

Wells Fargo Securities International Limited

Pillar 3 Disclosures for the year ended
31 December 2021

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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 UK through the post Brexit version of the EU Capital Requirements Directive (**CRD**) and Capital Requirements Regulation (**CRR**).

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 2021. The quantitative disclosures in this document are calculated according to the standardised (i.e. non-modelled) approaches in the FCA Handbook and CRD IV. New UK investment firm specific rules set by the FCA will be applied to during 2022, after the reference date of these disclosures.

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 2021 audited financial statements may contain differences with the information in this document as the regulatory approaches may differ from accounting definitions.

1.2 WFSIL Background

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 Wells Fargo & Company (**WFC, or the Group**).

The WFC group has total assets of \$1.9 trillion as at 31 December 2021.

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

WFSIL conducts business primarily as a broker-dealer and delivers capital markets products and services to eligible counterparties and professional clients. WFSIL's activities include sales and trading of debt and equity products, provision of financial products that provide hedging of interest rate and foreign currency risks, secured funding and risk solutions as well as advising on mergers and acquisitions and capital markets transactions.

2. Risk Governance

2.1 Introduction

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

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, alongside clear management accountability, are critical in satisfying the expectations of WFSIL's stakeholders. The business growth strategy benefits from areas where WFSIL has deep domain expertise, strong client base and robust risk management and governance infrastructure.

The WFSIL Board sets the tone by supporting a strong risk culture that guides how employees conduct themselves and make decisions. Every employee has a role to play in risk management, including establishing and maintaining WFSIL's risk and control environment. 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;
- Identification, analysis and escalation of breaches of risk limits where 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.
- Senior management expects employees to speak up when they see something that could cause harm to WFSIL's customers, communities, employees, shareholders or reputation.

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.

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 management program and 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
<ul style="list-style-type: none"> • WFSIL Asset & Liability Committee (ALCO) • WFSIL Executive Committee (EXCO) • EMEA New Initiatives Committee (EMEA NIC) • EMEA Client Asset Steering Committee (CASS) 	<ul style="list-style-type: none"> • WFSIL Board • WFSIL Board Risk Committee • WFSIL Audit Committee • WFSIL Remuneration Committee (RemCo) • WFSIL Regulatory Reporting Oversight Committee (RROC) • EMEA CIB Markets Best Execution Committee 	<ul style="list-style-type: none"> • WFSIL Nominations Committee • EMEA Underwriting Approval Committee (EMEA UAC)

The committees listed above include certain regional Wells Fargo committees that have WFSIL management representation and may take decisions that impact WFSIL.

WFSIL Board of Directors

The Directors of WFSIL who held office during the year to 31st December 2021 and the number directorships

			Number of commercial Directorships held
Paola Bergamschi Broyd			4
Stephen Kingsley			2
John Langley			1
Richard Place			1
Daniel Thomas			1
Simon Ennis	Appointed 28 January 2021		1
Vanessa Bailey	Appointed 30 September 2021		2
Malcolm Basing	Appointed 6 July 2021		4
Francisco Rey Alegria	Resigned 11 June 2021		

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 the WFSIL Board Risk Committee (**BRC**) to assist with carrying out oversight of WFSIL's risk framework to ensure that risks are managed effectively. The BRC meets quarterly.

The BRC oversees the management of all key risk types as they apply to WFSIL, including credit and counterparty credit risk, market risk, liquidity and funding risk, operational risk, interest rate risk in the banking book, compliance risk and anti money laundering risk. Further detail on the management of these risks can be found in sections 7-11 of this document.

2.3 WFSIL Risk Management Program

The Board of Directors has overall responsibility for the establishment and oversight of WFSIL's risk management framework.

WFSIL has three lines of defence, each with distinct responsibilities with respect to the risk management programme: Front Line, Independent Risk Management ("IRM") and Internal Audit.

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 programme. The Business Control Executive team supports the front line and is aligned to the lines of business.

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. WFSIL Chief Risk Officer and Chief Compliance Officer are the IRM team members responsible for risk management in the legal entity. They are supported by the EMEA regional risk management team in execution of these responsibilities.

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

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.

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.

Environmental, Social and Governance Factors

Wells Fargo views Environmental, Social and Governance factors (ESG) as global challenges that have significant impacts for businesses and communities around the world. Wells Fargo is committed to mitigating the impacts of ESG factors related to its activities and to partner with key stakeholders, including communities and customers, to do the same. Wells Fargo continues to develop its monitoring of ESG factors as risk drivers that may generate risk. Wells Fargo expects that ESG factors will increasingly impact the risk types it manages and it will continue to integrate ESG factors into its risk management program as its understanding of such factors changes and risks driven by it evolve.

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 uses 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, taking into account available management actions.

Capital adequacy risk appetite and early warning indicator boundaries are calibrated as part of the ICAAP process and these are subject to regular monitoring.

The latest ICAAP concluded that WFSIL is adequately capitalised.

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

	31 Dec 2021	31 Dec 2020
	USD'000	USD'000
Own Funds		
Common Equity Tier 1 (CET 1)	1,260,516	714,500
Tier 1 Capital	1,260,516	714,500
Total Capital	1,260,516	714,500
Total risk weighted assets	1,856,399	2,131,222
Capital ratios		
CET1 ratio	67.90 %	33.53 %
T1 ratio	67.90 %	33.53 %
Total capital ratio	67.90 %	33.53 %
Leverage		
Leverage exposure	4,226,866	4,095,551
Leverage ratio	29.80 %	17.45 %

4. Own Funds

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

	31 Dec 2021		
	Regulatory own funds	Financial statements	Reconciling items
	USD'000	USD'000	USD'000
CET1 Capital: Instruments and reserves			
Paid up capital instruments	539,998	539,998	—
Retained earnings	76,444	76,444	—
Other reserves	645,357	645,357	—
CET1 capital before regulatory adjustments	1,261,799	1,261,799	—
CET1 capital: Regulatory adjustments			
Additional value adjustments	(1,283)	—	(1,283)
Total regulatory adjustments to CET1	(1,283)	—	(1,283)
CET1 capital after regulatory adjustments	1,260,516	1,261,799	(1,283)
Total own funds	1,260,516	1,261,799	(1,283)

Capital Instruments main features

CET1: As of 31 December 2021, 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. During December 2021 WFSIL received a capital contribution of USD 600m which increased CET1 to USD 1,261.8m, reflected in other reserves.

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.

Additional value 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 its 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 2021	31 Dec 2020
	USD'000	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	76,444	130,338
Accumulated other comprehensive income (and any other reserves)	645,357	45,357
CET1 capital before regulatory adjustments	1,261,799	715,693
CET1 capital: regulatory adjustments		
Additional value adjustments (negative amount)	(1,283)	(1,193)
Total regulatory adjustments to CET1	(1,283)	(1,193)
CET1 capital	1,260,516	714,500
Tier 1 capital	1,260,516	714,500
Tier 2 capital: instruments and provisions		
Capital instruments and the related share premium accounts	—	—
Tier 2 capital	—	—
Total capital (= Tier 1 + Tier 2)	1,260,516	714,500
Total risk-weighted assets	1,856,399	2,131,222
Capital ratios and buffers		
CET1 ratio	67.90 %	33.53 %
Tier 1 ratio	67.90 %	33.53 %
Total capital ratio	67.90 %	33.53 %
Institution specific buffer requirement ¹	7.03 %	7.02 %
of which: CET1 requirement	4.50 %	4.50 %
of which: capital conservation buffer requirement	2.50 %	2.50 %
of which: countercyclical buffer requirement	0.03 %	0.02 %
CET1 available to meet buffers (as a percentage of risk exposure amount)	63.40 %	29.03 %

¹ 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

5. Capital Requirements

WFSIL calculates its Pillar 1 capital requirements under the standardised approaches for all risk types. The table below sets out WFSIL's Pillar 1 capital requirements by risk type.

	31 Dec 2021		31 Dec 2020	
	USD'000		USD'000	
	RWA	Capital Requirements	RWA	Capital Requirements
Credit risk	73,892	5,911	130,390	10,431
<i>Institutions</i>	37,404	2,992	70,412	5,633
<i>Corporates</i>	—	—	11,921	954
<i>Governments and Central Banks</i>	—	—	—	—
<i>Other items</i>	36,488	2,919	48,057	3,845
Counterparty credit risk	523,806	41,904	505,772	40,462
<i>Institutions</i>	76,599	6,128	117,977	9,438
<i>Public sector entities</i>	—	—	—	—
<i>Corporates</i>	443,191	35,455	387,795	31,024
<i>Securitisation positions</i>	4,015	321	—	—
Settlement risk in the trading book	17	1	84	7
Market risk	817,709	65,417	780,938	62,475
<i>Specific risk - traded debt instruments</i>	743,385	59,471	700,920	56,074
<i>- of which securitisations</i>	333,352	26,668	407,227	32,578
<i>General risk - traded debt instruments</i>	53,779	4,302	41,967	3,357
<i>Foreign exchange</i>	20,545	1,644	38,051	3,044
Operational risk	363,403	29,072	454,498	36,360
Credit valuation adjustment	77,572	6,206	112,331	8,987
Large exposures in the trading book	—	—	147,209	11,777
Total capital requirements	1,856,399	148,512	2,131,222	170,498

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 2021:

Breakdown by country	General credit exposure: <i>Exposure value</i>	Trading book exposure: <i>Sum of long and short position</i>	Own funds requirement		Total	Own funds req. weights	CCyB rate
			Of which: General credit exposure	Of which: Trading book exposures			
	USD'000	USD'000	USD'000	USD'000	USD'000	%	%
Exposures to countries with a non 0% CCyB rate:							
Luxembourg	6,943	63,924	495	4,998	5,494	5.74 %	0.50 %
Exposures to countries with a 0% CCyB rate:							
APAC	—	5,914	—	400	400	0.42 %	0.00 %
Europe	528,801	560,463	38,200	45,894	84,094	87.90 %	0.00 %
Rest of World	6	94,792	1	5,684	5,685	5.94 %	0.00 %
Total	535,751	725,093	38,696	56,976	95,672	100.00 %	

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

	31 Dec 2021
	USD'000
Total Risk Exposure Amount	1,856,399
Institution specific countercyclical buffer rate	0.03 %
Institution specific countercyclical buffer requirements	557

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 at any time 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, 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:

Exposure Class	31 Dec 2021 USD'000			31 Dec 2020 USD'000		
	Exposure value	RWA	Capital requirement	Exposure value	RWA	Capital requirement
Counterparty credit risk	884,378	523,806	41,904	932,746	505,772	40,462
Institutions	385,115	76,599	6,128	524,572	117,977	9,438
Corporates	478,729	443,191	35,455	408,174	387,795	31,024
Securitisation Positions	20,534	4,015	321	—	—	—
Credit Valuation Adjustment	257,668	77,572	6,206	325,707	112,331	8,987

The following table shows WFSIL's CCR by product:

Product	31 Dec 2021 USD'000			31 Dec 2020 USD'000		
	Exposure value	RWA	Capital requirement	Exposure value	RWA	Capital requirement
Derivative contracts	755,645	499,083	39,927	849,831	487,806	39,024
Securities financing contracts (SFT)	128,733	24,723	1,978	82,915	17,966	1,437
Total	884,378	523,806	41,904	932,746	505,772	40,462

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

Exposure breakdown	31 Dec 2021 USD'000		31 Dec 2020 USD'000	
	Derivatives	SFT's	Derivatives	SFT's
Gross positive fair value or net carrying amount ²	437,366	1,106,973	820,546	1,409,253
Netting benefits	(158,596)	0	(310,349)	0
Netted current credit exposure	278,770	1,106,973	510,196	1,409,253
Collateral held (after volatility adj) ³	(7,401)	(978,240)	415	(1,326,338)
Net credit exposure	271,369	128,733	510,612	82,915
Potential future credit exposure and initial margin	484,275		339,219	
Exposure value	755,645	128,733	849,831	82,915

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.

Management of counterparty credit risk

WFSIL employs the following measures to mitigate CCR:

- Strong credit underwriting – all counterparty credit risk exposures are approved by designated credit officers in line with the Wells Fargo policies using the same level of credit discipline applied to other credit risks.
- Credit limit monitoring is undertaken by centralised team 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.
- Where applicable, transactions are governed by trading documents, which contain credit terms approved by the risk officers. These must be established before the line of business is permitted to execute transactions against the counterparty.

Concentration risk

Concentration risk is the risk arising from having material exposures carrying common risk characteristics and which are sensitive to the same risk drivers. The assessment of concentration risk includes only counterparty related exposures. Other credit related concentrations resulting from holding inventory in asset backed securities and other credit securities are considered as part of market risk management framework.

Management of concentration risk

In addition to the mitigants outlined above for CCR, WFSIL employs the following measures to mitigate and manage concentration risk:

- Single name concentration risk is managed within guidelines set out in the WFSIL CCR policy. The guidelines outline the Maximum Potential Future Exposure (Max PFE) per Counterparty as a % of the WFSIL's Capital depending on the counterparty credit quality (Borrower Quality Rating - BQR).
- The guidelines are reviewed and approved by the BRC and adjusted, if necessary, in response to changes in the operating environment and other strategic considerations
- 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 Chief Risk Officer (or his/her delegate) of all exposures booked in WFSIL is required. Any concentration risks are taken into account in the approval process.
- 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.
- In 2021 WFSIL developed an ability to transfer counterparty credit risk to an affiliate via risk participation swaps, which allows WFSIL to manage counterparty credit risk and CVA volatility and comply with the single-name concentration guidelines.

WFSIL's exposure to the concentration risks associated with large indirect credit exposures, such as a single collateral issuer, is considered by the WFSIL Board of Directors to be very limited. These risks are also taken into account in the approval process described above.

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 \$31m compared to \$29m as at 31 December 2020. This is monitored as part WFSIL's liquidity and funding risk management.

At 31 December 2021 WFSIL pledged USD 113m of non-cash collateral and USD 185m of cash collateral to Wells Fargo Bank N.A. compared to USD 79m of non-cash collateral and USD 114m cash collateral as at 31 December 2020.

There are no notable industry or credit quality concentrations in the WFSIL counterparty credit risk portfolio.

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. None of the exposures are past due or subject to credit risk adjustments.

	31 Dec 2021			31 Dec 2020		
	USD'000			USD'000		
	Exposure value	RWA	Capital requirement	Exposure value	RWA	Capital requirement
Credit risk	223,436	73,892	5,911	412,012	130,390	10,431
Institutions	186,948	37,404	2,992	352,034	70,412	5,633
Corporate	—	—	—	11,921	11,921	954
Other items	36,488	36,488	2,919	48,057	48,057	3,845

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

Market risk is the risk of possible economic loss from adverse changes in market risk factors such as interest rates, credit spreads, foreign exchange rates, equity and commodity prices. The material market risk factors for WFSIL are those associated with credit spread risk, rate risk and foreign exchange risk arising through holding inventory in corporate credit and securitised products.

WFSIL employs the following measures to mitigate and manage market risk:

- Market risk is monitored and reported by the EMEA Market Risk Oversight ("MRO") function which is responsible for the independent oversight of market risk management policies and practices, monitoring and reporting on market risk exposures for WFSIL and identifying and monitoring current and emerging market risks.
- MRO maintains market risk mandates, which establish the market risk limits, policies and procedures at the WFSIL and desk level. In addition to developing market risk mandates and limits, MRO reports and monitors line of business adherence to the relevant market risk limits and reports and escalates market risk issues and limit triggers, as necessary.
- Quarterly review and oversight is provided by the BRC and the Board of Directors.
- Capital requirements are actively monitored and capital management information is reported on a monthly basis to the ALCO.
- There is a WFSIL market risk mandate with approved limits for total market risk exposure in WFSIL. In addition, each of the two material trading businesses (Credit Trading and ABF Trading) has a mandate with approved limits on their individual market risk exposures. Mandates contain aggregate limits and limits on sensitivities and other risk measures.
- Aggregate limits are designed to control the overall portfolio risks and losses. They are set for Value at Risk ("VaR"), expected shortfall and stress scenarios. The VaR of the trading book represents the expected maximum loss given a specific confidence interval and time horizon under a general contemporaneous market condition. VaR is typically measured on a 1-Day or 10-Day horizon. VaR can be measured at different confidence levels, with the most common levels observed at 99% and 95% scale. Actual profit and loss outcomes are also monitored to test validity of the assumptions made in the calculation of VaR.

- Assuming a 99% confidence level and a 1-Day holding period, the VaR for WFSIL's trading book as at the year end 2021 was USD 0.7m (2020: USD 2.2m). This means that, on the basis of the risks in the trading book, WFSIL is expected not to incur a loss in excess of USD 0.7m (2020: USD 2.2m) on more than 1% of trading days.
- WFSIL recognises that VaR measures of market price risk, considered in isolation, have limitations. It is for this reason that a wide range of other risk measurement techniques are used. The VaR figures disclosed above have the following limitations:
 - The historical data on which the calculations have been based may not reflect all the factors that are relevant to the estimation of VaR, give the correct weight to these factors, or be the best estimate of risk factor changes that will occur in the future.
 - Focusing on the maximum loss that is expected to be incurred 99% of the time says little about the smaller losses that are expected to be incurred more frequently, or the larger losses in excess of the VaR that are expected to be incurred 1% of the time.
 - All the VaR figures disclosed above are based on calculations performed at the end of each business day. The VaR during the course of a single day may change substantially and the end-of-day figure may not be representative of the figure at other times of the day.

During 2020 and 2021, WFSIL did not have Financial Conduct Authority permission to use this measure for calculating Regulatory Capital.

Management limits and early warning indicators on sensitivities and other risk measures are designed to facilitate and guide the trading management of WFSIL and its business units at a more granular level. Limits are set for interest rate risk sensitivity, credit spread sensitivity, foreign exchange 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 immediately of any significant breaches and all other breaches on a quarterly basis.

WFSIL employs the following measures to mitigate illiquidity risk in the trading book:

- Aged inventory reporting is performed on a monthly basis which is reviewed with the business units and presented at the ALCO meetings.
- Holding period limits are established in the mandates for Credit Trading and ABF Trading to provide additional insight on trading activity. Limits are set based on liquidity, depth of market and the strategy of the desk to identify possible liquidity impairments or unapproved trading activity.

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

	31 Dec 2021	31 Dec 2020
	USD'000	USD'000
Settlement risk in the trading book	1	7
Market risk	65,417	62,475
Specific risk - traded debt instruments	59,471	56,074
- of which securitisations	26,668	32,578
General risk - traded debt instruments	4,302	3,357
Foreign exchange	1,644	3,044
Large exposures in the trading book	—	11,777

9. Liquidity and Funding Risk

The risk arising from the inability of WFSIL to meet obligations when they come due, or roll over funds at a reasonable cost.

This risk arises primarily from the composition of the balance sheet, therefore management of the risk is accomplished through close monitoring and control of the type, pricing and amount of assets and liabilities.

With regards to liquidity, the principal objective of WFSIL is to be able to fund its activities and enable its core businesses to continue to serve clients and generate revenues, even under adverse circumstances. WFSIL manages the maturities and

diversity of its funding profile across markets, products and counterparties and seeks to maintain liabilities of appropriate tenor relative to its asset base.

Liquidity risk management principles are applied to meet local regulatory requirements in relation to liquidity. As WFSIL operates well above the minimum Individual Liquidity Guidance (“ILG”) requirements applied by the FCA and its internal liquidity stress test (“ILST”) it is judged to have a strong liquidity position, appropriate for the nature and scale of WFSIL’s business.

WFSIL is funded by equity with additional funding provided by Group companies. WFSIL liquidity risk management principles are designed to meet local regulatory requirements and are in line with the Group’s policies and procedures. WFSIL ALCO monitors and oversees WFSIL’s liquidity position. Stress tests are carried out for the WFSIL on a daily basis and liquidity reporting is presented at the monthly ALCO meetings.

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.

10. 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
- Senior unsecured funding from WFBNA. This funding is available in the most appropriate tenor for balance sheet requirements
- Cash balances held in nostro accounts

The banking book positions are used to fund the trading book positions of the business units.

WFSIL employs the following measures to mitigate and manage IRRBB:

- 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.
- WFSIL’s interest rate risk management principles are designed to meet local regulatory requirements and are in line with the Group’s policies and procedures. WFSIL ALCO monitors and oversees WFSIL’s interest rate risk position. Interest rate risk metrics and thresholds are reported and presented at the monthly WFSIL ALCO meetings.

IRRBB is measured under a number of alternative measures and stress scenarios. Results are subject to regular periodic monitoring and reporting.

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 (EV) and earnings-based measures (Earnings at Risk (EaR)).

	31 Dec 2021	31 Dec 2021	31 Dec 2020	31 Dec 2020
	USD’000 - EV	USD’000 - EaR	USD’000 - EV	USD’000 - EaR
USD	98	(8,881)	50	(6,238)
GBP	(463)	1,639	(517)	1,792
EUR	(78)	1097	(129)	852
Total	(443)	(6,144)	(596)	(3,594)

11. 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 WFSIL's activities.

Wells Fargo has established a comprehensive, enterprise-wide Operational Risk Management programme, which supports the identification, assessment and management of operational risks. This programme encompasses 12 operational risk sub-types into which operational risk is categorised for assessment and management. Working within the programme's guidance, the Operational Risk function provides appropriate analysis, reporting and escalation to WFSIL senior management and the Board of Directors and provides credible challenge to management decisions and activities to ensure effective operational risk management.

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

	31 Dec 2021		31 Dec 2020	
	USD'000		USD'000	
	RWA	Capital requirements	RWA	Capital requirements
Operational Risk	363,403	29,072	454,498	36,360

12. Compliance Risk

Compliance Risk, (which includes Financial Crime Compliance Risk) is the risk of legal or regulatory sanctions, material financial loss or reputational damage resulting from a failure to comply with laws, regulations, rules, standards and codes of conduct.

Management of compliance risks

The Wells Fargo Enterprise Compliance Program Policy outlines how the Company identifies, assesses, controls, measures, monitors, and reports compliance risks, and through which it provides compliance training. The Compliance Program encompasses a series of Compliance Program elements which are both applicable to the Compliance department and to the Front Line.

The Front Line is responsible for identifying, managing and controlling the compliance risks arising from its activities

- a. The EMEA Compliance Team as part of IRM supports the management of compliance risk arising in relation to WFSIL by implementing and maintaining the Compliance Program. It does this through:
 - i. Providing advice, recommendations, oversight of and challenge to the Front Line businesses, functions and the legal entity.
 - ii. Assisting the Front Line in the adherence to applicable laws, regulations, policies and standards of conduct and by actively encouraging business behaviour that is transparent, prudent and dependable; and
 - iii. Independently overseeing the identification, measurement, assessment, monitoring, aggregation, and reporting of compliance risks in alignment with the Risk Management Framework.

Compliance matters are escalated through the WFSIL Executive Committee and the EMEA Risk and Controls Committee (which exercises responsibility and provides independent oversight for policies, processes and controls relating to all aspects of risk and compliance for the region) to the WFSIL Board Risk Committee.

13. Country Risk

Country risk is the risk of sovereign, economic, social, political, and banking system conditions and events in a foreign country affecting the current or projected financial and operational condition or resilience of the company across all categories of risk.

Management of country risk

Country exposure is managed within enterprise level country of risk inner and outer boundaries approved by the head of Country Risk under delegation from the Chief Credit Officer. Businesses with exposures outside the U.S. must manage exposures within these boundaries and applicable risk appetite metrics. Exceptions to country of risk boundaries require the approval of the relevant business committees.

Country of risk limits must be established at the business level within country of risk boundaries when a business has material exposure in a particular country as defined in policy and approved by Group Senior Credit Officers or equivalent. Country Risk Reporting must monitor and report country of risk boundaries and country of risk limits and exceptions (including highlighting high limit usage) at least monthly to all businesses, Group Senior Credit Officers and their designees or equivalents, and Commercial Credit Administration.

Under the WFSIL CCR policy, a separate approval on behalf of the legal entity by the EMEA Chief Risk Officer (or his/her delegate) of all exposures booked in WFSIL is required. Country risks are taken into account in the approval process. In addition, as part of the monthly EMEA counterparty risk reporting process the EMEA Risk group reviews the country risks in the WFSIL portfolio and utilises this in reporting to relevant WFSIL Committees.

The top 10 countries account for almost 97% of WFSIL exposure, all are European developed markets or G7 countries.

14. 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 for investment firms.

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

	31 Dec 2021	31 Dec 2020
	USD'000	USD'000
Total assets as per published financial statements	3,870,880	3,741,948
Adjustments for derivative financial instruments	373,309	339,219
Adjustments for securities financing transactions "SFTs"	23,538	2,487
(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	(1,283)	(1,193)
Other adjustments	(39,578)	13,090
Total leverage ratio exposure	4,226,866	4,095,551

Table showing the leverage ratio common disclosure:

	31 Dec 2021 USD'000	31 Dec 2020 USD'000
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	2,342,481	2,205,498
(Asset amounts deducted in determining Tier 1 capital)	(1,283)	(1,193)
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	2,341,198	2,204,305
Derivative exposures		
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	382,332	500,794
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	373,309	339,219
Total derivative exposures	755,641	840,013
Securities financing transaction exposures		
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	1,106,489	1,048,745
Counterparty credit risk exposure for SFT assets	23,538	2,487
Total securities financing transaction exposures	1,130,027	1,051,233
Capital and total exposures		
Tier 1 capital	1,260,516	714,500
Total leverage ratio exposures	4,226,866	4,095,551
Leverage ratio	29.80 %	17.45 %

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

	31 Dec 2021 USD'000	31 Dec 2020 USD'000
Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:	2,342,481	2,195,681
Trading book exposures	2,328,795	2,195,681
Banking book exposures, of which:	13,686	—
Institutions	—	—
Other exposures (e.g. equity, securitisations and other non-credit obligation assets)	13,686	—

15. Asset Encumbrance

The majority of WFSIL's assets are unencumbered. WFSIL's encumbered assets consist 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:

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
As at 31st December 2021	USD'000	USD'000	USD'000	USD'000
Assets of the reporting institution	129,315		4,133,753	
Debt securities	—	—	793,838	793,838
Other assets	129,315		3,316,323	

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

Table of collateral received:

	31 Dec 2021 USD'000		31 Dec 2020 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	742,333	395,891	630,758	921,903
Loans on demand	—	—	—	—
Debt securities	739,331	395,891	526,101	921,903
Loans and advances other than loans on demand	—	—	—	—
Other collateral received	3,002	—	104,657	—

Table of sources of encumbrance:

	31 Dec 2021 USD'000		31 Dec 2020 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	838,273	775,794	903,127	1,199,605

16. 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:

As at 31st December 2021	On-balance sheet		Off-balance sheet	
	USD'000		USD'000	
	Total	of which: risk weighted at 1250%	Total	of which: risk weighted at 1250%
Exposure	315,000	4,276	20,534	—
Capital requirement	26,668	4,276	392	—

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

17. 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**) has responsibility to oversee the implementation of the Wells Fargo remuneration policies and practices in WFSIL.

The WFSIL RemCo consists of no fewer than two 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 meets 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**), the WFSIL Identified Staff list and risk review 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**) and related guidance.

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 employees.

The WFSIL RemCo is sponsored and operates under delegated authority from the WFSIL Board. The Committee may delegate the authority to perform any of the responsibilities described in these Terms of Reference to reporting and/or sub-committees. 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;
- (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) oversight of the performance management process which includes a review of the design and monitoring steps, to ensure risk management requirements are appropriately reflected and linkage to performance related pay arrangements for WFSIL Identified Staff. Additionally, 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

WFSIL's remuneration policy and framework is consistent with Wells Fargo's key compensation principles:

- (a) Pay for performance. Compensation is linked to company, business line and individual performance, including meeting regulatory expectations and creating long-term value consistent with the interests of shareholders.
- (b) Promote a culture of risk management. Compensation promotes effective risk management and discourages imprudent or excessive risk-taking.
- (c) Attract and retain talent. People are one of WFSIL's competitive advantages. Therefore, compensation helps attract, motivate and retain people with the skills, talent and experience to drive superior long-term company performance.

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

Performance measures are specifically adjusted for risk considerations and allocation of incentive spend is directly related to this. In particular, at the EMEA-wide level, the EMEA Chief Risk Officer presents an annual assessment of risk considerations over and above the mechanisms within incentive plans to the ERRRC. The ERRRC provides updates (and if relevant, recommendations) to the WFSIL RemCo on the outcome of its assessments throughout the year. This would include *ex-ante* assessment of current and future risks and the timing and likelihood of receiving potential future revenues.

WFSIL's remuneration practices are designed to avoid conflicts of interest with clients and regulatory obligations, in particular with regard to using profit-based measures to determine financial performance of both the individual and business units and the assessment of non-financial performance.

In alignment with the Wells Fargo Risk Management Framework, employees of WFSIL's control functions are groups that must remain independent of the business as they provide support, monitoring or control for the business. This includes employees within the Strategic Execution & Operations Office, Enterprise Functions (excluding Stakeholder Relations) and employees who perform similar roles embedded within the front line, including control executive teams. Examples of Control Functions include but are not limited to Chief Operating Office, Risk, Diverse Segments, Representation & Inclusion Group, Enterprise Finance, Human Resources, Internal Audit, Legal, Public Affairs, Strategy, Digital and Innovation Group and Technology. Methods used for determining the variable remuneration of control functions do not compromise staff's objectivity and independence. To assure this, Wells Fargo has adopted a corporate standard applicable to the incentive compensation arrangements for control functions, the key features of which are as follows:

- a. All incentive-eligible control function employees must be subject to the Wells Fargo Bonus Plan. They are not eligible for incentive compensation under any other incentive compensation arrangement, including any which relate to business performance.
- b. Control functions may not have a financial performance objective unless it is related to expense management, business strategy, or risk mitigation activities.
- c. The independent non-executive directors of the WFSIL Board are not eligible for awards of variable remuneration.

All WFSIL incentive plans, including those with sales incentive targets, have robust risk management controls and are subject to the employee meeting risk and compliance objectives

All WFSIL employees are prohibited from undertaking personal hedging strategies or remuneration and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements. They are also subject to the EMEA Personal Account Dealing Policy which requires them to declare personal dealing accounts for themselves and connected persons and attest annually that they have declared all such accounts and the necessary steps are taken to ensure that all associated trades are monitored.

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 is determined as of 31 December of that performance year. For example, the proportionality level for the 2021 performance year is determined as of 31 December 2020. Any changes in proportionality level may entail amendments to the WFSIL Remuneration Policy, any such amendments shall be reviewed by the RemCo. Changes may also be required when the UK Investment Firm Prudential Regime (IFPR) comes into force on 1 January 2022.

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 recently obtained approval from the relevant shareholder bodies for an increase to the higher maximum level of the ratio in 2021.
- (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 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/or FCA to provide a designated senior manager function) variable remuneration must be deferred for a period of up to seven years, with awards vesting 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 2021 financial statements contains aggregate information on remuneration. The following table shows remuneration paid to 2021 WFSIL Identified Staff who are remunerated for their services to WFSIL. Variable remuneration for 2021 performance was paid or awarded in 2022.

	2021			2020		
	Senior Management	Other	Total	Senior Management	Other	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Total Remuneration	2,306	16,766	19,072	1,912	12,902	14,814
of which:						
Fixed Remuneration	1,375	7,406	8,781	1,170	6,088	7,258
CRDIV Variable Remuneration	931	9,228	10,159	742	6,526	7,269
of which:						
short term cash	186	2,105	2,291	148	2,102	2,250
short term equity	186	1,932	2,118	148	1,447	1,595
long term cash	279	2,595	2,874	223	1,489	1,712
long term equity	279	2,595	2,874	223	1,489	1,712
Non CRDIV Variable Remuneration	—	132	132	—	288	288
Number of Identified Staff	6	15	21	5	14	19

Aggregate remuneration by business area

The following table shows aggregate remuneration paid to 2021 WFSIL Identified Staff who are remunerated for their services to WFSIL. Variable remuneration for 2021 performance was paid or awarded in 2022.

	2021				2020			
	Investment Banking and Capital Markets		Other	Total	Investment Banking and Capital Markets		Other	Total
	Markets	Markets			Markets	Markets		
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Total Remuneration	7,976	8,510	2,586	19,072	8,134	6,400	280	14,814
Number of Identified Staff	8	7	6	21	9	6	4	19

Deferred Remuneration

The following table provides a summary of deferred remuneration for 2021 WFSIL Identified Staff who are remunerated for their services to WFSIL.

Remuneration Type	2021		2020	
	Senior Management	Other	Senior Management	Other
	USD'000	USD'000	USD'000	USD'000
Total Outstanding deferred remuneration as at 31 December	1,095	6,712	540	4,889
of which:				
Vested	—	—	—	—
Unvested	1,095	6,712	540	4,889
Awarded in year to 31 December ⁴	745	7,123	594	4,712
Paid out in year to 31 December	433	4,076	392	2,458
<i>No performance adjustments were applied to deferred awards in 2021 or 2020</i>				

1 Identified Staff received a severance payment and no sign on payments were made to Identified Staff in 2021.

5 Identified Staff received total remuneration of between US\$1m and US\$1.5m. 5 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.

⁴ Includes short-term equity, long-term cash and long-term equity from the 2021 Total Variable Compensation (TVC) award, based on the principle "which parts of the TVC are subject to restrictions".

Appendix 1 - Capital Instruments main features table

	Equity	Other reserves
Issuer	WFSIL	WFSIL
Unique identifier	—	—
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)	\$616.4m	\$645.4m
Nominal amount of instrument	\$275.0m	\$645.4m
Issue Price	\$1	—
Redemption price	—	—
Accounting classification	Shareholders equity	Shareholders equity
Original date of issuance	—	—
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	—	—
Subsequent call dates	—	—
Coupons/dividends		
Fixed or floating divided/ coupon	—	—
Coupon rate and any related index	—	—
Existence of dividend stopper	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully Discretionary	—
amount)	Fully Discretionary	—
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	—	—
If convertible, fully or partially	—	—
if convertible. Conversion rate	—	—
if convertible, mandatory or optional conversion	—	—
if convertible, specific instrument type convertible into	—	—
if convertible, specify issuer or instrument it converts into	—	—
Write down features	—	—
If write down, write down triggers	—	—
If write down, full or partial	—	—
If write down, permanent or temporary	—	—
If temporary write down, description of write up mechanism	—	—
Non compliant transitioned features	No	No
Non - compliant transitioned features	—	—
if yes, specify non compliant features	—	—