount of sold credit protection		15,314
LESS: Effective notional principal amount offsets and PFE adjustments for sold credit protection		1,118
LESS: on-balance sheet assets for derivative exposures		11,928
Total off-balance sheet derivative exposures		68,229
Repo-style transactions		
On-balance sheet assets for repo-style transactions, except include the gross value of receivables for reverse repurchase transactions		113,816
LESS: Reduction of the gross value of receivables in reverse repurchase transactions by cash payables in repurchase transactions under netting agreements		16,206
Counterparty credit risk for all repo-style transactions		5,033
LESS: on-balance sheet assets for repo-style transactions		97,610
Total off-balance sheet exposures for repo-style transactions		5,033
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amounts		645,444
LESS: Adjustments for conversion to credit equivalent amounts		387,905
Total Other off-balance sheet exposures		257,539
Total leverage exposure	**$**	**2,202,607**

Glossary of Acronyms

Acronym	Description
ABS	Asset-Backed Securities
AMA	Advanced Measurement Approach
A-IRB	Advanced Internal Ratings Based
ALCO	Asset/Liability Management Committee
AMLTA	Alternative Modified-Look Through Approach
AOCI	Accumulated Other Comprehensive Income
BCBS	Basel Committee on Banking Supervision
BEICF	Business Environment and Internal Control Factors
BHCs	Bank Holding Companies
Board	Wells Fargo Board of Directors
BOLI	Bank-Owned Life Insurance
CCAR	Comprehensive Capital Analysis and Review
CCE	Current Credit Exposure
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CEM	Current Exposure Method
CET1	Common Equity Tier 1
CFMO	Corporate Functional Model Oversight
CMC	Capital Management Committee
CMoR	Corporate Model Risk
CRC	Capital Reporting Committee
CRE	Commercial Real Estate
CVA	Credit Valuation Adjustment
DTA	Deferred Tax Assets
EAD	Exposure at Default
ECL	Expected Credit Loss
ECRM	Enterprise Counterparty Risk Management
ELD	External Loss Data
FDIC	Federal Deposit Insurance Corporation
Final Rule	Basel III Final Rule for U.S. Bank Holding Companies and Banks
FLTA	Full Look-Through Approach
FRB	Board of Governors of the Federal Reserve System
FSB	Financial Stability Board
G-SIB	Global Systemically Important Banks
GAAP	Generally Accepted Accounting Principles
GNMA	Government National Mortgage Association
GSE	Government Sponsored Entity
HVCRE	High Volatility Commercial Real Estate
ICAAP	Internal Capital Adequacy Assessment Process
ILD	Internal Loss Data
IPRE	Income-Producing Real Estate
LDA	Loss Distribution Approach
LGD	Loss Given Default
MSR	Mortgage Servicing Rights
OCC	Office of the Comptroller of the Currency
ORX	Operational Riskdata eXchange Association
OTC	Over-the-counter
OTTI	Other-Than-Temporary Impairment
PD	Probability of Default
PFE	Potential Future Exposure
RRROC	Regulatory and Risk Reporting Oversight Committee
RCSA	Risk and Control Self-Assessment
RWAs	Risk-Weighted Assets
SAE	Scenario Analysis Estimates
SLR	Supplementary Leverage Ratio
SPE	Special Purpose Entity
SRWA	Simple Risk Weight Approach
SFA	Supervisory Formula Approach
SSFA	Simplified Supervisory Formula Approach
UOM	Unit of Measure

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” section in Management's Discussion and Analysis to our second quarter 2019 Form 10-Q, as well as to our other reports filed with the Securities and Exchange Commission and available on its website at www.sec.gov, including the discussion under the “Risk Factors” section in Management's Discussion and Analysis in our 2018 Form 10-K.