Wells Fargo & Company

Liquidity Coverage Ratio Disclosure

For the quarter ended March 31, 2020

© 2020 Wells Fargo Bank, N.A. All rights reserved. Member FDIC.

Table of contents

03 Introduction

03 Executive Summary

03 Company Overview

04 LCR Rule Overview

05 Liquidity Risk Management

06 Liquidity Coverage Ratio Results

07 Liquidity Coverage Ratio Components

10 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. 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.

Introduction

Executive Summary

The Liquidity Coverage Ratio (LCR) disclosures included within this Report are required by the LCR public disclosure rule issued on December 19, 2016 by the Board of Governors of the Federal Reserve System (FRB) to promote market discipline through the provision of comparable liquidity information. These disclosures should be read in conjunction with our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 (first quarter 2020 Form 10-Q) and our Annual Report on Form 10-K for the year ended December 31, 2019 (2019 Form 10-K). The LCR disclosures provide quantitative and qualitative information about the LCR calculated in conformity with the final LCR rule (the Rule) issued by the FRB, the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC)[1], which established a standardized minimum liquidity requirement for large and internationally active banking organizations.

As shown in Table 1, for the quarter ended March 31, 2020 (first quarter 2020), the Company's average value for the daily-calculated LCR was 121%, which exceeds the regulatory minimum threshold of 100%. The ratio is calculated as the quarterly average of the daily amount of unencumbered high quality liquid assets (HQLA) divided by projected net cash outflows over a forward-looking 30-day period of stress. The excess of the average weighted amount of HQLA over the average total projected net cash outflows for first quarter 2020 was $66 billion. HQLA includes certain types of liquid assets and debt securities that meet the criteria to be considered HQLA under the Rule, subject to applicable value adjustments. The projected net cash outflows are calculated by applying a standardized set of outflow and inflow assumptions, defined by the Rule, to various exposures and liability types. Our quarterly average LCR increased 1% from the prior quarter primarily due to an increase in liquidity from the issuance of long-term debt by the Parent.

Table 1: Liquidity Coverage Ratio

	Average for Quarter ended	
(in millions, except ratio)	**March 31, 2020**	**December 31, 2019**
HQLA (1)(2)	$ 381,950	$ 373,362
Projected net cash outflows	315,980	312,019
LCR	121%	120%

(1) Excludes excess HQLA at Wells Fargo Bank, N.A.
(2) Net of applicable haircuts required under the LCR rule.

Company Overview

Wells Fargo & Company is a diversified, community-based financial services company with $1.98 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 7,400 locations, more than 13,000 ATMs, digital (online, mobile and social), and contact centers (phone, email and correspondence), and we have offices in 31 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 March 31, 2020.

[1] The Rule is codified in 12 CFR Part 249.

Wells Fargo manages a variety of risks that can significantly affect our financial performance and our ability to meet the expectations of our customers, shareholders, regulators and other stakeholders. The Company measures and manages risk as part of our business, including in connection with the products and services we offer to our customers. The risks we take include financial, such as credit, interest rate, market, liquidity and funding risks, and non-financial, such as operational including compliance and model risks, strategic and reputation risks. A discussion of the Company's risk management framework and culture is provided in the "Risk Management", "Risk Management Framework", "Risk Governance", and "Risk Operating Model – Roles and Responsibilities" sections in Management's Discussion and Analysis to our 2019 Form 10-K and is applicable to our management of liquidity risk as discussed in this Report.

LCR Rule Overview

The liquidity requirements under the Rule are consistent with the minimum standards for funding liquidity issued by the Basel Committee on Banking Supervision (BCBS) as part of its liquidity framework. A key objective of the BCBS liquidity framework is to promote short-term resilience of a bank's liquidity risk profile by ensuring that it has sufficient HQLA, such as central bank reserves and government and corporate debt that can be converted easily and quickly to cash in an amount sufficient to survive a significant stress scenario lasting 30 days. The Rule implements a quantitative liquidity requirement consistent with the LCR established by the BCBS. See the "Liquidity and Funding" section in Management's Discussion and Analysis to our first quarter 2020 Form 10-Q and our 2019 Form 10-K for additional information concerning regulatory liquidity rules applicable to us.

The 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 Rule requires covered companies to maintain daily HQLA equal to or greater than projected net cash outflows over a 30 calendar-day stress period, subject to detailed specifications around the calculation process which:

- Define which instruments constitute HQLA;
- Limit the amount of excess HQLA held in a subsidiary that can be included in the consolidated company's HQLA to the amount that can be transferred without restrictions in times of liquidity stress;
- Prescribe standardized cash inflow and outflow rates that must be used to calculate total projected net cash outflows over the 30-day stress period; and
- Prescribe the methodology for calculating total net cash outflows, including capping cash inflows at 75% of cash outflows and requiring an add-on calculation to address potential maturity mismatches[2] between outflows and inflows.

General eligibility criteria and operational requirements for inclusion of an asset as HQLA are outlined in the Rule. Per the Rule, eligible HQLA is divided into Level 1 assets and Level 2 assets, which are further segmented into Level 2A and Level 2B assets. The composition of asset types within each level, as well as applicable haircuts and quantitative limits, are specified in the Rule.

The calculation of net cash outflow incorporates prescribed standardized outflow and inflow rates, and in some instances prescribes the methodology by which certain transaction types are to be classified. The delineation of wholesale deposits into operational and non-operational is unique to LCR reporting. Operational deposits are defined as unsecured wholesale funding that is necessary to provide operational services. Additional criteria must also be satisfied, including an assessment of whether the volatility of the average balance indicates there is an excess balance which must be excluded from the operational deposit amount. Retail brokered deposits are also segmented differently for LCR purposes relative to other reporting with the LCR classification based on type of account, insurance, and maturity to assign differentiated outflow rates.

[2] The maturity mismatch add-on is applicable to U.S. banking organizations with total consolidated assets of at least $250 billion or on-balance sheet foreign exposure of at least $10 billion, and any advanced approaches banking organization's consolidated U.S. depository institution subsidiary that has $10 billion or more in total consolidated assets.

The daily calculation of LCR is evaluated against the minimum threshold of 100% and in the event that it falls below the threshold on any given business day, we are required under the Rule to provide same-day notification to the FRB. Regulatory guidance indicates that during certain periods of systemic or idiosyncratic stress, it would be acceptable to fall below the minimum LCR requirement, thus allowing for the utilization of liquid assets to meet stressed outflow needs.

During the first quarter 2020, the Company (on a consolidated basis) and Wells Fargo Bank, N.A. were required to comply with the Rule. The basis of consolidation used for regulatory reporting is the same as that used under U.S. Generally Accepted Accounting Principles (U.S. GAAP). 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 2019 Form 10-K.

Liquidity Risk Management

Wells Fargo's objective in managing its liquidity is to maintain liquidity at an amount commensurate with our risk profile and risk tolerance objectives, and to meet both regulatory and market expectations. We manage liquidity to meet internal liquidity targets with the goal of ensuring that sufficient liquidity 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). We maintain operational and governance processes designed to manage, forecast, monitor, and report to management and the Company's Board of Directors liquidity levels in relation to regulatory requirements, internal risk appetite limits, and management metrics and limits.

Wells Fargo measures and monitors its LCR as part of our overall liquidity risk management framework, the objective of which is to ensure that we can meet customer loan requests, customer deposit maturities/withdrawals, and other cash commitments efficiently under both normal operating conditions and under periods of company-specific and/or market stress. The Company actively manages liquidity risk through a comprehensive process for assessing its overall liquidity and funding risks. We perform internal liquidity stress tests to evaluate our available liquidity resources against potential liquidity needs under a range of adverse scenarios and time horizons. The results of our liquidity stress tests, which consider both market and firm-specific events, are used to inform management of current liquidity positioning against expected and unexpected future events.

Primary oversight of liquidity and funding resides with the Risk Committee of the Board of Directors. At the management level, we utilize the Corporate Asset/Liability Committee (ALCO) to oversee these risks and report on the Company's liquidity risk profile to the Risk Committee. In conjunction with ALCO, the Liquidity Risk Management Oversight Committee (LRMOC) oversees the process by which liquidity risk is managed. LRMOC is responsible for reviewing and approving liquidity stress testing methodologies and underlying assumptions, and overseeing the Company's liquidity stress testing and monitoring frameworks and the structure of its contingency funding plan. ALCO reviews the actual and forecasted liquidity levels, and together with LRMOC, monitors liquidity against regulatory requirements and internal limits for signs of stress. LRMOC and ALCO review the Company's liquidity performance against objectives intended to ensure alignment with the expectations and guidance offered by regulatory agencies and our Board. For a discussion on our risk management framework, see the "Risk Management", "Risk Management Framework", "Risk Governance", and "Risk Operating Model – Roles and Responsibilities" sections in Management's Discussion and Analysis to our 2019 Form 10-K.

Additionally, the Company's Regulatory and Risk Reporting Oversight Committee (RRROC) provides oversight of regulatory reporting, including liquidity-related data and disclosures. The RRROC is a management-level governance committee overseen by the Audit Committee of the Company's Board that provides management oversight of Wells Fargo's regulatory reporting and disclosures, and assists executive management in fulfilling their responsibilities for oversight of the regulatory financial reports and disclosures made by the Company.

Liquidity Coverage Ratio Results

The following table sets forth the average values for our LCR and related components calculated pursuant to the LCR rule and its requirements for the period from January 1 to March 31, 2020.

Table 2: Liquidity Coverage Ratio (1) — Quarter ended March 31, 2020

(in millions, except ratio)		Average unweighted amount		Average weighted amount
High Quality Liquid Assets				
Total eligible HQLA (2), of which:	**$**	**398,690**		**381,950**
Eligible level 1 liquid assets		289,305		289,305
Eligible level 2A liquid assets		108,437		92,172
Eligible level 2B liquid assets		948		474
Cash Outflow Amounts				
Deposit Outflow from retail customer and counterparties, of which:	**$**	**831,947**		**71,058**
Stable retail deposit outflow		438,150		13,144
Other retail funding		216,424		23,118
Brokered deposit outflow		177,374		34,795
Unsecured wholesale funding outflow, of which:		**445,262**		**158,944**
Operational deposit outflow		287,551		71,116
Non-operational funding outflow		151,530		81,647
Unsecured debt outflow		6,180		6,180
Secured wholesale funding and asset exchange outflow		**146,505**		**34,420**
Additional outflow requirements, of which:		**468,006**		**78,241**
Outflow related to derivative exposures and other collateral requirements		15,068		11,073
Outflow related to credit and liquidity facilities including unconsolidated structured transactions and mortgage commitments		452,938		67,168
Other contractual funding obligation outflow		**2,814**		**2,814**
Other contingent funding obligations outflow		**179,397**		**5,552**
TOTAL CASH OUTFLOW	**$**	**2,073,932**		**351,030**
Cash Inflow Amounts				
Secured lending and asset exchange cash inflow	**$**	**112,820**		**21,274**
Retail cash inflow		**5,012**		**2,506**
Unsecured wholesale cash inflow		**13,011**		**7,825**
Other cash inflows, of which:		**6,150**		**6,150**
Net derivative cash inflow		2,005		2,005
Securities cash inflow		2,670		2,670
Broker-dealer segregated account inflow		1,476		1,476
Other cash inflow		-		-
TOTAL CASH INFLOW	**$**	**136,994**		**37,755**
				Average Amount (3)
HQLA Amount		(A)	**$**	**381,950**
Total projected net cash outflow amount excluding the maturity mismatch add-on				**313,274**
Maturity mismatch add-on				**2,706**
Total projected net cash outflow amount		(B)	**$**	**315,980**
Liquidity coverage ratio (%)		(A)/ (B)		**121%**

(1) As required under 12 CFR Part 249, subpart J.
(2) Excludes excess HQLA at Wells Fargo Bank, N.A.
(3) Amounts reported in this section may not equal the calculation of those amounts using the components in the preceding portion of the table due to technical factors such as the application of the level 2 liquidity asset caps and the total inflow cap.

Liquidity Coverage Ratio Components

HQLA

As shown in Table 2, our HQLA weighted amount averaged $382 billion in first quarter 2020. The increase in our average HQLA from $373 billion in fourth quarter 2019 was primarily driven by an increase in liquidity from the issuance of long-term debt by the Parent. Under the Rule, Level 1 securities are included in our HQLA based on fair value as determined under U.S. GAAP plus accrued interest, without the application of a haircut. A significant portion of our Level 1 assets are held in the form of cash on deposit with central banks, predominantly the Federal Reserve.

In total, average Level 2 assets of $93 billion composed 24% of our HQLA amount, which is under the 40% composition maximum specified in the Rule. Per the Rule, Level 2A assets are weighted in HQLA with a haircut of 15% applied to fair value. Level 2B assets are weighted in HQLA with a 50% haircut applied to fair value, and are subject to, in total, a 15% sub-limit of HQLA (within the 40% composition maximum on Level 2 assets).

Among other criteria, an asset must be unencumbered to be included as part of our HQLA amount. Additionally, the amount of HQLA held at subsidiaries that is included in the consolidated company's calculation is limited to the amount that would be available to transfer without restrictions to the top-tier company during times of liquidity stress.

The composition of our HQLA by asset class is summarized in Table 3.

Table 3: HQLA Composition Quarter ended March 31, 2020

(in millions)		Average unweighted amount	Average weighted amount
Cash on deposit (Level 1)	$	118,758	118,758
Securities of U.S. Treasury (Level 1)		76,854	76,854
Securities of federal agencies and mortgage-backed securities of federal agencies:			
Level 1		90,559	90,559
Level 2A		108,437	92,172
Other foreign government obligations (Level 1 and 2A)		3,134	3,134
Eligible corporate debt and publicly traded equity securities (Level 2B)		948	474
Total HQLA	$	398,690	381,950

Eligible HQLA securities are held on our balance sheet as debt or equity securities, or received as collateral on secured lending transactions or as margin for certain counterparty exposures. Some of the securities in our HQLA amount are within the held-to-maturity portion of our debt securities portfolio and as such are not intended for sale but, to the extent such securities are not encumbered, may be pledged to obtain financing. The size and composition of our available-for-sale and held-to-maturity debt securities is dependent upon the Company's liquidity and interest rate risk management objectives. Additional information on our debt securities portfolio can be found in the "Balance Sheet Analysis – Available-for-Sale and Held-to-Maturity Debt Securities" section of our first quarter 2020 Form 10-Q and our 2019 Form 10-K.

Cash Outflow Amounts

The Company's predominant sources of funding are deposits, short-term borrowings, and long-term debt. Deposits, which are the Company's largest source of funding, are diversified between retail and wholesale customers. Our short-term borrowings, which generally mature in less than 30 days, are largely composed of securities sold under agreements to repurchase which are secured substantially with HQLA. Long-term debt, which consists of domestic and international

issuances of registered debt securities, private placements and asset-backed secured funding, is issued in a variety of maturities and currencies to achieve cost-efficient funding and to maintain an appropriate maturity profile. The composition of our funding sources forms the basis for the majority of our cash outflow amounts as derived through the LCR calculation methodology.

In line with the Company's overall business model, our primary source of cash outflows as defined by the LCR calculation stems from deposit funding transactions across wholesale and retail deposit accounts, most of which do not have defined maturity dates.

As shown in Table 2, our largest average weighted cash outflows are derived from wholesale deposits and other sources of unsecured wholesale funding and are prescribed outflow rates higher than other funding sources under the Rule. The prescribed outflow rates on unsecured wholesale funding transactions have a wide range. Substantially all operational deposits, including escrow deposits, are assigned an outflow factor of 25% under the Rule. We consider operational deposits a stable source of funding as these deposits are associated with key operational services provided to our wholesale customers, which increases the likelihood they will maintain their balances in a time of stress.

The Company's non-operational funding cash outflows for the purposes of the LCR calculation are predominantly composed of deposit accounts which do not satisfy the characteristics of operational deposits. The prescribed outflow rates assigned to these transactions are higher for financial counterparties than for non-financial counterparties. For substantially all non-financial counterparties the Rule's prescribed outflow rate is 40% while the outflow rate for financial counterparties is 100%.

Unsecured debt outflows are substantially composed of maturities of our long-term debt and wholesale negotiable certificates of deposit occurring within 30 days of the calculation date.

Consistent with our large retail banking presence, retail deposit outflows of $71 billion were a major component of total average weighted cash outflows for first quarter 2020. Transactional and relationship retail deposits that are fully insured are considered a stable source of funding for the Company and thus are assigned a low 3% outflow rate under the Rule, whereas other retail deposits are largely prescribed a higher 10% outflow rate under the Rule. For first quarter 2020, stable retail deposit outflows averaged $13 billion, while other non-brokered retail funding outflows averaged $23 billion.

Brokered deposit cash outflow amounts are predominantly associated with bank deposit sweeps offered through Wells Fargo Clearing Services, LLC and similar deposits sourced by our wholesale line of business. The Rule's prescribed outflow rates for these deposits range from 10-40% depending on the affiliation between the bank and the broker sweeping the deposit and whether the deposit is fully covered by deposit insurance. For first quarter 2020, outflows related to bank deposit sweeps averaged $26 billion. The Company has also issued brokered certificates of deposit to retail counterparties, with average outflows of $8 billion in first quarter 2020 under the Rule. In total, brokered deposits averaged $35 billion in outflows for first quarter 2020.

Outflows related to credit and liquidity facilities, including mortgage commitments, of $67 billion were also a significant component of cash outflows under the Rule in first quarter 2020. These prescribed drawdowns on unfunded commitments included credit facilities and mortgage commitments to retail counterparties (5-10% outflow rates), and wholesale credit and liquidity facilities to financial and non-financial counterparties (10-100% outflow rates, depending on facility and counterparty type). Notably, credit facilities to non-financial wholesale customers are assigned a prescribed outflow rate of 10%; credit facilities to financial wholesale customers are assigned prescribed outflow rates of 40-100%; and liquidity facilities to wholesale customers are assigned prescribed outflow rates of 30-100%. Liquidity facilities are defined in the Rule as legally binding written agreements to extend funds to a counterparty at a future date, for the purpose of refinancing the debt of the counterparty when it is unable to obtain a primary or anticipated source of funding; all other legally binding loan agreements are considered credit facilities.

Secured funding transaction cash outflows of $34 billion were substantially derived from repurchase and security lending agreements, collateralized deposits, and loans of collateral to the Company's customers to effect short positions. For secured funding transactions that mature within 30 days of the calculation date, outflow rates prescribed by the Rule are based on the quality of collateral securing the transaction and generally prescribed according to HQLA classifications. No outflow rates are prescribed for transactions secured by Level 1 assets, while the Rule assigns transactions with Level 2A assets an outflow rate of 15%. Transactions secured by Level 2B and non-HQLA assets have specified outflow rates of 50% and 100%, respectively. The repurchase and security lending transactions referred to above are largely collateralized by HQLA and represent a primary source of funding for Wells Fargo Securities, LLC, our institutional broker dealer.

Derivative exposures generated average outflows of $11 billion under the LCR calculation methodology prescribed by the Rule. Substantially all of these outflows represented increased collateral requirements associated with the prescribed stress.

Average outflows of $6 billion for other contingent funding are associated with debt security buyback outflows where the maturity date is more than 30 calendar days from the calculation date and we are the primary market maker. The Rule's prescribed rate on debt security buyback outflows varies between 3% and 5%, depending on whether the security is unstructured or structured, respectively.

Cash Inflow Amounts

In first quarter 2020, the majority of the Company's cash inflows calculated under the Rule were attributable to secured lending transactions which averaged $21 billion. Substantially all of our secured lending transactions consist of securities purchased under resale agreements, securities borrowing transactions, and margin loans. To determine the cash inflows eligible for inclusion in the calculation, an effective maturity date must be determined for each secured lending transaction by taking the later of the transaction's contractual maturity date and the maturity date of an associated secured funding transaction for which the collateral received under the secured lending transaction has been rehypothecated. The prescribed rates for secured lending transactions where the transaction will mature within 30 days of the calculation date are dependent on the quality of the collateral securing the transaction and assigned according to HQLA classifications consistent with the classifications prescribed for secured funding transactions.

Of the remaining inflow categories, unsecured wholesale cash inflows of $8 billion account for a significant portion of our first quarter 2020 average cash inflow amount. Substantially all of these expected contractual payments relate to unsecured loans from both financial and non-financial wholesale customers. As shown in Table 2, other less significant sources of cash inflows under the 30 day scenario include retail cash inflows and cash inflows relating to derivatives and securities.

Maturity Mismatch Add-On

Maturity mismatches occur when there are contractual inflows late in the 30-day stress period and outflows early in the same period. Within the LCR calculation, the maturity mismatch add-on attempts to address potential maturity mismatches between early outflows and late inflows. In Table 2, the quarterly average value for the maturity mismatch add-on compared to the total net cash outflow amount is minimal.

Total Projected Net Cash Outflow Amount

The total projected net cash outflow amount, which is the denominator of the LCR, is derived by aggregating and netting total cash outflows and total cash inflows against each other and then adding the calculated maturity mismatch amount.

Forward-Looking Statements

This document contains forward-looking statements. 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 our allowance for credit losses; (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, ratios or targets; (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) expectations regarding our effective income tax rate; (xiii) the outcome of contingencies, such as legal proceedings; and (xiv) 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 in our first quarter 2020 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 2019 Form 10-K.