Wells Fargo Securities International Limited

Pillar 3 Disclosures for the year ended 31 December 2020

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1. Introduction

1.1 Objective

Wells Fargo Securities International Limited (**WFSIL** or the **Firm**) is required to meet the requirements of the Financial Conduct Authority (**FCA**) Handbook and the requirements of the Basel Accords as implemented in the EU through the Capital Requirements Directive (Directive 2013/36/EU) and the Capital Requirements Regulation (Regulation No.575/2013) (collectively known as "CRD IV").

This document is prepared in accordance with the disclosure requirements set out under Part Eight of the CRR and WFSIL's Pillar 3 policy. The firm's Pillar 3 disclosures and policy are subject to a formal governance process, with oversight from Independent Risk Management (**IRM**), and are reviewed and approved by the WFSIL Board of Directors (**the Board**) on an annual basis or more frequently if required.

The qualitative and quantitative information in this document represent the position of WFSIL as at 31st December 2020. The quantitative disclosures in this document are calculated according to the standardised (i.e. non-modelled) approaches in the FCA Handbook and CRD IV.

This document does not constitute a set of financial statements. The WFSIL audited financial statements are prepared in accordance with the applicable UK company law and accounting standards. Information contained in the WFSIL 2020 audited financial statements may contain differences with the information in this document as the regulatory approaches may differ from accounting definitions.

Please note that certain prior year comparative figures shown in the three tables in Section 15 (Remuneration) relating to Remuneration Expenditure and Deferred Remuneration have been subject to a restatement where marked. The originally published figures contained in last year's Pillar 3 disclosures (the 2019 year end WFSIL Pillar 3 disclosures) were understated due to an error in preparation. Additionally, the prior year comparatives in the third table in section 7.1 have been restated to reflect a change of internal methodology affecting counterparty credit risk for derivatives applied during 2020 that reclassifies amounts between table categories, allowing a consistent presentation between years in these disclosures.

1.2 WFSIL Background

WFSIL was formed in 1997 and was acquired by Wells Fargo & Company (WFC, or the Group) on 31 December 2008 as part of the acquisition of Wachovia Corporation.

WFC's principal subsidiary is Wells Fargo Bank, National Association (**WFBNA**), a national bank with total assets of $1.8 trillion as at 31 December 2020. WFBNA is a national banking association which houses the vast majority of WFC's personnel and operations. It represents approximately 90% of WFC's consolidated assets and generates the majority of the WFC's consolidated revenues and net earnings.

WFSIL is a private limited company incorporated under the laws of England and Wales with its head office and registered office located in London, United Kingdom. WFSIL is a wholly owned subsidiary of EVEREN Capital Corporation, which in turn is wholly owned by WFC Holdings LLC (WFCH); WFCH is owned by WFC. This ownership structure was implemented on October 1, 2020, with 100% ownership transferring from another company within the Wells Fargo Group, Wells Fargo International Banking Corporation.

WFSIL is a UK incorporated Investment Firm authorised and regulated by the FCA.

The UK gave notice to the European Union ("EU") on March 2017 of its intent to withdraw from the EU, which formally came into effect on 31 January 2020. The UK and the EU then entered a transition period until December 2020 during which the status quo was maintained. As the transition period has now lapsed and the Free Trade Agreement that the UK and EU agreed does not cover financial services, WFSIL is no longer able to utilise an EU passport to market its products and services on a cross-border basis across the EU, apart from in certain select EU jurisdictions where the UK has bilateral agreements in place.

WFSIL conducts business primarily as a broker-dealer and delivers capital markets products and services to wholesale customers, including selling and distributing debt and equity products, financial products that provide hedging of interest rate and FX risks, as well as M&A and capital markets transactions.

2. Risk Governance

2.1 Introduction

WFSIL is a standalone entity for FCA regulatory reporting purposes and there is no UK or EEA regulated group. WFSIL has no subsidiaries.

Prudent risk taking, in line with WFSIL's strategy, is fundamental to its future growth. WFSIL's business operations are based on conscious and disciplined risk-taking. Independent risk management, compliance and audit processes with proper management accountability are critical to the interests and concerns of our internal stakeholders. The business growth strategy benefits from areas where WFSIL has deep domain expertise, strong client base and robust risk management and governance infrastructure. WFSIL's risk culture is supported by the following principles:

- Risk management policies that set out authorities and responsibilities for taking and managing risks;
- A clear risk appetite statement that sets out the types and levels of risk WFSIL is prepared to take;
- Active monitoring of risks and taking mitigating actions where they fall outside accepted levels;
- Breaches of risk limits are identified, analysed and escalated, and large, repeated or unauthorised exceptions may result in disciplinary action; and
- Resilient risk controls that promote multiple perspectives on risk and reduce the reliance on single risk measures.

The Board oversees the risk appetite statement and risk profile of WFSIL and ensures that business developments are consistent with the risk appetite and strategic goals of WFC. The WFSIL Statement of Risk Appetite (**SoRA**) is comprised of both qualitative and quantitative components and metrics which are monitored on a frequent basis. The SoRA is reviewed on at least an annual basis; the business strategy, key ratios, internal data and issues are used to ensure appropriate calibration of the thresholds.

The Board also reviews and endorses WFSIL's risk activities, which includes the establishment of policies for the control of risk. The Board receives information on the risk profile of WFSIL, breaches of the policy framework and external developments that may have some impact on the effectiveness of the risk management. It also approves significant changes to risk management policies and approves WFSIL's SoRA annually. The Board also ensures that the Wells Fargo risk culture remains strong and that controls are respected by staff - this is achieved by the Board setting clear expectations regarding appropriate behaviours; and implemented by WFSIL's Senior Management through their leadership actions, communication and organisational governance.

The WFSIL risk governance structure is made up of the committees outlined below, which aid senior management and the Board in the identification, assessment, monitoring and management of risk in the entity.

2.2 WFSIL Committee Structure

	Monthly	Quarterly	As required
WFSIL Specific	• WFSIL Asset & Liability Committee (**ALCO**) • WFSIL Executive Committee (**EXCO**)	• WFSIL Board • WFSIL Board Risk Committee • WFSIL Remuneration Committee • WFSIL Regulatory Reporting Oversight Committee • WFSIL Audit Committee	• WFSIL Nominations Committee
EMEA Wide	• EMEA ALCO • EMEA New Initiatives Committee (**EMEA NIC**) • EMEA Client Assets (**EMEA CASS**) Steering Committee • EMEA Risk and Control Committee • EMEA Executive Committee (ExCo) • EMEA Operating Committee (OpCo)		• EMEA Underwriting Approval Committee • WFS EMEA Transaction Reporting Steering Committee • EMEA Mergers and Acquisitions Capital Committee (**E-MACC**) • EMEA Operational Risk Steering Committee (**ORSC**) • EMEA Remuneration Risk Review Committee (ERRRC) • EMEA Remuneration Steering Group (ERSG)

WFSIL Board of directors

The Directors of WFSIL who held office during the year to 31st December 2020 and the number directorships

		Number of commercial Directorships held
Francisco Rey Alegria		1
Paola Bergamschi Broyd		5
Stephen Kingsley	Appointed 8 June 2020	2
John Langley	Appointed 28 January 2020	1
Richard Place	Appointed 15 September 2020	1
Daniel Thomas	Appointed 14 May 2020	1
Christine Meyers	Resigned 15 September 2020	
Nicholas Andrews	Resigned 31 August 2020	
Walter E. Dolhare	Resigned 26 May 2020	

WFSIL selects its Board members in line with the Wells Fargo Group principles and procedures and in accordance with applicable legal and regulatory requirements regarding recruitment. The selection process aims to identify the best qualified candidates for a position, providing equal opportunity in all employment decisions and without regard to race, colour, gender, national origin, religion, age, sexual orientation, gender identity, disability, pregnancy, marital status or any other status protected by law.

The primary responsibility of the Board is to set the business objectives, risk strategies and profile for WFSIL, to ensure WFSIL's compliance with relevant internal policies and applicable laws, and to monitor WFSIL's performance against these parameters.

The Board may determine that it is appropriate to delegate certain responsibilities and decision-making powers to ad-hoc or standing committees. The Board has established or participates in a governance structure that includes the WFSIL Board Risk Committee (**BRC**), which meets quarterly.

The Board oversee the management of all risks as they apply to WFSIL, including Credit and Counterparty Risk, Market Risk, Liquidity and Funding Risk, Operational Risk, and Interest Rate Risk in the Banking Book for WFSIL. Further detail on the management of these risks can be found in sections 7-11 of this document.

2.3 WFSIL Risk Management Program

WFSIL has three lines of defence, each with distinct responsibilities with respect to the risk management program:

Front Line: The Front Line identifies, assesses, manages, and mitigates risk associated with its activities and balances risk and reward in decision-making, while complying with laws, rules, regulations, and the risk management program. The Front Line comprises WFSIL's risk-generating activities, including all activities of its Business Groups and certain activities of its Enterprise Functions. The Front Line is responsible for identifying, measuring, assessing, controlling, mitigating, monitoring, and reporting current and emerging risk exposures associated with its activities and operations.

The Business Control Executive team support the front line, and is aligned to the lines of business. This team ensures effective management of risks across the businesses, consistent with Corporate Risk programs. They understand risks facing the lines of business and coordinate with management and IRM on end-to-end business processes, provide consistent implementation of enterprise risk programs, aggregate analytics and reporting, and set consistent standards across the lines of business. In addition, control executives ensure accountability at the line-of-business level for direct implementation and execution of risk-related programs.

Independent Risk Management (IRM): IRM establishes, implements, and maintains the risk management program under the direction of the BRC and senior management, and oversees the Front Line's execution of its risk management responsibilities and independently credibly challenges Front Line risk decisions.IRM incorporates senior risk leaders representative of relevant risk areas across the Europe, Middle East & Africa region (EMEA) where the EMEA Regional Chief Risk Officer (EMEA RCRO) has overall regional oversight and responsibility of Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Compliance Risk, Reputation Risk, Model Risk, Strategic Risk and Interest Rate Risk. In addition, this structure is further enhanced by a network of control committees in order to provide governance, decision making and escalation.

IRM is responsible for maintaining an enterprise-wide view of current and emerging risk exposures (in aggregate both across WFSIL and for individual risk types). Relevant risk data is leveraged from various company risk data systems as appropriate and follows internal guidelines. IRM is also responsible for developing, reviewing and implementing enterprise-wide risk management frameworks (including the SoRA, and second-line functional frameworks), policies, standards and procedures (specific to individual risk types and sub-risk types); reporting on risk appetite and inner and outer breaches; and ensuring coordination and consistency in the application of effective risk management approaches.

Internal Audit: Internal Audit is responsible for acting as an independent assurance function.

Each line of defence generates risk, and each line of defence is responsible for managing the risk it generates in accordance with the Corporate Risk Management Framework.

In addition to the three lines of defence, WSFIL's control environment is further strengthened by Enterprise Control Activities (**ECA**), which are specialised activities performed within centralised Enterprise Functions with a focus on controlling a specific risk such as Data and Business Continuity Planning. Functions performing ECAs adhere to the Corporate Risk Management Framework and to the extent applicable, use the common risk tools and processes established by IRM.

Risk Management in WFSIL is subject to continuous review, improvement and augmentation as the business grows.

Underpinning WFSIL's risk management framework is a SoRA and a number of metrics which assist WFSIL senior management and the Board in managing different types of risks to levels within established tolerances.

WFSIL manages specific risk types according to a series of principles that are consistent with the overall enterprise risk appetite. On an annual basis, the SoRA is reviewed and challenged and proposals will be made with respect to any changes to the metrics, thresholds, or other aspects of the risk appetite. The BRC will review and approve the recommended changes and can request additional changes at its discretion.

To quantify these principles at a high level, we maintain a series of risk appetite metrics, along with associated objectives. These metrics measure and bind the amount of risk that WFSIL is prepared to take. The metrics are complemented by a set of qualitative risk appetite statements. The SoRA is compiled and reviewed in line with the overall risk profile and business strategy, Performance of the listed metrics will be reported to the WFSIL CEO, the Board of Directors and the BRC quarterly.

Further information about Wells Fargo global risk, capital and liquidity risk management approaches can be found by looking at the public disclosures of WFC on the investor relations site:

https://www.wellsfargo.com/about/investor-relations/

2.4 Adequacy of Risk Management Arrangements

The Board believes that the risk management framework in place is adequate given the size and complexity of the firm. The framework is well established, embedded and guided by a clearly articulated tolerance for the type of risks faced via the WFSIL SoRA, which itself is informed by a detailed, robust and regular assessment of material risks. Furthermore, ongoing governance forums allow the Board and BRC to monitor the inherent risk, management effectiveness and residual risk on a periodic basis. It also allows for breaches of qualitative or quantitative risk appetite and/or tolerances to be monitored in line with strategy and business model changes in a timely fashion.

The Board acknowledges that the current macroeconomic environment leads to some uncertainty, however they remain comfortable that the risk profile of the firm remains aligned with the business strategy and the risks posed are mitigated through the systems of controls and senior management oversight that have been implemented throughout the firm.

3. Capital Adequacy and Key Metrics

Senior management reviews capital and liquidity levels on an ongoing basis in the light of changing risk appetite, business needs and changes in the external business and regulatory environment. WFSIL undertakes an Internal Capital Adequacy Assessment Process (**ICAAP**) at least annually which provides the Board with an assessment of its risks and the level of capital necessary to hold against these risks having considered mitigating factors. The ICAAP brings together the business and control functions in assessing the future risk and capital needs of the Firm.

The ICAAP focuses on calibrating the additional capital required to be held under Pillar 2A and Pillar 2B of the FCA framework.

Pillar 2A is an assessment of the incremental capital required over and above Pillar 1 to be held against 12 months of losses across all risk types. This is designed to capture the deficiencies within the Pillar 1 rules and, as a result, ensure that WFSIL is adequately capitalised.

Pillar 2B or the Capital Planning Buffer (**CPB**) is assessed using stress tests that identify the additional impacts on the Firm's ability to meet its capital needs as a result of changes in the external environment. It models the impact of a 3-year stress on the firm's capital adequacy, taking into account available management actions in an adverse scenario.

The latest ICAAP concluded that WFSIL is adequately capitalised.

The table below sets out the key ratios used to monitor capital adequacy:

	31 Dec 2020	31 Dec 2019
Own Funds		
Common Equity Tier 1 (CET 1)	714,500	780,474
Tier 1 Capital	714,500	780,474
Total Capital	714,500	780,474
Total risk weighted assets	2,131,222	2,338,119
Capital ratios		
CET1 ratio	33.5 %	33.4%
T1 ratio	33.5 %	33.4%
Total capital ratio	33.5 %	33.4%
Leverage		
Leverage exposure	4,095,551	5,216,013
Leverage ratio	17.4%	15.0%

Capital adequacy is monitored daily. Management information is reported monthly to the ALCO and EXCO.

4. Own Funds

The following table reconciles the regulatory own funds to the audited financial statements:

	31 Dec 2020		
	Regulatory own funds USD'000	Financial statements USD'000	Reconciling items USD'000
CET1 Capital: Instruments and reserves			
Paid up capital instruments	539,998	539,998	—
Retained earnings	130,338	130,338	—
Other reserves	45,357	45,357	—
CET1 capital before regulatory adjustments	**715,693**	**715,693**	—
CET1 capital: Regulatory adjustments			
Additional value adjustments	(1,193)	—	(1,193)
Total regulatory adjustments to CET1	**(1,193)**	—	**(1,193)**
CET1 capital after regulatory adjustments	**714,500**	**715,693**	**(1,193)**
Total own funds	**714,500**	**715,693**	**(1,193)**

Capital Instruments main features

CET1: As of 31 December 2018, 274,917,000 ordinary shares of $1 each and 50,000 ordinary shares of £1 each fully paid shares were issued to affiliates within the Group.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the WFSIL shareholders. The ordinary shares rank pari passu in all respects.

Other reserves relates to a capital contribution amounting to USD 45.4mm. Additional valuation adjustments relate to a prudent valuation deduction.

There are no current or foreseen material practical or legal impediments to the repayment of liabilities due among WFSIL and it's Parent.

A table showing the main features of capital instruments is included in Appendix 1.

The table below sets out WFSIL's capital and capital ratios:

	31 Dec 2020 USD'000	31 Dec 2019 USD'000
CET1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	539,998	539,998
of which: Capital instrument	539,998	539,998
Retained earnings	130,338	196,989
Accumulated other comprehensive income (and any other reserves)	45,357	45,357
CET1 capital before regulatory adjustments	**715,693**	**782,344**
CET1 capital: regulatory adjustments		
Additional value adjustments (negative amount)	(1,193)	(1,870)
Intangible assets (net of related tax liability) (negative amount)	0	0
Total regulatory adjustments to CET1	**(1,193)**	**(1,870)**
CET1 capital	**714,500**	**780,474**
Tier 1 capital	**714,500**	**780,474**
Tier 2 capital: instruments and provisions		
Capital instruments and the related share premium accounts	0	0
Tier 2 capital	**0**	**0**
Total capital (= Tier 1 + Tier 2)	**714,500**	**780,474**
Total risk-weighted assets	**2,131,222**	**2,338,119**
Capital ratios and buffers		
CET1 ratio	33.5 %	33.4%
Tier 1 ratio	33.5 %	33.4%
Total capital ratio	33.5 %	33.4%
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	7.0 %	7.7%
of which: capital conservation buffer requirement	2.5 %	2.5%
of which: countercyclical buffer requirement	0.0 %	0.7%
CET1 available to meet buffers (as a percentage of risk exposure amount)	29.0 %	28.9%

5. Capital Requirements

WFSIL calculates its Pillar 1 capital requirements under the standardised approaches for all risk types. In 2019 WFSIL changed its interpretation of exposures with a short-term credit assessment. These exposures are now presented as exposures to institutions and corporates. The table below sets out WFSIL's Pillar 1 capital requirements by risk type.

	31 Dec 2020 USD'000		31 Dec 2019 USD'000	
	RWA	Capital Requirements	RWA	Capital Requirements
Credit risk	**130,390**	**10,431**	**97,594**	**7,808**
Institutions	70,412	5,633	72,023	5,762
Corporates	11,921	954	0	0
Other items	48,057	3,845	25,571	2,046
Counterparty credit risk	**505,772**	**40,462**	**725,192**	**58,015**
Institutions	117,977	9,438	375,937	30,075
Public sector entities	0	0	0	0
Corporates	387,795	31,024	318,713	25,497
Claims on institutions and corporates with a short-term credit assessment	0	0	0	0
Items associated with particular high risk	0	0	30,542	2,443
Other items	0	0	0	0
Settlement risk in the trading book	**84**	**7**	**845**	**68**
Market risk	**780,938**	**62,475**	**763,395**	**61,072**
Specific risk - traded debt instruments	700,920	56,074	704,614	56,369
- of which securitisations	*407,227*	*32,578*	*421,614*	*33,729*
General risk - traded debt instruments	41,967	3,357	45,052	3,604
Foreign exchange	38,051	3,044	13,730	1,098
Operational risk	**454,498**	**36,360**	**404,945**	**32,396**
Credit valuation adjustment	**112,331**	**8,987**	**153,294**	**12,264**
Large exposures in the trading book	**147,209**	**11,777**	**192,853**	**15,428**
Total capital requirements	**2,131,222**	**170,498**	**2,338,119**	**187,050**

5.1 Use of ECAI's

WFSIL applies credit ratings to its exposures using ratings attributed by External Credit Assessment Institutions (**ECAI's**) - Moody's Investor Services, Standard & Poor's, and Fitch Ratings as per CRR Articles 138-141.

6. Capital Buffers

The capital conservation buffer and countercyclical buffer apply to WFSIL and are covered in more detail below.

6.1 Capital Conservation Buffer

The capital conservation buffer (**CCoB**) is a capital buffer of 2.5% of WFSIL's total exposures that needs to be met with an additional amount of Common Equity Tier 1 capital. The buffer sits on top of the 4.5% minimum requirement for Common Equity Tier 1 capital.

6.2 Countercyclical Buffer

The countercyclical capital buffer (**CCyB**) is designed to counter pro-cyclicality in the financial system. Capital should be accumulated when cyclical systemic risk is judged to be increasing, creating buffers that increase the resilience of the banking sector during periods of stress when losses materialise. The CCyB can also help dampen excessive credit growth during the upswing of the financial cycle.

The table below shows WFSIL's geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer as at 31 December 2020:

			Own funds requirement				
Breakdown by country	General credit exposure: *Exposure value* USD'000	Trading book exposure: *Sum of long and short position* USD'000	Of which: General credit exposure USD'000	Of which: Trading book exposures USD'000	Total USD'000	Own funds req. weights	CCyB rate
Exposures to countries with a CCyB rate:							
Luxembourg	2,309	31,910	185	2,553	2,738	3.0 %	0.5 %
Exposures to countries with a 0% CCyB rate:							
APAC	0	0	0	0	0	0.0 %	0.0 %
Europe	348,124	487,191	26,220	47,228	73,448	80.7 %	0.0 %
Rest of World	117,719	77,542	9,418	5,402	14,820	16.3 %	0.0 %
Total	**468,152**	**596,643**	**35,822**	**55,183**	**91,005**	**100.0 %**	

The table below shows the amount of the institution-specific countercyclical capital buffer:

	31 Dec 2020 USD'000
Total Risk Exposure Amount	2,131,222
Institution specific countercyclical buffer rate	0.02 %
Institution specific countercyclical buffer requirements	**321**

7. Credit and Counterparty Credit Risk

7.1 Counterparty Credit Risk

Counterparty credit risk (**CCR**) is defined as the risk that the counterparty to a transaction defaults or deteriorates in creditworthiness before the final settlement of the transaction's cash flows. Activities that give rise to counterparty credit risk include trading in over-the-counter (**OTC**) interest rate and foreign exchange derivatives, cleared derivatives, repurchase and reverse repurchase agreements and securities trading.

For the purposes of measuring counterparty risk exposure values, WFSIL applies: the Financial Collateral Comprehensive Approach to securities financing transactions; the Mark to Market Method for OTC derivatives; and the Standardised CVA Approach for credit valuation adjustments (**CVA**).

The following tables provide a breakdown of WFSIL's CCR:

	31 Dec 2020 USD'000			31 Dec 2019 USD'000		
	Exposure value	RWA	Capital requirement	Exposure value	RWA	Capital requirement
Counterparty credit risk	**932,746**	**505,772**	**40,462**	**1,301,674**	**725,192**	**58,015**
Institutions	524,572	117,977	9,438	868,704	375,937	30,075
Public sector entities	0	0	0	2,554	0	0
Corporates	408,174	387,795	31,024	410,054	318,713	25,497
Claims on institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
Items associated with particular high risk	0	0	0	20,362	30,542	2,443
Other items	0	0	0	0	0	0
Credit Valuation Adjustment	**325,707**	**112,331**	**8,987**	**511,634**	**153,294**	**12,264**

The following table shows WFSIL's CCR by product:

	31 Dec 2020 USD'000			31 Dec 2019 USD'000		
	Exposure value	RWA	Capital requirement	Exposure value	RWA	Capital requirement
Derivative contracts	849,831	487,806	39,024	1,147,601	692,585	55,407
Securities financing contracts (**SFT**)	82,915	17,966	1,437	154,073	32,607	2,609
Total	**932,746**	**505,772**	**40,462**	**1,301,674**	**725,192**	**58,015**

The table below sets out the impact of netting and collateral on the Pillar 1 exposure values.

	31 Dec 2020 USD'000		31 Dec 2019 USD'000	
	Derivatives	SFT's	Derivatives[1]	SFT's
Gross positive fair value or net carrying amount[2]	486,782	1,409,253	577,515	2,235,777
Netting benefits	(310,425)	0	(240,015)	0
Netted current credit exposure	176,357	1,409,253	337,500	2,235,777
Collateral held (after volatility adj)[3]	(418)	(1,326,338)	(172)	(2,081,704)
Net derivative credit exposure	175,939	82,915	337,328	154,073
Potential future credit exposure	673,892		810,273	0
Exposure value	**849,831**	**82,915**	**1,147,601**	**154,073**

WFSIL employs the following measures to mitigate CCR:

- Strong credit underwriting - all counterparty credit risk exposures which require approval per the Wells Fargo policies are approved by designated credit officers using the same level of credit discipline applied to other credit risks.
- Credit limit monitoring is undertaken by Enterprise Counterparty Risk Management (**ECRM**) in the US, whilst local credit risk oversight is provided by the EMEA Risk Group.
- Wherever possible WFSIL seeks to mitigate counterparty credit risks through netting arrangements, cross-collateralisation with loan collateral and daily collateral margining arrangements.
- Repurchase and reverse repurchase transactions are primarily secured by high quality liquid assets and cash, with the collateral management group responsible for managing the collateral.
- All transactions that require documentation are governed by trading documents which have to be fully executed before the execution of the transactions and which have to contain appropriate credit terms approved by the risk officers.

In addition WFSIL employs the following measures to mitigate concentration risk:

- Single name concentration risk is managed within guidelines set out in the WFSIL CCR policy.
- While there are no other formal concentration limits or guidelines, per the WFSIL CCR policy a separate approval on behalf of the legal entity by the EMEA CRO (or his/her delegate) of all exposures booked in WFSIL is required. Any concentration risks are taken into account in the approval process.
- The policy is reviewed and approved by the Board Risk Committee and adjusted, if necessary, in response to changes in the operating environment and other strategic considerations.

[1]The comparative figures for 2019 have been subject to a restatement. This restatement reflects a prior year transposition error between line items – the table total was not impacted.
[2] The gross positive fair value of SFTs consists of cash lent on reverse repo transactions and the volatility adjusted exposure value of securities posted on repo transactions
[3] Any excess or ineligible collateral that has no impact on the net credit exposure has been omitted from this table. The collateral held for SFTs consists of the volatility adjusted collateral received on reverse repo transactions and the cash borrowed under repo transactions.

- In addition, as a part of the monthly counterparty credit risk reporting process the EMEA Risk Group reviews the concentration risks in the WFSIL portfolio.

WFSIL's exposure to the risks associated with large indirect credit exposures, such as a single collateral issuer, is very limited (the largest collateral issuers are G7 governments and supranationals - most of the collateral under WFSIL reverse repos are U.K., German or U.S. sovereign securities).

WFSIL's exposure to wrong way risk where the exposure to a particular counterparty is directly and positively correlated with the probability of default of the counterparty due to the nature of the transactions with that counterparty or general market risk factors is very limited.

These risks are also taken into account in the approval process described above.

The impact of a 3 notch downgrade to WFSIL's credit rating on the amount of collateral demanded by external counterparties would be $29m. This is monitored as part WFSIL's liquidity and funding risk management.

At 31 December 2020 WFSIL pledged USD 114m of cash collateral to Wells Fargo Bank N.A. compared to USD 236m pledged cash collateral as at 31 December 2019.

7.2 Credit Risk

WFSIL's principal sources of non-trading credit risk exposures arise from funding operations through the placement of cash with third party bank nostros. Some immaterial credit risk exposures also arise through other assets. WFSIL does not make use of any balance sheet netting in the Pillar 1 credit risk calculations and none of the exposures are past due or subject to credit risk adjustments.

	31 Dec 2020 USD'000			31 Dec 2019 USD'000		
	Exposure value	RWA	Capital requirement	Exposure value	RWA	Capital requirement
Credit risk	**412,012**	**130,390**	**10,431**	**385,687**	**97,594**	**7,808**
Institutions	352,034	70,412	5,633	360,116	72,023	5,762
Corporate	11,921	11,921	954	0	0	0
Other items	48,057	48,057	3,845	25,571	25,571	2,046

Given the nature of WFSIL's business activities and the relative size of the credit risk capital requirement, further disclosures have not been included on the grounds of materiality.

8. Market Risk

The effective management of market risk is an integral part of the WFSIL risk framework. Primary responsibility for ensuring that market risk is managed in accordance with the firm's risk appetite sits with the business units. WFSIL employs the following measures to mitigate and manage market risk:

- Market risk is monitored and reported by the EMEA Corporate Market Risk Oversight (**CMRO**) function which is responsible for the independent oversight of market risk management policies and procedures, monitoring and reporting on market risk exposures, limit and boundary usage for WFSIL and identifying and monitoring current and emerging market risks.

- CMRO maintains market risk mandates, which establish the market risk limits, policies and procedures at the WFSIL level and desk level. In addition to developing market risk mandates and limits, CMRO reports and monitors line of business adherence to the relevant market risk limits and reports and escalates market risk issues, limit overages and boundary triggers, as necessary.
- Quarterly review and oversight is provided by the BRC and the Board.
- There is a WFSIL legal entity market risk mandate with approved limits for total market risk exposure in WFSIL. In addition, each of the material trading businesses has a mandate with approved limits on their individual market risk exposures. Mandates contain aggregate and guideline limits.
- Aggregate limits are designed to control the top level portfolio risks and losses. They are set for Value at Risk (**VaR**), Expected Shortfall, and stress scenarios.
- Guideline limits are designed to facilitate and guide the trading management of WFSIL (and the line of business) at position or asset type levels in accordance with the aggregated limits at the portfolio level. Limits are set for IR01 exposure; CR01 exposure, FX exposure and default to zero. Exposures and limit utilisations are reported daily to senior management. Procedures for limit breaches are set out in the market risk mandates. The BRC is notified of any limit breaches at the next committee meeting.
- Securities transactions in WFSIL are funded in local currency to minimise FX risk. Moreover, balances are converted into USD periodically and exposures are typically low.

WFSIL applies the Standard Rules for calculating Pillar 1 market risk capital requirements which are set out in the table below.

	31 Dec 2020 USD'000	31 Dec 2019 USD'000
Settlement risk in the trading book	**7**	**68**
Market risk	**62,475**	**61,072**
Specific risk - traded debt instruments	56,074	56,369
- of which securitisations	*32,578*	*33,729*
General risk - traded debt instruments	3,357	3,604
Foreign exchange	3,044	1,098
Large exposures in the trading book	**11,777**	**15,428**

9. Liquidity and Funding Risk

Effective liquidity and funding risk management is central to the WFC business strategy and a fundamental pillar, together with a strong capital position, in augmenting the firm's balance sheet strength and ensuring balance between prudence and profitability. Risk aversion is paramount to WFC's liquidity risk appetite and this also applies to its subsidiaries.

WFSIL has in place a liquidity risk and limit framework which has a combination of qualitative and quantitative measures underpinning it. WFSIL will maintain liquid resources which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot meet as they fall due, on acceptable terms, in accordance with regulatory requirements and internal stress testing analysis. WFSIL aims to manage liquidity in such a way that, in normal market conditions and during periods of liquidity stress, these limits, thresholds and allocations are not exceeded. As at 31st December

2020, WFSIL held liquid assets well in excess of the regulatory minimum. WFSIL undertakes an Internal Liquidity Adequacy Assessment Process (**ILAAP**) at least annually which provides the Board with an assessment of its liquidity risks and the level of liquidity necessary to hold against these risks having considered mitigating factors.

The UK has a domestic liquidity regime for investment firms implemented by the FCA in its Banking and Investment Firms Prudential Sourcebook, BIPRU 12 on Liquidity Standards. The FCA planned to end its domestic liquidity regime once the EU LCR became mandatory for investment firms i.e. when the European Commission's delegated act was published and in force by 1st October 2015. However, the European Commission subsequently decided that the delegated act could not apply to investment firms without first making changes to the CRR. In September 2015 WFSIL was granted a "Modification Direction for IFPRU 7" and is exempt from compliance with the EU CRR Liquidity Regime (CRR Part 6). In April 2018 this exemption was extended until 13 September 2021. The Firm is applying for an extension of the exemption. WFSIL remains subject to the domestic liquidity requirements and liquidity reporting in BIPRU 12 and SUP 16. A framework of liquidity metrics are in place to ensure liquidity is monitored managed and controlled in line with internal policy and procedures and external regulations.

10. Operational Risk

Operational risk is defined as the risk of loss or damage to WFSIL, resulting from inadequate or failed internal controls, processes, people, and systems or from external events. Operational risk is inherent in all of the Company's activities and must be managed by all Company personnel. In order to define overall accountability for operational risk, the full spectrum of operational risk's (i.e. level two risks) are aligned to risk program coverage models consisting of three primary risk types operational, compliance and model.

Risk Type Coverage

Wells Fargo has identified and classified all operational risks that it faces as a result of its activities. The Operational Risk Business Oversight function, in partnership with Operational Risk type teams, executes oversight, associated with the following risk types that fall under the direct responsibility of the Chief Operational Risk Officer and the EMEA RCRO as relevant. They include:

Business Continuity Risk	Information Risk Management
Data Management Risk	Information Security Risk
External Fraud Risk	Safety and Physical Security Risk
Fiduciary & Investment Risk	Technology Risk
Financial Reporting Risk	Third-Party Risk
Human Capital Risk	Transaction Processing and Execution Risk

Operational Risk Management practices are continuously being enhanced and there is an ongoing programme to introduce improvements in the approach and execution adopted by WFSIL.

This approach forms the basis for the assessment of WFSIL's operational risk capital adequacy which is conducted under the Standardised Approach.

WFSIL had the following capital requirements relating to Operational Risk under the Standardised Approach as at the reporting date:

	31 Dec 2020 USD'000		31 Dec 2019 USD'000	
	RWA	Capital requirements	RWA	Capital requirements
Operational Risk	454,498	36,360	404,945	32,396

11. Interest Rate Risk in the Banking Book

Banking book exposures are a small part of WFSIL's total exposure. The exposures include:

- Short term reverse repo transactions resulting from Treasury operations
- Short-term intragroup funding i.e. senior unsecured funding from WFBNA. This funding is available in the most appropriate tenor for balance sheet requirements

The banking book positions are used to fund the trading book positions of the business units. The interest rate expense from the banking book positions is allocated to the business units through the internal fund transfer pricing mechanism. Trading desks perform the active management of interest rate risk related to their trading positions. WFSIL possesses the ability to hedge banking book interest rate risk as required through derivative transactions.

IRRBB is reported on a monthly basis to WFSIL ALCO, and is also evaluated annually as part of the ICAAP. WFSIL uses both economic value (EV) and earnings-based measures (Earnings at Risk - EaR), to calculate IRRBB, under a number of stress scenarios. The stress scenarios are both externally determined (Standard Supervisory shocks), and internally devised (using historic rate moves).

The table below sets out the impact on earnings from a 200bp upward shift in interest rates (tapered/ ramp shock for earnings measure), for both economic value and earnings-based measures. Figures are presented in USD 000's equivalent.

	31 Dec 2020 USD'000 - EV	31 Dec 2020 USD'000 - EaR	31 Dec 2019 USD'000 - EV	31 Dec 2019 USD'000 - EaR
USD	50	(6,238)	10,169	(5,389)
GBP	(517)	1,792	(112)	1,317
EUR	(129)	852	(52)	539
Total	**(596)**	**(3,594)**	**10,003**	**(3,533)**

12. Leverage Ratio

The Basel III framework introduced a simple, transparent, non-risk based leverage ratio to act as a credible supplementary measure to the risk-based capital requirements. The leverage ratio is expressed as a percentage and calculated as Tier 1 capital divided by total exposure. The total exposure measure is the sum of the exposure values of all assets and off-balance sheet items not already deducted from Tier 1 capital. There is no current binding leverage requirement under the CRR.

Table showing the reconciliation of accounting assets and leverage ratio exposures:

	31 Dec 2020 USD'000	31 Dec 2019 USD'000
Total assets as per published financial statements	3,741,948	4,628,684
Adjustments for derivative financial instruments	339,219	572,320
Adjustments for securities financing transactions "SFTs"	2,487	30,491
(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	(1,193)	(1,870)
Other adjustments	13,090	(13,212)
Total leverage ratio exposure	**4,095,551**	**5,216,412**

Table showing the leverage ratio common disclosure:

	31 Dec 2020 USD'000	31 Dec 2019 USD'000
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	2,205,498	2,468,638
(Asset amounts deducted in determining Tier 1 capital)	(1,193)	(1,870)
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**2,204,305**	**2,466,768**
Derivative exposures		
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	500,794	532,781
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	339,219	572,320
Total derivative exposures	**840,013**	**1,105,101**
Securities financing transaction exposures		
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	1,048,745	1,613,653
Counterparty credit risk exposure for SFT assets	2,487	30,491
Total securities financing transaction exposures	**1,051,233**	**1,644,144**
Capital and total exposures		
Tier 1 capital	714,500	780,474
Total leverage ratio exposures	4,095,551	5,216,013
Leverage ratio		
Leverage ratio	**17.4%**	**15.0%**

Table showing the split of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures):

	31 Dec 2020 USD'000	31 Dec 2019 USD'000
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**2,195,681**	**2,452,889**
Trading book exposures	2,195,681	2,452,351
Banking book exposures, of which:		538
Institutions		0
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)		538

13. Asset Encumbrance

The majority of WFSIL's assets are unencumbered. WFSIL's encumbered assets consists of cash collateral placed out to cover derivatives with a negative fair value and securities held that have been encumbered through repo transactions. The tables below contain median values.

Table of encumbered and unencumbered assets:

As at 31st December 2020	Carrying amount of encumbered assets USD'000	Fair value of encumbered assets USD'000	Carrying amount of unencumbered assets USD'000	Fair value of unencumbered assets USD'000
Assets of the reporting institution	**336,231**		**4,283,908**	
Equity instruments	0	0	0	0
Debt securities	0	0	612,870	612,870
Other assets	336,231		3,671,038	

As at 31st December 2019	Carrying amount of encumbered assets USD'000	Fair value of encumbered assets USD'000	Carrying amount of unencumbered assets USD'000	Fair value of unencumbered assets USD'000
Assets of the reporting institution	**199,053**		**4,042,102**	
Equity instruments	0	0	0	0
Debt securities	0	0	981,147	981,147
Other assets	199,053		3,060,955	

Table of collateral received:

	31 Dec 2020 USD'000		31 Dec 2019 USD'000	
	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	**630,758**	**921,903**	**915,829**	**788,730**
Loans on demand	0	0	0	0
Equity instruments	0	0	0	0
Debt securities	526,101	921,903	852,530	788,730
Loans and advances other than loans on demand	0	0	0	0
Other collateral received	104,657	0	63,298	0
Own debt securities issued other than own covered bonds or ABSs	0	0	0	0

Table of sources of encumbrance:

	31 Dec 2020 USD'000		31 Dec 2019 USD'000	
	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	903,127	1,199,605	1,114,283	1.163,366

14. Securitisations

WFSIL holds securitisation positions which are bought and sold as part of its trading activities. WFSIL does not trade re-securitisation positions. WFSIL also acts as a swap provider to several securitisation vehicles. All positions are held in the trading book. The risks for these positions are managed as outlined in sections 8 and 7.1.

For the purposes of calculating capital requirements, the firm applies the risk weighted exposure amounts under the Standardised Approach for securitisation positions under Part Three, Title II, Chapter 5 of the CRR, using external credit ratings from Moody's, Standard & Poor's and Fitch.

The tables below break down the securitisation positions between on and off-balance sheet:

	On-balance sheet USD'000		Off-balance sheet USD'000	
As at 31st December 2020	Total	of which: risk weighted at 1250%	Total	of which: risk weighted at 1250%
Exposure	286,919	5,348	34,243	0
Capital requirement	32,578	5,348	534	0

	On-balance sheet USD'000		Off-balance sheet USD'000	
As at 31st December 2019	Total	of which: risk weighted at 1250%	Total	of which: risk weighted at 1250%
Exposure	565,641	16,756	5,162	0
Capital requirement	33,729	16,756	83	0

15. Remuneration

WFSIL's parent company, Wells Fargo & Company (**WFC**) has developed enterprise-wide remuneration policies and practices, namely the Wells Fargo Incentive Compensation Risk Management (the "Corporate Policy"), and related practices ("Corporate Practices"). In addition, the WFSIL Remuneration Committee (**RemCo**) was established with responsibility to oversee the implementation of the Wells Fargo remuneration policies and practices in WFSIL.

In previous years the WFSIL Board delegated the oversight of the implementation of the UK remuneration policy, compliance with the UK remuneration code for all WFSIL employees, including Identified Staff[4], to the EMEA Remuneration Committee (**ERC**).

The WFSIL RemCo consists of no fewer than three independent non-executive members of the Board. Members are appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Chairperson. External advisors have been appointed to advise the remuneration committee on relevant changes to remuneration regulation and provide an external market overview regarding pay levels and peer firm performance.

The WFSIL RemCo will meet at least four times per year. Additional ad hoc meetings may be scheduled by the Chairperson or any of the Committee members, as necessary.

The WFSIL RemCo provides oversight of remuneration matters on behalf of the WFSIL Board, including annual approval of the WFSIL remuneration policy (the "Remuneration Policy") and the WFSIL Identified Staff list and risk assessment of Identified Staff.

The Remuneration Policy is designed to ensure that WFSIL (as regulated by the **FCA**) complies with the principles and requirements of the remuneration code set out in the FCA Handbook (the "Code").

The Remuneration Policy is designed so that excessive risk taking is not encouraged within WFSIL and to enable WFSIL to achieve and maintain a sound capital base.

Governance

The Board has delegated responsibility to the WFSIL RemCo to oversee the effective implementation and application of the Remuneration Policy and remuneration practices of WFSIL and ensures individuals are rewarded fairly and responsibly. Enterprise Policies and Practices apply to WFSIL employees and subject to those requirements, the WFSIL RemCo is responsible for the review and oversight of the remuneration of WFSIL staff.

The WFSIL RemCo is sponsored and operates under delegated authority from the WFSIL Board. The WFSIL RemCo is responsible for:

(a) satisfying itself from time to time, and in any event on a not less than an annual basis, that the WFSIL remuneration policies meet UK regulatory requirements;

(b) reviewing the Remuneration Policy annually, determining the Remuneration Policy and recommending the Remuneration Policy for approval by the Board;

(c) determining the Remuneration Policy, accounting for all factors which it deems necessary or desirable, including promoting sound and effective risk management and ensuring that WFSIL's remuneration practices and arrangements reward people fairly and responsibly, align with appropriate levels of risk-taking and WFSIL's business strategies, objectives, values and the long-term interests of WFSIL;

[4] Identified Staff refers to CRD IV Identified Staff and AIFMD/UCITS Identified Staff, to the ERC.

(d) overseeing effective implementation and application of the WFSIL remuneration policies and practices in EMEA;

(e) reviewing and monitoring WFSIL remuneration practices and arrangements so that they are consistent with and promote sound and effective risk management and do not encourage unnecessary or excessive risk-taking that exceeds the level of tolerated risk of WFSIL or WFSIL's parent company WFC;

(f) reviewing and monitoring WFSIL's strategy as it relates to remuneration design for Identified Staff including a review of the structure of incentive compensation so that it aligns with appropriate risk-taking;

(g) supervising the application of WFSIL's remuneration policies and remuneration practices, including the Remuneration Policy for WFSIL's Identified Staff, reviewing regulatory reports and required public disclosures on remuneration and internal reports on the effectiveness of variable remuneration arrangements;

(h) reviewing the methodology used to determine WFSIL Identified Staff as determined by the Wells Fargo EMEA Remuneration Steering Group (ERSG) and overseeing and approving the list of WFSIL Identified Staff on an annual basis;

(i) approving the total annual amount of performance related pay/incentives for WFSIL Identified Staff roles under the supervision of the Board (including line by line annual performance and compensation data). For WFSIL Identified Staff (including WFSIL SMFs) employed by other entities (where performance feedback and/or incentive decisions are outside of the scope of the RemCo's duties) the committee shall provide performance feedback which will serve as an input to the standard Wells Fargo performance management and compensation process;

(j) approving the design, monitoring and assessment of targets for any performance related pay arrangements for WFSIL Identified Staff, including ensuring that targets and objectives accurately reflect risk management requirements, and, in consultation with the EMEA Remuneration Risk Review Committee (ERRRC), determining the need for ex-post risk adjustments, including the application of malus and clawback arrangements;

(k) making a recommendation to the Board on the remuneration of the non-executive directors for approval by the Board (any decision on remuneration of the non-executive directors being a matter for the full Board); and

(l) promptly provide the Board with such information as may be necessary or desirable (in the opinion of the Board) to enable the Board to monitor the RemCo's conduct so that each member of the Board can fulfil their duties and responsibilities as a director; and

(m) considering any other matter referred to it by the WFSIL Board and /or ERRRC as appropriate.

Remuneration Philosophy and Structure

Remuneration Philosophy

The foundation of Wells Fargo's approach, and in turn WFSIL's approach, to remuneration is based on four remuneration principles:

(a) Pay for performance. Remuneration should be linked to company, line of business and individual performance.

(b) Promote a culture of risk management. Remuneration should promote a culture of risk management consistent with Wells Fargo's Vision and Values and should not encourage unnecessary or excessive risk-taking.

(c) Attract and retain talent. People are Wells Fargo's competitive advantage, so remuneration should help attract, motivate and retain exceptional people at Wells Fargo.

(d) Encourage creation of long-term stockholder value. The use of performance-based long-term stock awards with meaningful and lasting share retention requirements to encourage sustained stockholder value creation, while mitigating compensation-related risk.

Remuneration Structure

For the purposes of the Remuneration Policy, "remuneration" consists of all forms of payments or benefits made directly by or indirectly but on behalf of, WFSIL, in exchange for professional services rendered by WFSIL staff. Remuneration can be divided into:

(i) fixed remuneration (payments or benefits that meet the criteria set out in the EBA Guidelines which include being permanent, transparent, non-revocable and without consideration of any performance criteria); and

(ii) variable remuneration (additional payments or benefits that are not fixed).

Both components of remuneration (fixed and variable) may include monetary payments or benefits (such as cash, equity, or equity-linked instruments) or non (direct) monetary benefits (such as health insurance, fringe benefits or special allowances).

Risk Management and Considerations

All Wells Fargo incentive compensation plans are required to have at least one or more of the following core balancing features based on the employee's ability to control or influence risk taking and the time horizon of the risks taken. Certain of these risk-adjustment features were also used for prior performance years.

(a) Disqualifying Events: Incentive opportunity will be nullified or reduced according to disqualifying factors and consideration of other material factors covering individual and corporate performance thresholds and compliance with ethics, risk and general employment standards.

(b) Discretionary Risk Objectives: All or a portion of the incentive compensation opportunity is based on manager judgment to allow for discretion in payout amount according to performance against a discretionary risk objective. This balancing feature is currently a key component of the incentive compensation program applicable to most Wells Fargo Identified Staff.

(c) Maximum Pay-out Limits: Limits the upside to discourage additional risk taking beyond an appropriate level of tolerated risk. The limits can apply to the aggregate pay opportunity (such as in the case of the Wells Fargo discretionary annual bonus plans including the plan applicable to most Wells Fargo Identified Staff) or by risk metric.

(d) Extended Performance Measurement Periods: Variable remuneration based on risk outcomes measured over more than 12 months.

(e) Deferrals: Pay-outs deferred for periods greater than 12 months until risk outcomes are known, and payments adjusted by performance and risk metrics.

(f) Clawback: Clawback provisions if, after payment of the incentive compensation, it is determined that such payment violated any applicable law, rule or regulation.

The assessment of performance used to calculate variable remuneration components or pools of variable remuneration components includes an adjustment for all types of current and future risks so that incentive compensation arrangements are appropriately risk-balanced and also take into account the quality of financial results as appropriate based on the particular level and role of the individual within the firm. The allocation of the variable remuneration components within Wells Fargo takes into account all types of current and future risks.

Staff engaged in control functions (i.e., Risk and Compliance, Internal Audit, Human Resources, Legal, Finance, Accounting and Tax) are independent from the business units they oversee and are incentivised through separate variable pay plans, have appropriate authority, and are remunerated adequately to attract qualified and experienced staff and are paid in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

Fixed and variable components of total remuneration are periodically reviewed to ensure an appropriate balance and that the fixed component represents an appropriate proportion of the total remuneration to allow the operation of a fully-flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component.

Payments related to the early termination of a contract must reflect performance achieved over time and be designed in a way that does not reward failure.

Wells Fargo staff members are prohibited from undertaking personal hedging strategies or taking out remuneration and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements. Entering into contracts to hedge against exchange rate risk associated with the issuance of shares in foreign currency (e.g., U.S. dollars) is permitted but WFC will not be counterparty to the contract.

Additional Requirements applicable to Identified Staff of proportionality level 2 Firms

Effective 1 January 2017 WFSIL became classified as proportionality level 2 under the FCA's finalised guidance known as the General guidance on proportionality: The Dual-regulated firms Remuneration Code (SYSC 19D) (the "Final Guidance on Proportionality") on account of being part of the same group as WFBNA London Branch (which met the classification as a level 2 firm based on average total assets over 3 years being more than £15 billion but less than £50 billion). Prior to 31 December 2016 WFSIL had been classified as proportionality level 3. The proportionality level of WFSIL for each incentive compensation performance year shall be determined as of 31 December of that performance year. For example, the proportionality level for the 2020 performance year shall be determined as of 31 December 2019. Any changes in proportionality level may entail amendments to the WFSIL Remuneration Policy, any such amendments shall be reviewed by the RemCo.

Variable remuneration paid to Identified Staff whose variable remuneration exceeds the de minimis threshold must satisfy all of the following requirements:

(a) Bonus Cap. The variable component of remuneration may not exceed 100% of the fixed component of total remuneration except where the shareholders or owners or members of an institution approve a higher maximum level of the ratio between the fixed and variable components of remuneration provided that the overall level of the variable component shall not exceed 200% of the fixed component of the total remuneration. Wells Fargo obtained approval from the relevant shareholder bodies for an increase to the higher maximum level of the ratio in

2017.

(b) Deferral Requirement. At least 40% of the variable remuneration paid must be deferred over at least three to five years, with awards vesting after a minimum of one year and no faster than on a pro-rata basis. For Identified Staff whose total variable remuneration is of a “particularly high amount,” at least 60% of variable remuneration must be deferred over at least three to five years, with awards vesting after a minimum of one year and no faster than on a pro-rata basis. For these purposes, the PRA/FCA has advised that variable remuneration of £500,000 annually is set as the threshold for a payment to be of a “particularly high amount” although the UK Governing Bodies will consider whether lesser amounts should also be considered to be “particularly high amounts” taking account, for example, whether there are significant differences between Identified Staff in the levels of variable remuneration paid. In addition, for Identified Staff who are senior managers (i.e. approved by the PRA and FCA to provide a designated senior manager function) variable remuneration must be deferred for a period of seven years, with awards vesting after a minimum of three years and no faster than on a pro-rata basis. The length of the deferral period must be established in accordance with the business cycle, the nature of the business, its risk and the activities of the Identified Staff individual in question.

(c) Contingent Capital Requirement. At least 50% of variable remuneration (whether paid upfront or deferred) must be paid in shares, share-linked instruments or equivalent non-cash instruments (i.e., “Contingent Capital”). Any Contingent Capital award is subject to minimum transfer retention periods.

(d) Performance Adjustment (“Malus and Clawback”). Wells Fargo shall ensure that any variable remuneration, including a deferred portion, is paid or vests only if it is sustainable according to the situation of Wells Fargo as a whole, and justified according to the performance of Wells Fargo, the business unit and Identified Staff individual concerned. Accordingly, Wells Fargo has the ability to reduce awarded but unvested deferred variable remuneration (including both share-based and cash-based components) and/or to clawback vested deferred variable remuneration in situations Wells Fargo determines a malus event has occurred. Malus events include, at a minimum, situations where:

   a. Wells Fargo has been required to materially restate any significant financial statement covering any part of the year for which the award was granted;

   b. any portion of the Identified Staff team member’s award was based on any materially inaccurate financial statement or any other materially inaccurate performance criteria;

   c. Wells Fargo has determined that the Identified Staff team member committed misconduct or a serious error in the performance of the Identified Staff team member’s job;

   d. Wells Fargo has determined that the Identified Staff team member’s business unit and/or Wells Fargo has experienced a material downturn in financial performance;

   e. Wells Fargo has determined that the Identified Staff team member’s business unit and/or Wells Fargo has experienced a material failure of risk management;

   f. Wells Fargo considers it is necessary to do so in order to comply with any laws, regulatory requirement or guidance by which it is bound;

   g. Wells Fargo and/or the Identified Staff team member’s business unit incurred significant increases in its economic and regulatory capital base;

   h. any regulatory sanctions have been imposed where the Identified Staff team member’s conduct contributed to the sanction; or

i. matters comparable in severity and materiality to those set out in (a) to (h) above (relating to the team member's behaviour and/or impact on Wells Fargo) such as, but not limited to, a violation of Wells Fargo policies or Code of Ethics and Business Conduct.

Wells Fargo shall approve performance adjustment policies, including the triggers under which malus adjustments or clawback would take place and may decide to delay vesting of any deferred variable remuneration where an employee is the subject of an ongoing disciplinary or regulatory investigation at the time such variable remuneration is due to vest.

Remuneration Expenditure

Note 5 of the WFSIL 2020 financial statements contains aggregate information on remuneration. The following table shows remuneration paid to 2020 WFSIL Identified Staff who are remunerated for their services to WFSIL. Variable remuneration for 2020 performance was paid or awarded in 2021.

	2020			2019 Restated[5]		
	Senior Management USD'000	Other USD'000	Total USD'000	Senior Management USD'000	Other USD'000	Total USD'000
Total Remuneration	**1,912**	**12,902**	**14,814**	**11,113**	**9,462**	**20,575**
of which:						
Fixed Remuneration	1,170	6,088	7,258	6,699	4,631	11,330
CRDIV Variable Remuneration	742	6,526	7,269	4,414	4,831	9,245
of which:						
short term cash	148	2,102	2,250	1,314	1,767	3,081
short term equity	148	1,447	1,595	1,014	1,092	2,106
long term cash	223	1,489	1,712	1,043	986	2,029
long term equity	223	1,489	1,712	1,043	986	2,029
Non CRDIV Variable Remuneration	0	288	288	0	0	0
Number of Identified Staff	**5**	**14**	**19**	**17**	**11**	**28**

Aggregate remuneration by business area

The following table shows aggregate remuneration paid to 2020 WFSIL Identified Staff who are remunerated for their services to WFSIL. Variable remuneration for 2020 performance was paid or awarded in 2021.

[5] The comparative figures the 2019 year have been subject to a restatement. The originally published figures in the prior year 2019 year end Pillar 3 disclosures were understated due to an error in preparation.

	2020				2019 Restated[6]			
	Markets	Investment Banking and Capital Markets	Other	Total	Markets	Investment Banking and Capital Markets	Other	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Total Remuneration	**8,134**	**6,400**	**280**	**14,814**	**12,136**	**7,069**	**1,370**	**20,575**
Number of Identified Staff	9	6	4	19	15	7	6	28

Deferred Remuneration

The following table provides a summary of deferred remuneration for 2020 WFSIL Identified Staff who are remunerated for their services to WFSIL.

	2020		2019 Restated[7]	
	Management	Other	Management	Other
Remuneration Type	USD'000	USD'000	USD'000	USD'000
Total Outstanding deferred remuneration as at 31 December	**540**	**4,889**	**6,471**	**3,978**
of which:				
Vested	0	0	0	0
Unvested	540	4,889	6,471	3,978
Awarded in year to 31 December	594	4,712	3,874	2,810
Paid out in year to 31 December	392	2,458	3,558	2,500
No performance adjustments were applied to deferred awards in 2020 or 2019				

No severance or sign-on payments were made to Identified Staff in 2020.

Five Identified Staff received total remuneration of between US$1m and US$1.5m. Two Identified Staff received total remuneration in excess of US$1.5m.

The information contained in these disclosures has not been audited and does not constitute a financial statement of WFSIL or WFC.

[6] The comparative figures the 2019 year have been subject to a restatement. The originally published figures in the prior year 2019 year end Pillar 3 disclosures were understated due to an error in preparation.

[7] Restated, see note 6 above

Appendix 1 - Capital Instruments main features table

	Equity	Other reserves
Issuer	WFSIL	WFSIL
Unique identifier	0	0
Governing law(s) of the instrument	English law	English law
Regulatory Treatment		
Transitional CRR rules	CET1	CET1
Post Transitional CRR rules	CET1	CET1
Eligible at Solo/ (sub) consolidated	Solo	Solo
Instrument type (type to be specified by each jurisdiction)	Ordinary shares	Capital contribution
Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	$670.3m	$45.4m
Nominal amount of instrument	$275m	$45.4m
Issue Price	$1	0
Redemption price	0	0
Accounting classification	Shareholders equity	Shareholders equity
Original date of issuance	0	0
Perpetual or dated	Perpetual	Perpetual
Original maturity date	No maturity	No maturity
Issuer call subject to prior supervisory approval	No	No
Optional call date. Contingent call dates and redemption amount	0	0
Subsequent call dates	0	0
Coupons/dividends		
Fixed or floating divided/ coupon	0	0
Coupon rate and any related index	0	0
Existence of dividend stopper	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully Discretionary	0
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully Discretionary	0
Existence of step up or other incentive to redeem	No	No
Non cumulative or cumulative	Non Cumulative	Non Cumulative
Convertible or non convertible	Non Convertible	Non Convertible
if convertible. Conversion trigger	0	0
If convertible, fully or partially	0	0
if convertible. Conversion rate	0	0
if convertible, mandatory or optional conversion	0	0
if convertible, specific instrument type convertible into	0	0
if convertible, specify issuer or instrument it converts into	0	0
Write down features	0	0
If write down, write down triggers	0	0
If write down, full or partial	0	0
If write down, permanent or temporary	0	0
If temporary write down, description of write up mechanism	0	0
Non compliant transitioned features	No	No
Non - compliant transitioned features	0	0
if yes, specify non compliant features	0	0