Wells Fargo Securities International Limited

Directors' report, strategic report and financial statements

Registered number 3426903

Year ended 31 December 2020

Directors' report and financial statements

Contents

Officers and professional advisers

Directors

John Langley
Daniel Thomas
Richard Place
Simon Ennis
Francisco Rey Alegria
Paola Bergamschi Broyd
Stephen Kingsley

Secretary

Molly Ranger

Auditors

KPMG LLP
15 Canada Square
London
E14 5GL

Registered office

33 King William Street
London
EC4R 9AT

Directors' report

The directors present their annual report and the audited financial statements for Wells Fargo Securities International Limited ("the Company" or "WFSIL") for the year ended 31 December 2020.

Business environment
The Company is authorised and regulated by the Financial Conduct Authority ("FCA"). In addition to the London office it operated two branches based in Paris and Frankfurt which were closed during 2019.

The strategy of the Company remains to support the international needs of the clients of the Wells Fargo group ("the Group"). Despite economic uncertainty and regulatory reform resulting in a challenging business environment, the directors remain confident that the Company strategy will enhance profitability in future years

Going concern
The financial statements are prepared on a going concern basis. The directors are satisfied that the Company has the resources and the intention to continue to deliver on its strategy for the foreseeable future. No material source of uncertainty about the ability of the Company to continue as a going concern has been identified by the directors.

Risk management
The Company has elected to include information on financial risk management as per Schedule 7.6(1) (a) and (b) of the "Large and Medium-sized Companies and Groups Regulations 2008" in the notes to the financial statements, as the directors consider financial risk management to be of strategic importance to the Company.

Proposed dividend
The directors do not recommend the payment of a dividend (2019: USD Nil).

Results
The loss after tax for the financial year amounted to USD 66.7m (2019: profit after tax USD 41.1m).

Directors and their interests
The directors who held office during the year were as follows:

Nicholas Andrews	(Resigned 31 August 2020)
Walter E. Dolhare	(Resigned 26 May 2020)
Francisco Rey Alegria	
Paola Bergamschi Broyd	
John Langley	(Appointed 28 January 2020)
Daniel Thomas	(Appointed 14 May 2020)
Stephen Kingsley	(Appointed 8 June 2020)
Christine Meyers	(Resigned 15 September 2020)
Richard Place	(Appointed 15 September 2020)

The Company's officers generally are entitled to indemnification as provided under the Company's Articles of Association against all costs, charges, losses, expenses and liabilities incurred by the officer in the execution and discharge of the officer's duties or in relation thereto.

Political contributions
The Company made no political donations, nor did it incur any political expenditure during the year (2019: USD nil).

Disclosure of information to auditor
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors
KPMG LLP has indicated their willingness to continue to act as the Company's auditors and in accordance with the Companies Act 2006, a resolution for their reappointment is to be proposed at the forthcoming board meeting.

By order of the board

John Langley
Director

33 King William Street
London, EC4R 9AT

20 April 2021

Strategic report

Company strategy

The overall strategy of the Company is to:

- Support the UK, non-EU and international client base of the Group by providing access to products, services and expertise within specifically those offered by Wells Fargo's Corporate & Investment Banking Group ("CIB")
- Facilitate the US business by responding to the international requirements of Wells Fargo's US client base and providing a platform and operational infrastructure to business units within the Group that require or benefit from operating through a licensed UK-domiciled broker-dealer with appropriate permissions to market its products and services
- Seek to leverage strengths, competencies and existing relationships across the Group and where appropriate, collaborate with other businesses within the Group to create synergies
- Continue to grow international product sourcing and distribution capabilities within the UK and other permitted jurisdictions in support of Wells Fargo's CIB US business.

In delivering on the strategy, the principal activities of the Company are to:

- Distribute equity and fixed income securities
- Distribute US originated research
- Advise on and support the origination of debt securities of EMEA and US corporates and financial institutions in the US and EMEA markets
- Underwrite non USD issuance for Wells Fargo customers
- Support Wells Fargo institutional and corporate customer needs in EMEA for interest rate management and foreign exchange products
- Provide buy and sell side mergers and acquisitions advisory services
- Provide execution and indirect clearing of listed derivatives.

Execution of the strategy exposes the Company to a range of risks, including market, counterparty credit, concentration, liquidity and interest, and operational, which are measured and managed through the Company's risk management framework. Policies and procedures identify and analyse the risks faced by the Company and appropriate risk limits are set and monitored against. Further details of the risk management framework are provided in the notes to the financial statements.

European Union referendum

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. Whilst this is expected to result in a reduction to WFSIL's revenues the Company will continue to be strategically important, serving markets which account for a significant share of overall EMEA business.

Review of business performance

The market volatility and economic uncertainty created by the COVID-19 pandemic had a significant impact on the Company in 2020. This resulted in it reporting a pre-tax loss of USD 90.7m for the year, compared to a pre-tax profit of USD 58.8m in 2019 (USD 8.3m excluding one-off gains from the disposal of the Eastdil and Asset Management businesses).

The Company reported a net trading loss of USD 22.2m compared to net trading income of USD 15.4m in 2019. Revenues decreased for the credit trading and asset backed securities trading businesses due to the challenging market environment created by the COVID-19 pandemic.

Revenues from Group Companies reduced by USD 24.8m in the year primarily due to the recognition in 2019 of income for services provided by the Rates Sales & Trading team for the selling of cash products on behalf of another Group entity since 2017.

Other operating income reduced from USD 34.1m in 2019 to USD 10.4m in 2020 primarily due to the lower currency basis spread during the year leading to lower revenues generated on economic hedge trades.

Operating expenses for 2020 were USD 162.2m which is broadly in line with 2019. The absence of costs allocated to the Company for the Eastdil business following its sale was offset by increased costs charged under outsourcing arrangements which were updated in October 2019.

As at 31 December 2020, the total assets of the Company were USD 3,742m, a decrease of USD 887m on prior year (2019: USD 4,629m). Total assets primarily comprised of receivables in respect of reverse repurchase agreements (USD 1,048m), debt securities (USD 605m) and securities awaiting settlement (USD 1,076m). The return on assets, calculated as the loss after tax divided by total assets, was (1.8%) (2019: 0.9%).

As at 31 December 2020 the main long-term funding source was USD 716m of equity with additional working capital provided through a revolving line of credit from WFC Holdings LLC.

Section 172 Statement

This statement is made in accordance with section 172 of the Companies Act 2006 (the "Act") (as amended by the Companies (Miscellaneous Reporting) Regulations 2018). It describes how the directors, in acting to promote the success of the Company for the benefit of the shareholder, have had regard to a number of broader matters. These include the likely consequence of decisions for the long term and the Company's wider relationships.

The directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of the shareholder. In doing so, they have had particular regard to the following considerations:

a) The likely consequences of any decision in the long term
b) The interests of the Company's employees
c) The need to foster the Company's business relationships with suppliers, customers and others
d) The impact of the Company's operations on the community and the environment
e) The desirability of the Company maintaining a reputation for high standards of business conduct.

Some illustrations of how these factors have been considered by the Board in the course of their decision making are set out below.

a) Long term considerations

The directors have considered the likely long-term consequences for key decisions made during the course of the year. In particular:

i) Strategy

The primary strategic objective for WFSIL is to provide access for Wells Fargo's UK, non-EU and international clients to products, services and expertise and to facilitate the US business by responding to the international requirements of Wells Fargo's US client base. That being said, during the course of 2020 the Board has been engaged in high-level discussions and consideration of the Company's strategy.

In Q2 2020 a strategy was approved which focussed on the following areas of strategic priority: (i) acceleration of remediation; (ii) drive operational excellence; (iii) increase customer focus; and (iv) enhance product proposition in the region. During the course of the year, the Company focussed on a number of key initiatives to strengthen the platform, examples of which include the deployment of a new risk management framework and the execution of a compliance transformation. The Board also established a well-defined client strategy which is focussed on enhancing its coverage, the build out of the Debt Capital Markets ("DCM"), FX and risk management offering and the enhancement of Markets capability to support DCM activities.

ii) Corporate Governance

The Company has continued to review and strengthen its corporate governance measures during 2020, with an ongoing emphasis on ensuring that discussions, decisions and challenges are clearly recorded, and that the Board is equipped to appropriately exercise its oversight function. The Board training schedule was enhanced during 2020 to support this. In addition, the director onboarding programme was strengthened to better engage the Independent Directors with members of the regional executive team and the Wells Fargo Group.

iii) Investment

The Company has continued to invest to provide viability on a long-term basis. For example, the Company has invested in technology services to support its business priorities and has committed to the implementation of technology solutions to strengthen operational resiliency, cyber defence and information protection.

iv) Risk

Principal risks have been identified, with processes in place to evaluate and manage such risks, including strengthening the front-line ownership of risks and regular reporting to, and oversight by, the WFSIL Board Risk Committee ("BRC") and the Board. The effectiveness of risk management and internal controls is reviewed regularly by the BRC and the WFSIL Audit Committee. The WFSIL Audit Committee continues to provide its oversight of the Company's financial reporting processes and the work of the external and internal auditors (including independence and effectiveness).

v) Business profitability

Remediation, reducing risk and strengthening the control framework were key focusses for 2020. The Company continues to work towards building out the proper infrastructure and foundations, to pivot away from remediation and into a more sustainable state. Concurrently the Company has been engaged in strategic discussions to improve its profitability going forwards and is focused on leveraging the strength of the Group to develop a stronger regional product capability which will drive transatlantic opportunities and revenues. The Company is focused on leveraging the strength of the Group to develop a stronger regional product capability which will drive transatlantic opportunities and revenues.

vi) LIBOR transition

The Company continues to engage with the wider Wells Fargo Group and has undertaken initiatives to; develop the language related to the LIBOR transition, to launch and enhance systems used to support new products linked to alternative reference rates and to review internal policies and procedures focused on transitioning away from LIBOR.

b) Employee interests

The Board acknowledges the importance of the Company's employees to the Company's sustainable success. The Board takes employee interests into account in its decision making, where relevant. Some examples of this include:

i) Employee satisfaction and experience

Listening to employees helps the Company to identify, and work to close, gaps between employee expectations and their experiences. A key focus for the Board is to create a 'speak up' culture and a culture of trust, which has included a review of the whistleblowing framework and the appointment of a whistleblowing champion for the Company and the region.

The Company places great importance on employee well-being. In 2020, the regional well-being champions' team offered many different forms of resources for Wells Fargo Group employees through monthly newsletters and check-ins. Various resources were offered to all employees: physical fitness classes, mental health programmes and care-giving options with feedback and suggestions being requested.

ii) Remuneration

Remuneration policies and practices should support strategy, promote long-term sustainable success, and be developed in accordance with formal and transparent procedures, including ensuring that no director is involved in deciding their own remuneration outcome.

To this end, the WFSIL Remuneration Committee, made up of Independent non-executive directors, approved the Remuneration Policy and oversaw the remuneration processes. The Remuneration Committee's Terms of Reference define its responsibilities, including ensuring that the Company rewards individuals fairly and responsibly and to ensure the remuneration policies and practices are consistent with and promote effective risk management.

iii) Equality and diversity

The Board is keen for the Company to focus on equality and diversity initiatives, including the gender pay gap. During 2020, the Board embedded a Diversity & Inclusion Policy to demonstrate its focus and priority and this will continue to be an area of attention.

c) Suppliers, customers and other third parties

The Company operates in an environment made up of its suppliers, customers and other third parties. The Board acknowledges the importance of these business relationships to the long-term success of the Company.

i) Customers

The Company remains focused on providing a strong service to its clients. During 2020, it remained engaged in a number of significant client transactions, including collaborating with other Wells Fargo entities and teams to deliver successful outcomes for clients.

To build on this, a client strategy has been deployed to increase customer focus within the business.

ii) Outsourcing

Outsourcing is a theme of critical importance to the directors. As an entity, the Company is reliant on outsourcing both from external parties and the Wells Fargo Group.

In 2020, the Company undertook efforts to further enhance its control framework to manage outsourcing including hiring additional resources and strengthening management information to support timely decision making. The Company enhanced its intercompany agreements to take advantage of the strength of the Wells Fargo Group. Similarly, the Company reviews its arrangements with its service providers on a regular basis to ensure that agreements meet the current needs of the business.

***d)* Community and the environment**

The Company seeks to uphold corporate social responsibility as an important cornerstone. The Board continues to recognise that this is an important focus area and has taken part in active discussions to identify ways to improve its corporate social responsibility. During 2020, the Company initiated an Environmental, Social and Corporate Governance ("ESG") taskforce and embraced employee led initiatives. The Board is keen to support the business by expanding green and sustainable finance offerings and embed ESG metrics into its risk management practices. During the course of the year, the Company also donated funds to charities providing COVID-19 relief within EMEA.

e) High standards of business conduct

i) Reputation for high standards of business conduct

The Company seeks to act in a way which promotes high standards of business conduct, including through interactions with customers, suppliers and other third parties. To uphold this high standard, the Company has strengthened its leadership across a number of key functions and businesses.

ii) Good business practices

The Company has attempted to apply good practice in regard to its knowledge of regulations and the expectations of the regulators in terms of individual accountability. The Company endeavours to apply robust business ethical standards and a culture of trust, which are taken into account in its evaluation and compensation processes, as well as in the oversight of potential malpractice. The directors place emphasis on the importance of individuals being able to demonstrate that they are applying appropriate oversight, governance and challenge, and that they have the correct lines of information in order to be able to conduct their work in line with the responsibilities that they hold. This has been evidenced through the regular challenge to senior management, the enhancement of the director's training plan and enhanced governance processes.

iii) Interaction with regulators

The Company actively engages with its regulators and is committed to complying with legislation, rules and other regulatory requirements applicable to its businesses and operations. The Company frequently engaged with its regulators throughout 2020 and the Board and senior management continue to engage with regulators through proactive meetings to discuss a variety of key themes. The Company will continue to uphold the transparent relationship that it has with its regulators.

As demonstrated by the above, the Board is aware of their obligations under section 172 and has had regard to these obligations in its decision making processes.

Pillar 3 disclosure and Country-by-Country Reporting

Pillar 3 requires public disclosure of information regarding a firm's risk exposure, risk management framework and regulatory capital management. These disclosures will be available at https://www.wellsfargo.com/assets/pdf/commercial/securities/pillar3disclosure-12312020.pdf in conjunction with the submission of the financial statements to Companies House. The disclosures in the Pillar 3 are not audited.

In accordance with Country-by-Country Reporting requirements the Company will include additional disclosures that will be located at https://www.wellsfargo.com/assets/pdf/commercial/securities/country-by-country-reporting-12312020.pdf by 31 December 2021.

By order of the board

John Langley
Director

33 King William Street
London, EC4R 9AT

20 April 2021

Statement of directors' responsibilities in respect of the Strategic Report and the Directors' Report and the Financial Statements

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Wells Fargo Securities International Limited

Opinion

We have audited the financial statements of Wells Fargo Securities International Limited ("the company") for the year ended 31 December 2020 which comprise the Profit and loss account, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and the audit committee as to the company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, audit committee and Board risk committee meeting minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that underwriting commission and fee income disclosed within 'Commission income and fees' in the profit and loss account is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included material post-closing journal entries and those posted to unusual or seldom-used accounts.
- Testing the design and operating effectiveness of controls around the recognition of underwriting commission and fee income.
- Substantive testing of underwriting commission and fee income through corroboration to supporting evidence, including cut-off testing at year-end.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors (as required by auditing standards), and from inspection of the company's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

As the company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of company's license to operate. We identified the following areas as those most likely to have such an effect: specific aspects of regulatory capital and liquidity, anti-money laundering, sanctions list and financial crime, market abuse regulations, and certain aspects of company legislation recognising the financial and regulated nature of the company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

M. Mc

Michael McGarry (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

20 April 2021

Profit and loss account
for the year ended 31 December 2020

		2020	2019		
	Note	**Continuing USD'000**	**Continuing USD'000**	**Discontinued USD'000**	**Total USD'000**
Net trading income		(22,239)	15,435	-	15,435
Commission income and fees		33,778	40,706	19,586	60,292
Revenues from Group Companies		60,213	82,264	2,712	84,976
Other operating income		10,396	33,894	204	34,098
Operating expense	2,5	(162,152)	(116,930)	(44,410)	(161,340)
Profit/(loss) on operating activities		**(80,004)**	**55,369**	**(21,908)**	**33,461**
Gain on disposal of operation	3	-	-	50,524	50,524
Interest receivable and similar income		1,964	20,202	-	20,202
Interest payable and similar expenses		(12,652)	(45,405)	-	(45,405)
Profit/(loss) before taxation		**(90,692)**	**30,166**	**28,616**	**58,782**
Taxation on loss/profit	7	24,041	(9,343)	(8,311)	(17,654)
Profit/(loss) for the financial year		**(66,651)**	**20,823**	**20,305**	**41,128**

Discontinued operations represents the Eastdil and Asset Management business which were sold during 2019.

There are no recognised gains or losses for the financial year other than as stated in the profit and loss account. Accordingly, no statement of comprehensive income has been prepared.

The notes on pages 16 to 34 form an integral part of the financial statements.

Balance sheet
As at 31 December 2020

		2020	2019
		USD'000	USD'000
Assets	*Note*		
Fixed assets			
Tangible assets		41	84
Deferred tax	11	9,664	73
		9,705	**157**
Current assets			
Cash at bank and in hand		310,138	335,295
Trading assets	8	2,190,596	2,343,487
Securities borrowing and reverse repurchase agreements	9	1,048,443	1,615,290
Debtors	10	167,745	334,455
Current taxation receivable		15,321	-
		3,732,243	**4,628,527**
Total assets		**3,741,948**	**4,628,684**
Liabilities			
Current liabilities			
Trading liabilities	12	1,658,476	1,400,991
Securities lending and repurchase agreements		327,026	611,885
Creditors	13	1,038,158	1,826,671
Current taxation payable		2,595	6,793
		3,026,255	**3,846,340**
Net current assets		**705,988**	**782,187**
Total assets less current liabilities		**715,693**	**782,344**
Net assets		**715,693**	**782,344**
Capital and reserves			
Called up share capital	14	539,998	539,998
Capital contribution		45,357	45,357
Profit & loss account		130,338	196,989
Shareholders' funds		**715,693**	**782,344**

The notes on pages 16 to 34 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 20 April 2021 and were signed on its behalf by:

John Langley
Director

Statement of changes in equity

	Share capital USD'000	Capital contribution USD'000	Profit and loss account USD'000	Total equity USD'000
At 1 January 2019	274,998	45,357	155,861	476,216
Profit for the year	-	-	41,128	41,128
Issue of shares	265,000	-	-	265,000
At 31 December 2019	**539,998**	**45,357**	**196,989**	**782,344**
At 1 January 2020	539,998	45,357	196,989	782,344
Loss for the year	-	-	(66,651)	(66,651)
At 31 December 2020	**539,998**	**45,357**	**130,338**	**715,693**

The notes on pages 16 to 34 form an integral part of these financial statements.

Notes

(Forming an integral part of the financial statements)

1 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

a) Basis of accounting

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has taken advantage of the FRS 101 disclosure exemptions in respect of the following disclosures:

- A Cash Flow statement and related notes
- Related party transactions with wholly-owned subsidiaries of Wells Fargo & Company
- The effects of new but not yet effective IFRSs
- Disclosures in respect of the compensation of Key Management Personnel
- IFRS 15 Revenue from Contracts with Customers disclosures
- IFRS 2 Share based Payment

These financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. Derivatives and trading financial instruments are measured at fair value.

The financial statements have been prepared on a going concern basis considering the financial resources of the Company and its strategic importance in enabling the Group to access the EMEA market. Although the Company has lost its EU passport as the Free Trade Agreement that the UK and EU entered into does not cover financial services, it will continue to be strategically important in servicing the UK and non-EU markets which account for a significant share of total EMEA business.

The Company's main long-term funding is through equity with additional working capital provided through a revolving line of credit from Group. In March 2021 the uncommitted line of credit from Group was extended to December 2021. The directors believe the Group will continue to provide funding and taking into account the support available from the Group, the directors are satisfied that the Company has adequate access to resources to enable it to meet its obligations and to continue in operational existence for the foreseeable future.

Furthermore, while the COVID-19 pandemic has had an adverse financial impact on the Company, its capital and liquidity position has meant it has been able to absorb these effects and is well placed to withstand any anticipated future impacts. Given the ongoing disruption to financial markets and economic uncertainty caused by COVID-19 the directors reassessed these components and have concluded that no material uncertainties exist that could cast significant doubt over the ability of the Company to continue as a going concern for at least a year from the date of approval of the financial statements. The reassessment was completed with reference to the stress testing processes within the annual 2020 ICAAP and ILAAP, approved in December 2020, which are considered to represent a severe but reasonably plausible downside, and demonstrated that WFSIL has sufficient capital and liquidity buffers to withstand the current market conditions. Consideration was also given to the proportion of revenue subject to market volatility included within net trading income and commission income and fees relative to revenue that is expected to be more stable due to the ongoing strategic importance of the entity to the Group included within revenues from Group Companies which is based on intercompany service level agreements. In terms of capital, WFSIL is holding stress buffers based on stress scenarios which include a major shock based on a worsening COVID-19 pandemic and a fall in GDP and increasing recessionary pressures. Finally, WFSIL continues to retain a capital surplus after ICAAP buffers are applied. In terms of liquidity, WFSIL holds buffers in accordance with the internal stress methodology as well as regulatory requirements. The stress testing methodology covers a number of scenarios involving both market and idiosyncratic shocks. It is regularly reviewed and refined and the risk drivers are also assessed in the ILAAP.

For this reason, the directors consider the going concern basis to be appropriate in preparing these financial statements.

Turnover, cost of sales and gross profit (as prescribed in the Companies Act 2006) do not have any meaningful equivalents in a financial markets business and are therefore not included.

The directors consider that the functional currency of the Company is the US dollar. The financial statements have therefore been prepared in that currency.

The Company's ultimate parent undertaking, Wells Fargo & Company includes the Company in its consolidated financial statements. The consolidated financial statements of Wells Fargo & Company are prepared in accordance with US GAAP and are available to the public.

b) Financial assets and liabilities

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value through profit or loss, and
- Those to be measured at amortised cost

Financial assets are measured at fair value through profit or loss unless they meet both of the following conditions to be measured at amortised cost:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

The Company's financial assets and liabilities primarily consist of:

Repurchase and reverse repurchase agreements
Securities acquired in reverse repurchase agreements are not recognised on the balance sheet and an asset based on the net present value of the associated future cash receipts is recorded within assets. Securities which have been sold subject to an agreement to repurchase remain on the balance sheet and a liability based on the net present value of the associated future cash flows is measured at amortised cost and recorded under the heading securities lending and repurchase agreements within liabilities. These assets and liabilities are subsequently measured at amortised cost using the effective interest method and are recorded within interest receivable and similar income or interest payable and similar expenses.

Trading assets and liabilities
Trading assets and liabilities are those assets and liabilities that the Company acquires or incurs principally for the purpose of selling or repurchasing in the near term, is held as part of a portfolio that is managed together for short-term profit making, or is a derivative. Long positions are described as trading assets. Short positions are included in trading liabilities and comprise securities sold and not yet purchased, options and other contractual commitments. The instruments traded by the Company which fall into this category are predominately bonds, asset based securities and cross-currency swaps. These are accounted for on a trade date basis and are measured at fair value through profit and loss with changes recognised as part of net trading income.

Trade and other debtors
Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors
Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash at bank and in hand
Cash at bank and in hand includes balances held within the group or external institutions, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

c) Valuation of held for trading securities and derivative instruments.

Financial instruments are recorded at fair value, which represents market value based on market prices or, when market prices are not readily available, instruments are priced on a comparable basis, for example by using models. Fair value includes related accrued interest or dividends. The determination of fair values of financial assets and liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques and models. The Company uses widely recognised valuation models for determining fair value of financial instruments like options and interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

d) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flow from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

e) Net trading income

The Company's net trading income includes movements in the fair value of financial instruments and trading profits and losses, including dividends and coupons, earned from dealing and principal trading in marketable investments, contractual commitments and foreign exchange.

f) Commission income and fees

Commission income and fees are derived from sales, advisory and underwriting activities. Commission and fee revenue is recognised as the underlying contractual performance obligations are met and to the extent the transaction price can be determined.

g) Revenues from Group Companies

Revenue from Group Companies is income that the Company charges other Group entities for services provided to facilitate and support revenue generating transactions with those entities.

h) Interest income and expense recognition

Interest income and expense are recognised in the income statement using the effective interest rate method. The effective interest rate method is the rate that exactly discounts the estimated future cash payments and receipts throughout the expected life of the financial asset or liability to the carrying amount of the financial asset or liability.

Interest income and expense presented in the income statement include:

- Interest on financial assets and liabilities at amortised cost on an effective interest rate basis
- Short term and long term funding

Negative interest income generated on financial assets is presented within interest income and negative interest expense generated on financial liabilities is presented within interest expense.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Company's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

i) Functional currency

The financial statements are presented in US Dollars, which is the Company's functional currency.

j) Foreign exchange

Transactions in foreign currencies are recorded using the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or rate of exchange prevailing at the balance sheet date and the gains and losses on translation are included in the profit and loss accounts.

k) Segment analysis

An operating segment is a component of the Company, which earns revenues and incurs expenses, whose results are regularly reviewed by management and for which discrete financial information is available. The Company prepares its segmental analysis by business lines. A segmental analysis of revenues by main business lines is included in note 6.

l) Taxation

The Company provides for taxation using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is accounted for on an undiscounted basis at expected tax rates on all temporary differences which occur where items are tax-effected in a period different from that in which they are recognised in the financial statements. Deferred tax assets are only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the timing differences and tax losses can be deducted. Deferred tax liabilities are only recognised when it is more likely than not that the liability will be payable in the foreseeable future.

m) Offsetting

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Company has a current legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

n) Client money segregation

The Company can hold money on behalf of clients in accordance with the Client Assets Sourcebook. Economic benefits from the holding of client money are conferred to the Company in the form of interest earned on client money balances and reduced funding costs by using client money, where permissible under the FCA's client money rules, to satisfy margin calls on exchange traded derivatives contracts entered into on behalf of the client. Consequently, money classified as belonging to clients that are held subject to client money protection have been recorded on balance sheet and are included in Cash at bank and in hand.

o) Impairment of financial assets measured at amortised cost

The Company recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information. The Company assumes the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Trade receivables and reverse repurchase contracts are considered to be credit impaired if they fall 90 days past due.

Default and write-offs

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse to actions such as realising security (if any is held).

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

p) Post retirement benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

q) Discontinued operations

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative profit and loss account is restated as if the operation has been discontinued from the start of the comparative period.

2 Profit/(loss) on operating activities

	2020 USD'000	2019 USD'000
Operating expenses include:		
Auditor's remuneration:		
Audit of these financial statements	257	213
Audit-related assurance services	238	178
Cost allocations from Group Companies	91,711	91,745

Cost allocations from Group Companies in 2019 included USD 41.4m in relation to discontinued operations.

3 Discontinued operations

The Company sold the Wells Fargo Asset Management and Eastdil Secured businesses during 2019, resulting in a net on gain disposal of USD 50.5m. The gain was calculated as the difference between the carrying amount of net assets, including goodwill, and cash consideration received.

4 Directors' remuneration

	2020 USD'000	2019 USD'000
Directors' emoluments	2,226	1,009
Amounts receivable under long term incentive schemes	672	548
Company contributions to money purchase pension schemes	15	4
	2,913	1,561

In 2020 the aggregate of remuneration of the highest paid director was USD 978,000 (2019: USD 382,000). Company pension contributions of USD 6,100 (2019: USD 3,400) were made in 2020 to a money purchase scheme on their behalf. During the year, the highest paid director received shares under a long term incentive scheme.

	2020	2019
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	5	2
The number of directors who exercised share options was	4	4
The number of directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes was	4	5

The remuneration disclosed above relates to 9 directors (2019: 8) considering any resignations and appointments during the year. Certain directors are employed and paid by the Company and certain other directors are employed and paid by other entities in the Group. The remuneration for directors not employed by the Company is an allocation of the total remuneration they receive for their services as directors of the Company.

5 Staff numbers and cost

The Company directly employed 68 employees as at 31 December 2020 (2019: 69). The average number of persons employed by the Company during the year was as follows:

	2020	2019
Markets	26	29
Investment Banking & Capital Markets (IB&CM)	30	31
Eastdil Secured	-	2
Wells Fargo Asset Management	-	1
Other	17	15
	73	78

The aggregate payroll costs of these persons were as follows:

	2020 USD'000	2019 USD'000
Wages and salaries	30,297	38,376
Social security costs	4,448	5,232
Other pension costs	1,401	1,609
	36,146	**45,217**

6 Segment analysis

The main business lines which operated through the Company during the year were:

- **Markets** – primarily comprising of;
    - Asset Backed Finance ("ABF") Trading - trades in European asset back securities
    - Credit Trading - trades the credit component of high grade and high yield corporate bonds
    - Futures Commission Merchant ("FCM") - clearing and execution of listed derivatives
    - Credit & ABF Sales – distributes fixed income securities to EMEA based institutions
    - Rates Sales & Trading– sells interest rate products to European customers
    - US Equity Sales - sells US equity products to European investors
- **Investment Banking & Capital Markets ("IB&CM")** – primarily comprising of;
    - European Syndicate & Debt Capital Markets - facilitates European corporate issuance into US debt markets and US corporate issuance into European markets
    - Mergers & Acquisitions ("M&A") - provide buy and sell side M&A advisory services to EMEA clients
- **Other** – this includes Treasury and Fixed Income & Equity Research

Eastdil Secured and Wells Fargo Asset Management were sold during 2019 and therefore no longer operate in the Company. The activities performed by these business were:

- **Eastdil Secured** - real estate advisory deals involving a sale of equity interest
- **Wells Fargo Asset Management** – selling Wells Fargo investment management capabilities to European investors

Revenues by business unit

	2020 USD'000	2019 USD'000
Markets	16,002	70,064
IB&CM	44,265	45,952
Eastdil Secured	-	19,307
Wells Fargo Asset Management	-	3,195
Other	21,881	56,283
	82,148	**194,801**

7 Taxation on profit

a) Analysis of the charge for the period

The charge for taxation comprises:	2020 USD'000	2019 USD'000
Current (credit)/charge	(13,872)	17,412
Adjustment in respect of prior years	(519)	191
Current tax on income for the period	(14,391)	17,603
Deferred tax expense		
Current year	(9,650)	61
Rate change	-	(10)
Total tax (credit)/charge for the year	**(24,041)**	**17,654**

b) Factors affecting the total tax charge for the current period

Tax charge reconciliation:	2020 USD'000	2019 USD'000
Profit/(loss) before taxation	(90,692)	58,782
Current tax of 19% (2019: 19%)	(17,231)	11,169
Effects of:		
Prior period adjustments	(519)	191
Expenses not deductible for tax purposes	677	1,017
Effect of change in tax rate	-	(10)
Banking surcharge effect on surcharge profits/(losses)	(6,968)	4,703
Foreign tax	-	584
Total tax charge	**(24,041)**	**17,654**

The headline UK corporation tax rate is 19% for the 2020 year-end (2019: 19%). From 1 January 2016, an additional bank corporation tax surcharge of 8% applies to the Company, if profit making, resulting in a total statutory tax rate of 27% (2019: 27%).

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This is not expected to have a material impact on the deferred tax asset recognised on the balance sheet

c) Factors that may affect future tax charges

There are no items which materially affect the future tax charge.

8 Trading assets

	2020 USD'000	2019 USD'000
Debt securities	605,076	1,073,443
Derivative assets	509,315	532,503
Securities awaiting settlement	1,076,205	737,541
	2,190,596	**2,343,487**

9 Securities borrowing and reverse repurchase agreements

	2020 USD'000	2019 USD'000
Securities received with third parties	698,441	939,672
Securities received with other group companies	350,002	675,618
	1,048,443	**1,615,290**

10 Debtors

	2020 USD'000	2019 USD'000
Trade receivables	11,196	21,930
Amount owed by group undertakings	120,785	261,171
Other debtors	35,764	51,354
	167,745	**334,455**

Other debtors primarily consists of initial and variation margin receivable in relation to the FCM business.

11 Deferred tax

	2020 USD'000	2019 USD'000
Deferred tax brought forward	73	124
Prior year adjustment	(59)	(61)
Current year charge	9,650	10
Deferred tax at end of year	**9,664**	**73**

The components of the Company's deferred tax asset are:

	2020 USD'000	2019 USD'000
Deferred compensation	832	39
Tax value of loss carry-forwards	8,831	-
Other	1	34
	9,664	**73**

Deferred tax has been calculated at the rate of 27%, as the bank corporation tax surcharge of 8% applies to the Company, in addition to the headline future UK corporation tax rate of 19%. The recognition of a deferred tax asset is based on forecasts prepared by management which demonstrate that within a reasonable time horizon there will be sufficient future profits against which the carried forward losses can be utilised.

12 Trading liabilities

	USD'000	USD'000
Securities sold short	60,064	107,173
Derivative liabilities	529,541	583,843
Securities awaiting settlement	1,068,871	709,975
	1,658,476	**1,400,991**

13 Creditors

	USD'000	USD'000
Trade payables	2,458	5,450
Amounts owed to group undertakings	1,016,305	1,804,318
Other creditors	19,395	16,903
	1,038,158	**1,826,671**

14 Called up share capital

	2020 USD'000	2019 USD'000
Allotted, called up and fully paid		
539,917,000 ordinary shares of $1 each	539,917	539,917
50,000 ordinary shares of £1 each	81	81
	539,998	**539,998**

15 Parent companies

On 1 October 2020 the Company changed ownership from being a wholly owned subsidiary of Wells Fargo International Banking Corporation ("WFIBC") to a wholly owned subsidiary of Everen Capital Corporation ("Everen"). Both WFIBC and Everen are incorporated in the United States of America.

The ultimate parent company is Wells Fargo & Company, a company incorporated in the United States of America and located at 420 Montgomery Street, San Francisco, California 94163, which provides the highest level of consolidation.

Copies of the financial statements of Wells Fargo & Company are available from 33 King William Street, London, EC4R 9AT.

16 Fair value measurements

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category include instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes input based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair value of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Company determines fair value using valuation techniques.

The Company uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities and over the counter derivatives. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and the markets and is prone to changes based on specific events and general conditions on the financial markets.

Instruments classified in level 1 are highly liquid securities such as U.S. Treasuries. Where instruments are valued using internal trader prices that are subject to price verification procedures against external vendor pricing they are generally classified in level 2. Examples of these include asset back securities and corporate debt securities. OTC derivatives where the model inputs can be observed in a liquid market and do not require significant judgement are classified in level 2. Examples include interest rate swaps, cross-currency swaps and forward contracts.

The derivative instruments used include interest rate swaps, cross-currency swaps, forward contracts, futures, and options. Credit valuation adjustments ("CVA") and debit valuation adjustments ("DVA") are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and the Company's own credit quality respectively. These adjustments are calculated for uncollateralised and partially collateralised derivatives across all asset classes. CVA and DVA are calculated using expected exposure at default, probability of default and recovery rates at a counterparty level. Exposure at default is generally estimated through Monte Carlo simulations. Probability of default and recovery rate information is generally sourced from observable bonds or credit default swap spreads. Where this information is not available, or considered unreliable, alternative approaches are taken based on mapping internal counterparty ratings onto historical or market-based default and recovery information.

The Company has computed the CVA and DVA for the derivative portfolio which amounted to USD 18.6m (2019: USD 6.3m) and USD 2.8m (2019: USD 2.0m) respectively

The table below analyses financial instruments measured at fair value at the end of the reporting period, by level in the fair value hierarchy into which the fair value measurement is categorised:

Description	**31/12/2020 Total USD'000**	**Level 1 USD'000**	**Level 2 USD'000**	**Level 3 USD'000**
Financial assets at fair value through profit & loss				
Debt securities	605,076	131,277	473,275	524
Derivative assets	509,315	-	500,528	8,787
Total	**1,114,391**	**131,277**	**973,803**	**9,311**

Description	**31/12/2019 Total USD'000**	**Level 1 USD'000**	**Level 2 USD'000**	**Level 3 USD'000**
Financial assets at fair value through profit & loss				
Debt securities	1,073,443	14,682	1,058,761	-
Derivative assets	532,503	-	532,503	-
Total	**1,605,946**	**14,682**	**1,591,264**	-

Liabilities measured at fair value

Description	31/12/2020 Total USD'000	Level 1 USD'000	Level 2 USD'000
Financial liabilities at fair value through profit and loss			
Securities sold short	60,064	42,685	17,379
Derivative liabilities	529,541	-	529,541
Total	**589,605**	**42,685**	**546,920**

Description	31/12/2019 Total USD'000	Level 1 USD'000	Level 2 USD'000
Financial liabilities at fair value through profit and loss			
Securities sold short	107,173	69,391	37,782
Derivative liabilities	583,843	-	583,843
Total	**691,016**	**69,391**	**621,625**

There were no Level 3 financial liabilities measured at fair value at 31 December 2020 (2019: Nil).

17 Repurchase and Reverse repurchase agreements

The Company enters into collateralised financing transactions where it sells or lends debt or equity securities with a concurrent agreement to repurchase them. As significantly all of the risks and rewards of the underlying securities are retained, the securities remain on balance sheet except for repledged securities received as collateral under reverse repurchase agreements. An associated collateralised financing liability is recognised and presented within Securities lending and repurchase agreements on the Statement of Financial Position.

Repurchase and reverse repurchase agreements are measured at amortised cost. The carrying amount of the securities transferred under the repurchase agreements and the associated liability is shown below:

	2020 USD'000		2019 USD'000	
	Carrying amount of associated liability	Carrying amount of transferred assets	Carrying amount of associated liability	Carrying amount of transferred assets
Repurchase agreements	327,026	311,932	611,885	624,080

The assets transferred under the repurchase agreements are Sovereign and Corporate Bonds. These have been pledged as collateral under repurchase agreements entered by the Company and include assets that have been received as collateral under reverse repurchase agreements.

All repurchase agreements entered into by the Company as at 31 December 2020 and 31 December 2019 have a maturity date of 3 months or less. This includes open repurchase agreements which can be terminated by either party on any date in accordance with the agreed terms.

The fair value of financial assets accepted as collateral that the entity is permitted to sell or repledge in the absence of default is USD 972m (2019: USD 1,540m). As at 31 December 2020, USD 338m of this collateral has been sold or repledged (2019: USD 621m). These transactions are conducted under terms that are usual and customary to standard securities borrowing and reverse repurchase agreements.

18 Risk management disclosures

Overview

The Company has exposure to the following risks from its use of financial instruments:

a) market risk
b) counterparty credit risk
c) concentration risk
d) liquidity risk and interest rate risk
e) operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The BRC reports to the Board of Directors of the Company at its quarterly meeting. Independent Risk Management oversees the front line's execution of its risk management responsibilities and independently assesses front line risk decisions. Independent Risk Management supports the BRC in its oversight of the firm's risk activities including policy management and escalation. It also works closely with the Company's Asset & Liability Committee ("ALCO") and the Company's Board of Directors and facilitates the quarterly BRC.

The Company's risk management policies are established to identify and support management of the risks faced by the Company, to set appropriate risk limits and controls, and to provide a framework to monitor risks and adherence to limits. Risk management policies are reviewed on a continuous basis to reflect changes in the business strategy and operating environment.

Internal Audit provides independent assessment to determine if the Company's risk management, systems of control, and governance processes are adequate and functioning as intended.

a) 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 the Company are those associated with credit spread risk, rate risk and foreign exchange risk arising through holding inventory in corporate credit and securitised products.

Management of market risk

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 practices, monitoring and reporting on market risk exposures 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 business unit and Company level. In addition to developing market risk mandates and limits, CMRO reports and monitors 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 calculated daily 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 of the Company. 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 overall portfolio risks and losses. They are set for Value at Risk ("VaR"), expected shortfall, and stress scenarios. The VaR of the trading book is the expected loss that will arise on the trading book over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). 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 one-day holding period, the VaR for the Company's trading book as at the year end 2020 was USD 2.2m (2019: USD 0.7m). This means that, on the basis of the risks in the trading book, the Company is expected not to incur a loss in excess of USD 2.2m (2019: USD 0.7m) on more than 1% of trading days.

  The Company 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 2019 and 2020, the Company did not have Financial Conduct Authority permission to use this measure for calculating Regulatory Capital.

	USD'000			
2020	**At 31 Dec**	**Average**	**Maximum**	**Minimum**
Interest rate risk	92	173	1,403	(825)
Foreign currency risk	643	414	2,778	(293)
Credit spread risk	1,430	1,640	3,796	526
Total	**2,165**	**2,227**	**3,879**	**643**

	USD'000			
2019	**At 31 Dec**	**Average**	**Maximum**	**Minimum**
Interest rate risk	17	59	216	(134)
Foreign currency risk	8	-	19	(66)
Credit spread risk	714	712	1,111	397
Total	**739**	**771**	**1,047**	**492**

- Guideline limits are designed to facilitate and guide the trading management of WFSIL and its business units at position or asset type levels in accordance with the aggregated limits at the portfolio level. Exposures and limit utilisations are reported daily and 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 the trading businesses and limits are set based on liquidity, depth of market and the strategy of the desk to identify possible liquidity impairments or unapproved trading activity.

b) Counterparty credit risk

Counterparty credit risk ("CCR") is defined as the risk that the counterparty to a transaction could default or deteriorate in creditworthiness before the final settlement of a transaction's cash flows. Counterparty credit risk at the Company arises from client facilitation activity such as repurchase and reverse repurchase agreements, over-the-counter ("OTC") derivative exposures and futures clearing.

Management of counterparty credit risk

WFSIL employs the following measures to mitigate and manage CCR:

- Strong credit underwriting - counterparty credit risk exposures are approved in line with the Wells Fargo policies by designated credit officers 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 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.

At the reporting date the Company reported the following amounts relating to credit risk:

	Gross credit risk exposure		Estimated fair value of collateral held & other credit risk mitigants	
	2020	2019	2020	2019
Assets	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Cash at bank and in hand	310,138	335,295	-	-
Trading assets	2,190,596	2,343,487	799	348
Securities borrowing and reverse repurchase agreements	1,048,443	1,615,290	972,326	1,540,399
Debtors	183,066	334,455	-	-
Total assets	3,732,243	4,628,527	973,125	1,540,747

Securities financing trades reported under securities borrowing and reverse repurchase agreements involve the receipt of both debt and equity securities as collateral. These securities are not reported on the balance sheet.

Cash collateral is pledged or received against the value of derivative transactions between the Company and Wells Fargo Bank N.A and is recorded in amounts owed by or to group undertakings. As at 31 December 2020 the Company pledged cash collateral of USD 114.8m from Wells Fargo Bank N.A (2019: USD 236.4m). In certain instances cash collateral can also be received from external clients and is recorded in other creditors.

As at 31 December 2020 there were no impairments recognised in the profit and loss account (2019: Nil).

There were no other assets whose terms have been renegotiated that would otherwise be past due or impaired at the reporting date (2019: USD nil).

Credit quality

The table below sets out the credit quality of the financial instruments held on the Balance Sheet at 31 December 2020.

The analysis has been based on the Credit Quality Step Method. This method is a standardised credit quality assessment scale, which maps the External Credit Assessment Institution credit assessments to credit quality steps ("CQS"). Each rated exposure is assigned to one of six CQS. The CQS map to the rating of the three major rating agencies.

Credit Quality Step	Standard & Poor's	Moody's	Fitch
Step 1	AAA to AA-	Aaa to Aa3	AAA to AA-
Step 2	A+ to A-	A1 to A3	A+ to A-
Step 3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
Step 4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
Step 5	B+ to B-	B1 to B3	B+ to B-
Step 6	CCC+ and below	Caa1 and below	CCC+ and below

As at 31 December 2020	**CREDIT QUALITY STEP**							
USD'000	**1**	**2**	**3**	**4**	**5**	**6**	**No Rating**	**Total**
Cash at bank and in hand	308,963	1,175	-	-	-	-	-	310,138
Debt securities	146,123	91,644	217,258	132,512	7,601	1,172	8,766	605,076
Derivative assets	201,460	26,899	46,050	59,191	-	-	175,715	509,315
Securities awaiting settlement	2,713	535,680	1,617	481	1	-	535,713	1,076,205
Securities placed with other group companies	350,002	-	-	-	-	-	-	350,002
Securities placed with third parties	103,455	423,388	101,847	-	-	-	69,751	698,441
Total	**1,112,716**	**1,078,786**	**366,772**	**192,184**	**7,602**	**1,172**	**789,945**	**3,549,177**
Derivative liabilities	334,644	86,492	30,537	6,281	-	-	71,587	529,541
Securities awaiting settlement	5,743	590,055	-	244	-	-	472,829	1,068,871
Securities lending and repurchase agreements	-	327,026	-	-	-	-	-	327,026
Securities sold short	55,786	206	3,990	-	82	-	-	60,064
Total	**396,173**	**1,003,779**	**34,527**	**6,525**	**82**	-	**544,416**	**1,985,502**

As at 31 December 2019	**CREDIT QUALITY STEP**							
USD'000	**1**	**2**	**3**	**4**	**5**	**6**	**No Rating**	**Total**
Cash at bank and in hand	25,742	309,553	-	-	-	-	-	335,295
Debt securities	533,177	252,289	216,730	50,053	6,273	13,324	1,597	1,073,443
Derivative assets	52,397	187,648	72,390	-	-	-	220,068	532,503
Securities awaiting settlement	1,093	171,181	107	-	-	-	565,160	737,541
Securities placed with other group companies	674,610	1,008	-	-	-	-	-	675,618
Securities placed with third parties	177,149	671,525	58,292	-	-	-	32,706	939,672
Total	**1,464,168**	**1,593,204**	**347,519**	**50,053**	**6,273**	**13,324**	**819,531**	**4,294,072**
Derivative liabilities	241,208	235,350	17,415	-	-	-	89,870	583,843
Securities awaiting settlement	496	575,971	-	-	-	-	133,508	709,975
Securities lending and repurchase agreements	-	611,885	-	-	-	-	-	611,885
Securities sold short	71,113	885	18,156	11,822	5,197	-	-	107,173
Total	**312,817**	**1,424,091**	**35,571**	**11,822**	**5,197**	-	**223,378**	**2,012,876**

c) 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 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.

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.

d) Liquidity risk and interest rate risk

Liquidity risk is the risk arising from the inability of the Company to meet its obligations when they come due, or rollover funds at a reasonable cost

Interest rate sensitivity risk is the risk arising from movements in interest rates impacting banking book positions. In WFSIL, the banking book positions are used to fund the trading book positions of the business units and are considered to be a small part of the Company's total exposure.

These exposures include reverse repurchase transactions and intercompany borrowing from Wells Fargo Bank N.A. Trading desks perform the active management of interest rate risk related to their trading positions.

Management of liquidity risk and interest rate risk

Both of these risks arise 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.

The Company is funded by equity with additional funding provided by Group companies. Prior to October 2020 the additional funding was provided by Wells Fargo Bank N.A and afterwards by WFC Holdings LLC. 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 the Company's liquidity position. Stress tests are carried out for the Company on a daily basis and liquidity reporting is presented at the monthly ALCO meetings.

Residual contractual maturities of financial liabilities

31 December 2020	Due within 3 months/ Trading book USD'000	Due between 3 -12 months USD'000	Due between 1 - 5 years USD'000	Due over 5 years USD'000	Total USD'000
Trading liabilities	1,658,476	-	-	-	1,658,476
Securities lending and repurchase agreements	327,026	-	-	-	327,026
Creditors	58,340	980,220	2,193	-	1,040,753
Total	**2,043,842**	**980,220**	**2,193**	**-**	**3,026,255**
31 December 2019					
Trading liabilities	1,400,991	-	-	-	1,400,991
Securities lending and repurchase agreements	611,885	-	-	-	611,885
Creditors	93,428	1,726,769	13,267	-	1,833,464
Total	**2,106,304**	**1,726,769**	**13,267**	**-**	**3,846,340**

e) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed controls, internal processes, people, and systems, or from external events. Operational risk is inherent in all of the Company's activities.

Management of operational risks

Wells Fargo has established a comprehensive, enterprise-wide Operational Risk Management program, 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.

f) Capital management

As an FCA authorised and regulated investment firm WFSIL is subject to the requirements of UK legislation and the FCA Handbook.

WFSIL measures the strength of its capital position not only by the level of capitalisation but also by the quality of the firm's capital. To ensure WFSIL maintains capital strength, the following guiding principles for capital management have been established:

- Maintain a rigorous and comprehensive process for assessing WFSIL's overall capital adequacy in relation to its risk profile and its risk appetite under a wide range of market and macroeconomic conditions
- Meet both capital level requirements and capital management expectations established by regulatory agencies and WFSIL
- Express capital planning strategies and capital adequacy processes in a comprehensive ICAAP that is prepared as frequently as necessary, but no less than annually
- Perform regular monitoring and reporting of the firm's current capital position and capital structure.
- Operate with specific triggers that require consideration of capital conservation activities in the event of significant negative variances.

WFSIL monitors its capital adequacy daily and complied with its external capital requirements throughout 2020.

Capital resources

The Company has reported the following components of capital resources:

	2020 USD'000	2019 USD'000
Permanent share capital	539,998	539,998
Reserves	175,695	242,346
Total capital resources	**715,693**	**782,344**

Reserves include losses after tax of USD 66.7m (2019: profit after tax USD 41.1m).