

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

**(Mark One)**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2020**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

Commission file number 001-2979

**WELLS FARGO & COMPANY**

(Exact name of registrant as specified in its charter)

**Delaware**

(State of incorporation)

**No. 41-0449260**

(I.R.S. Employer Identification No.)

**420 Montgomery Street, San Francisco, California 94104**

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **1-866-249-3302**

**Securities registered pursuant to Section 12(b) of the Act:**

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, par value \$1-2/3	WFC	NYSE
7.5% Non-Cumulative Perpetual Convertible Class A Preferred Stock, Series L	WFC.PRL	NYSE
Depository Shares, each representing a 1/1000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series N	WFC.PRN	NYSE
Depository Shares, each representing a 1/1000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series O	WFC.PRO	NYSE
Depository Shares, each representing a 1/1000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series P	WFC.PRP	NYSE
Depository Shares, each representing a 1/1000th interest in a share of 5.85% Fixed-to-Floating Rate Non-Cumulative Perpetual Class A Preferred Stock, Series Q	WFC.PRQ	NYSE
Depository Shares, each representing a 1/1000th interest in a share of 6.625% Fixed-to-Floating Rate Non-Cumulative Perpetual Class A Preferred Stock, Series R	WFC.PRR	NYSE
Depository Shares, each representing a 1/1000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series T	WFC.PRT	NYSE
Depository Shares, each representing a 1/1000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series V	WFC.PRV	NYSE
Depository Shares, each representing a 1/1000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series W	WFC.PRW	NYSE
Depository Shares, each representing a 1/1000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series X	WFC.PRX	NYSE
Depository Shares, each representing a 1/1000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series Y	WFC.PRY	NYSE
Depository Shares, each representing a 1/1000th interest in a share of Non-Cumulative Perpetual Class A Preferred Stock, Series Z	WFC.PRZ	NYSE
Guarantee of 5.80% Fixed-to-Floating Rate Normal Wachovia Income Trust Securities of Wachovia Capital Trust III	WFC/TP	NYSE
Guarantee of Medium-Term Notes, Series A, due October 30, 2028 of Wells Fargo Finance LLC	WFC/28A	NYSE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Shares Outstanding

July 24, 2020

Common stock, \$1-2/3 par value

4,120,047,105

**FORM 10-Q**  
**CROSS-REFERENCE INDEX**

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# PART I - FINANCIAL INFORMATION

## FINANCIAL REVIEW

### Summary Financial Data

(\$ in millions, except per share amounts)	Quarter ended			% Change		Six months ended		% Change
	Jun 30, 2020	Mar 31, 2020	Jun 30, 2019	Jun 30, 2020	Jun 30, 2019	Jun 30, 2020	Jun 30, 2019	
<b>For the Period</b>								
Wells Fargo net income (loss)	\$ (2,379)	653	6,206	NM	NM	\$ (1,726)	12,066	NM
Wells Fargo net income (loss) applicable to common stock	(2,694)	42	5,848	NM	NM	(2,652)	11,355	NM
Diluted earnings (loss) per common share	(0.66)	0.01	1.30	NM	NM	(0.65)	2.50	NM
Profitability ratios (annualized):								
Wells Fargo net income (loss) to average assets (ROA)	(0.49)%	0.13	1.31	NM	NM	(0.18)%	1.29	NM
Wells Fargo net income (loss) applicable to common stock to average Wells Fargo common stockholders' equity (ROE)	(6.63)	0.10	13.26	NM	NM	(3.23)	12.99	NM
Return on average tangible common equity (ROTCE) (1)	(8.00)	0.12	15.78	NM	NM	(3.89)	15.47	NM
Efficiency ratio (2)	81.6	73.6	62.3	11	31	77.6	63.4	22
Total revenue	\$ 17,836	17,717	21,584	1	(17)	\$ 35,553	43,193	(18)
Pre-tax pre-provision profit (PTPP) (3)	3,285	4,669	8,135	(30)	(60)	7,954	15,828	(50)
Dividends declared per common share	0.51	0.51	0.45	—	13	1.02	0.90	13
Average common shares outstanding	4,105.5	4,104.8	4,469.4	—	(8)	4,105.2	4,510.2	(9)
Diluted average common shares outstanding (4)	4,105.5	4,135.3	4,495.0	(1)	(9)	4,105.2	4,540.1	(10)
Average loans	\$ 971,266	965,046	947,460	1	3	\$ 968,156	948,728	2
Average assets	1,948,939	1,950,659	1,900,627	—	3	1,949,799	1,891,907	3
Average total deposits	1,386,656	1,337,963	1,268,979	4	9	1,362,309	1,265,539	8
Average consumer and small business banking deposits (5)	857,943	779,521	742,671	10	16	819,791	741,171	11
Net interest margin	2.25 %	2.58	2.82	(13)	(20)	2.42 %	2.86	(15)
<b>At Period End</b>								
Debt securities	\$ 472,580	501,563	482,067	(6)	(2)	\$ 472,580	482,067	(2)
Loans	935,155	1,009,843	949,878	(7)	(2)	935,155	949,878	(2)
Allowance for loan losses	18,926	11,263	9,692	68	95	18,926	9,692	95
Goodwill	26,385	26,381	26,415	—	—	26,385	26,415	—
Equity securities	52,494	54,047	61,537	(3)	(15)	52,494	61,537	(15)
Assets	1,968,766	1,981,349	1,923,388	(1)	2	1,968,766	1,923,388	2
Deposits	1,410,711	1,376,532	1,288,426	2	9	1,410,711	1,288,426	9
Common stockholders' equity	159,322	162,654	177,235	(2)	(10)	159,322	177,235	(10)
Wells Fargo stockholders' equity	179,386	182,718	199,042	(2)	(10)	179,386	199,042	(10)
Total equity	180,122	183,330	200,037	(2)	(10)	180,122	200,037	(10)
Tangible common equity (1)	131,329	134,787	148,864	(3)	(12)	131,329	148,864	(12)
Capital ratios (6):								
Total equity to assets	9.15 %	9.25	10.40	(1)	(12)	9.15 %	10.40	(12)
Risk-based capital:								
Common Equity Tier 1	10.97	10.67	11.97	3	(8)	10.97	11.97	(8)
Tier 1 capital	12.60	12.22	13.69	3	(8)	12.60	13.69	(8)
Total capital	15.29	15.21	16.75	1	(9)	15.29	16.75	(9)
Tier 1 leverage	7.95	8.03	9.12	(1)	(13)	7.95	9.12	(13)
Common shares outstanding	4,119.6	4,096.4	4,419.6	1	(7)	4,119.6	4,419.6	(7)
Book value per common share (7)	\$ 38.67	39.71	40.10	(3)	(4)	\$ 38.67	40.10	(4)
Tangible book value per common share (1)(7)	31.88	32.90	33.68	(3)	(5)	31.88	33.68	(5)
Team members (active, full-time equivalent)	266,300	262,800	262,800	1	1	266,300	262,800	1

- (1) Tangible common equity is a non-GAAP financial measure and represents total equity less preferred equity, noncontrolling interests, goodwill, certain identifiable intangible assets (other than mortgage servicing rights) and goodwill and other intangibles on nonmarketable equity securities, net of applicable deferred taxes. The methodology of determining tangible common equity may differ among companies. Management believes that return on average tangible common equity and tangible book value per common share, which utilize tangible common equity, are useful financial measures because they enable investors and others to assess the Company's use of equity. For additional information, including a corresponding reconciliation to generally accepted accounting principles (GAAP) financial measures, see the "Capital Management – Tangible Common Equity" section in this Report.
- (2) The efficiency ratio is noninterest expense divided by total revenue (net interest income and noninterest income).
- (3) Pre-tax pre-provision profit (PTPP) is total revenue less noninterest expense. Management believes that PTPP is a useful financial measure because it enables investors and others to assess the Company's ability to generate capital to cover credit losses through a credit cycle.
- (4) In second quarter 2020, diluted average common shares outstanding equaled average common shares outstanding because our securities convertible into common shares had an anti-dilutive effect.
- (5) Consumer and small business banking deposits are total deposits excluding mortgage escrow and wholesale deposits.
- (6) The risk-based capital ratios were calculated under the lower of the Standardized or Advanced Approach determined pursuant to Basel III. Beginning January 1, 2018, the requirements for calculating common equity tier 1 and tier 1 capital, along with risk-weighted assets, became fully phased-in. Accordingly, the information presented reflects fully phased-in common equity tier 1 capital, tier 1 capital and risk-weighted assets, but reflects total capital still in accordance with Transition Requirements. See the "Capital Management" section and Note 23 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report for additional information.
- (7) Book value per common share is common stockholders' equity divided by common shares outstanding. Tangible book value per common share is tangible common equity divided by common shares outstanding.

*This Quarterly Report, including the Financial Review and the Financial Statements and related Notes, contains forward-looking statements, which may include forecasts of our financial results and condition, expectations for our operations and business, and our assumptions for those forecasts and expectations. Do not unduly rely on forward-looking statements. Actual results may differ materially from our forward-looking statements due to several factors. Factors that could cause our actual results to differ materially from our forward-looking statements are described in this Report, including in the “Forward-Looking Statements” section, and in the “Risk Factors” and “Regulation and Supervision” sections of our Annual Report on Form 10-K for the year ended December 31, 2019 (2019 Form 10-K).*

*When we refer to “Wells Fargo,” “the Company,” “we,” “our,” or “us” in this Report, we mean Wells Fargo & Company and Subsidiaries (consolidated). When we refer to the “Parent,” we mean Wells Fargo & Company. See the Glossary of Acronyms for definitions of terms used throughout this Report.*

## Financial Review

### Overview

Wells Fargo & Company is a diversified, community-based financial services company with \$1.97 trillion in assets. Founded in 1852 and headquartered in San Francisco, we provide banking, investment and mortgage products and services, as well as consumer and commercial finance, through 7,300 locations, more than 13,000 ATMs, digital (online, mobile and social), and contact centers (phone, email and correspondence), and we have offices in 31 countries and territories to support customers who conduct business in the global economy. With approximately 266,000 active, full-time equivalent team members, we serve one in three households in the United States and ranked No. 30 on *Fortune’s* 2020 rankings of America’s largest corporations. We ranked fourth in both assets and in the market value of our common stock among all U.S. banks at June 30, 2020.

Wells Fargo’s top priority remains meeting its regulatory requirements to build the right foundation for all that lies ahead. To do that, the Company is committing the resources necessary to ensure that we operate with the strongest business practices and controls, maintain the highest level of integrity, and have an appropriate culture in place.

In response to the COVID-19 pandemic, we have been working diligently to protect employee safety while continuing to carry out Wells Fargo’s role as a provider of critical and essential services to the public. We have taken comprehensive steps to help customers, employees and communities.

For our customers, we have suspended residential property foreclosure activities, offered fee waivers, and provided payment deferrals, among other actions. We have also rapidly expanded digital access and deployed new tools, including changes to our ATMs and mobile technology for the convenience of our customers.

For our employees, we have enabled approximately 200,000 to work remotely. For jobs that cannot be done from home, we have taken significant actions to help ensure employee safety, including adopting social distancing measures, requiring employees to wear facial coverings, and implementing an enhanced cleaning program.

To support our communities, we are directing \$175 million in charitable donations from the Wells Fargo Foundation to help address food, shelter, small business and housing stability, as well as providing help to public health organizations fighting to contain the spread of COVID-19. We have also committed to donating the gross processing fees received from the Paycheck Protection Program to help small businesses impacted by the COVID-19 pandemic and will work with nonprofit organizations to provide capital, technical support, and long-term resiliency programs to small businesses with an emphasis on serving minority-owned businesses.

We have strong levels of capital and liquidity, and we remain focused on delivering for our customers and communities to get through these unprecedented times.

### Federal Reserve Board Consent Order Regarding Governance Oversight and Compliance and Operational Risk Management

On February 2, 2018, the Company entered into a consent order with the Board of Governors of the Federal Reserve System (FRB). As required by the consent order, the Company’s Board of Directors (Board) submitted to the FRB a plan to further enhance the Board’s governance and oversight of the Company, and the Company submitted to the FRB a plan to further improve the Company’s compliance and operational risk management program. The Company continues to engage with the FRB as the Company works to address the consent order provisions. The consent order also requires the Company, following the FRB’s acceptance and approval of the plans and the Company’s adoption and implementation of the plans, to complete an initial third-party review of the enhancements and improvements provided for in the plans. Until this third-party review is complete and the plans are approved and implemented to the satisfaction of the FRB, the Company’s total consolidated assets as defined under the consent order will be limited to the level as of December 31, 2017. Compliance with this asset cap is measured on a two-quarter daily average basis to allow for management of temporary fluctuations. Due to the COVID-19 pandemic, on April 8, 2020, the FRB amended the consent order to allow the Company to exclude from the asset cap any on-balance sheet exposure resulting from loans made by the Company in connection with the Small Business Administration’s Paycheck Protection Program and the FRB’s Main Street Lending Program. As required under the amendment to the consent order, certain fees and other economic benefits received by the Company from loans made in connection with these programs shall be transferred to the U.S. Treasury or to non-profit organizations approved by the FRB that support small businesses. After removal of the asset cap, a second third-party review must also be conducted to assess the efficacy and sustainability of the enhancements and improvements.

### Consent Orders with the Consumer Financial Protection Bureau and Office of the Comptroller of the Currency Regarding Compliance Risk Management Program, Automobile Collateral Protection Insurance Policies, and Mortgage Interest Rate Lock Extensions

On April 20, 2018, the Company entered into consent orders with the Consumer Financial Protection Bureau (CFPB) and the Office

## Overview (continued)

of the Comptroller of the Currency (OCC) to pay an aggregate of \$1 billion in civil money penalties to resolve matters regarding the Company's compliance risk management program and past practices involving certain automobile collateral protection insurance (CPI) policies and certain mortgage interest rate lock extensions. As required by the consent orders, the Company submitted to the CFPB and OCC an enterprise-wide compliance risk management plan and a plan to enhance the Company's internal audit program with respect to federal consumer financial law and the terms of the consent orders. In addition, as required by the consent orders, the Company submitted for non-objection plans to remediate customers affected by the automobile collateral protection insurance and mortgage interest rate lock matters, as well as a plan for the management of remediation activities conducted by the Company.

### Retail Sales Practices Matters

In September 2016, we announced settlements with the CFPB, the OCC, and the Office of the Los Angeles City Attorney, and entered into related consent orders with the CFPB and the OCC, in connection with allegations that some of our retail customers received products and services they did not request. As a result, it remains a top priority to rebuild trust through a comprehensive action plan that includes making things right for our customers, team members, and other stakeholders, and building a better Company for the future. Our priority of rebuilding trust has included numerous actions focused on identifying potential financial harm to customers resulting from these matters and providing remediation.

For additional information regarding retail sales practices matters, including related legal matters, see the "Risk Factors" section in our 2019 Form 10-K and Note 14 (Legal Actions) to Financial Statements in this Report.

### Other Customer Remediation Activities

Our priority of rebuilding trust has also included an effort to identify other areas or instances where customers may have experienced financial harm, provide remediation as appropriate, and implement additional operational and control procedures. We are working with our regulatory agencies in this effort. We have previously disclosed key areas of focus as part of our rebuilding trust efforts and are in the process of providing remediation for those matters. We have accrued for the reasonably estimable remediation costs related to our rebuilding trust efforts, which amounts may change based on additional facts and information, as well as ongoing reviews and communications with our regulators.

As our ongoing reviews continue, it is possible that in the future we may identify additional items or areas of potential concern. To the extent issues are identified, we will continue to assess any customer harm and provide remediation as appropriate. For more information, including related legal and regulatory risk, see the "Risk Factors" section in our 2019 Form 10-K and Note 14 (Legal Actions) to Financial Statements in this Report.

### Financial Performance

Wells Fargo had a net loss of \$2.4 billion in second quarter 2020 with diluted loss per common share of \$0.66, compared with net income of \$6.2 billion and diluted income per common share (EPS) of \$1.30 a year ago. Financial performance items for second quarter 2020 compared with the same period a year ago included:

- revenue of \$17.8 billion, down \$3.7 billion, with net interest income of \$9.9 billion, down \$2.2 billion, or 18%, and noninterest income of \$8.0 billion, down \$1.5 billion, or 16%;

- a net interest margin of 2.25%, down 57 basis points;
- provision for credit losses of \$9.5 billion, up \$9.0 billion;
- noninterest expense of \$14.6 billion, up \$1.1 billion, or 8%;
- an efficiency ratio of 81.6%, compared with 62.3%;
- average loans of \$971.3 billion, up \$23.8 billion;
- average deposits of \$1.39 trillion, up \$117.7 billion;
- net loan charge-off rate of 0.46% (annualized) of average loans, compared with 0.28% (annualized);
- nonaccrual loans of \$7.6 billion, up \$1.7 billion, or 28%; and
- return on assets (ROA) of (0.49)% and return on equity (ROE) of (6.63)%, down from 1.31% and 13.26%, respectively.

### Balance Sheet and Liquidity

Our balance sheet remained strong during second quarter 2020 with solid levels of liquidity and capital. Our total assets were \$1.97 trillion at June 30, 2020. Cash and other short-term investments increased \$98.4 billion from December 31, 2019, reflecting an increase in cash balances, partially offset by lower federal funds sold and securities purchased under resale agreements. Debt securities decreased \$24.5 billion from December 31, 2019, predominantly due to a decrease in available-for-sale debt securities, partially offset by an increase in held-to-maturity debt securities. Loans decreased \$27.1 billion from December 31, 2019, due to paydowns in real estate 1-4 family mortgage loans, credit card loans, and commercial and industrial loans, as well as the designation in second quarter 2020 of real estate 1-4 family mortgage loans as mortgage loans held for sale (MLHFS). The decrease in loans was partially offset by an increase in commercial real estate loans driven by new originations and draws on construction loans.

Average deposits in second quarter 2020 were \$1.39 trillion, up \$117.7 billion from second quarter 2019, on growth across the deposit gathering businesses reflecting customers' preferences for liquidity due to the COVID-19 pandemic.

### Credit Quality

Credit quality declined due to the economic impact that the COVID-19 pandemic had on our customer base.

Net loan charge-offs were \$1.1 billion, or 0.46% (annualized) of average loans, in second quarter 2020, compared with \$653 million a year ago (0.28%) (annualized). Our commercial portfolio net loan charge-offs were \$602 million, or 44 basis points (annualized) of average commercial loans, in second quarter 2020, compared with net loan charge-offs of \$165 million, or 13 basis points (annualized), a year ago, predominantly driven by increased losses in our commercial and industrial and commercial real estate loan portfolios. The increased losses in our commercial and industrial portfolio were primarily related to higher net loan charge-offs in our oil and gas portfolio. Our consumer portfolio net loan charge-offs were \$511 million, or 48 basis points (annualized) of average consumer loans, in second quarter 2020, compared with net loan charge-offs of \$488 million, or 45 basis points (annualized), a year ago, predominantly driven by increased losses in our residential real estate and automobile loan portfolios, partially offset by lower losses in our credit card and other revolving credit and installment loan portfolios.

The allowance for credit losses (ACL) for loans of \$20.4 billion at June 30, 2020, increased \$9.8 billion, compared with a year ago, and increased \$10.0 billion from December 31, 2019. We had a \$11.4 billion increase in the allowance for credit losses for loans in the first half of 2020, partially offset by a \$1.3 billion decrease as a result of our adoption on January 1, 2020, of Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326): *Measurement of Credit Losses on Financial*

*Instruments* (CECL). The allowance coverage for total loans was 2.19% at June 30, 2020, compared with 1.12% a year ago and 1.09% at December 31, 2019. The allowance covered 4.6 times annualized net loan charge-offs in second quarter 2020, compared with 4.0 times in second quarter 2019. Our provision for credit losses for loans was \$9.6 billion in second quarter 2020, up from \$503 million a year ago. The increase in the allowance for credit losses for loans and the provision for credit losses reflected current and forecasted economic conditions due to the COVID-19 pandemic.

Nonperforming assets (NPAs) at June 30, 2020, of \$7.8 billion, increased \$1.4 billion, or 22%, from March 31, 2020, and \$2.2 billion, or 38%, from December 31, 2019, and represented 0.83% of total loans at June 30, 2020. Nonaccrual loans increased \$1.4 billion from March 31, 2020, due to increases in commercial loans driven by the oil and gas portfolio and increases in real estate mortgage loans, as the economic impact of the COVID-19 pandemic continued to impact our customer base. Foreclosed assets decreased \$57 million from March 31, 2020. For information on how we are assisting our customers in response to the COVID-19 pandemic, see the “Risk Management – Credit Risk Management” section in this Report.

## **Capital**

We maintained a solid capital position in the first half of 2020, with total equity of \$180.1 billion at June 30, 2020, compared with \$188.0 billion at December 31, 2019. We reduced our common shares outstanding by 14.9 million shares from December 31, 2019, through share repurchases, partially offset by issuances and conversions of preferred shares. On March 15, 2020, we, along with the other members of the Financial Services Forum (which consists of the eight largest and most diversified financial institutions headquartered in the U.S.), decided to temporarily suspend share repurchases for the remainder of the first quarter and for second quarter 2020. On June 25, 2020, the FRB announced that it was prohibiting large bank holding companies (BHCs) subject to the FRB’s capital plan rule, including Wells Fargo, from making any capital distribution (excluding any capital distribution arising from the issuance of a capital instrument eligible for inclusion in the numerator of a regulatory capital ratio), unless otherwise approved by the FRB. Through the end of third quarter 2020, the FRB authorized certain limited exceptions to this prohibition, which are described in the “Capital Management – Capital Planning and Stress Testing” section in this Report.

In first quarter 2020, we issued \$2.0 billion of Non-Cumulative Perpetual Class A Preferred Stock, Series Z. Additionally, we redeemed the remaining \$1.8 billion of our Fixed-to-Floating Rate Non-Cumulative Perpetual Class A Preferred Stock, Series K. We also redeemed \$669 million of our Non-Cumulative Perpetual Class A Preferred Stock, Series T.

On July 28, 2020, the Company reduced its third quarter 2020 common stock dividend to \$0.10 per share.

We believe an important measure of our capital strength is the Common Equity Tier 1 (CET1) ratio, which was 10.97% at June 30, 2020, down from 11.14% at December 31, 2019, but still above our internal target of 10% and the regulatory minimum of 9%. As of June 30, 2020, our eligible external total loss absorbing capacity (TLAC) as a percentage of total risk-weighted assets was 25.33%, compared with the required minimum of 22.0%. Likewise, our other regulatory capital ratios remained strong. See the “Capital Management” section in this Report for more information regarding our capital, including the calculation of our regulatory capital amounts.

## Earnings Performance

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Wells Fargo net loss for second quarter 2020 was \$2.4 billion (\$0.66 diluted loss per common share), compared with net income of \$6.2 billion (\$1.30 diluted income per common share) in the same period a year ago. Net income decreased to a net loss in second quarter 2020, compared with the same period a year ago, due to a \$2.2 billion decrease in net interest income, a \$9.0 billion increase in our provision for credit losses, a \$1.5 billion decrease in noninterest income, and a \$1.1 billion increase in noninterest expense, partially offset by a \$5.2 billion decrease in income tax expense. Net loss for the first half of 2020 was \$1.7 billion, compared with net income of \$12.1 billion in the same period a year ago. Net income decreased to a net loss in the first half of 2020, compared with the same period a year ago, due to a \$3.2 billion decrease in net interest income, a \$12.2 billion increase in our provision for credit losses, a \$4.4 billion decrease in noninterest income, and a \$234 million increase in noninterest expense, partially offset by a \$5.9 billion decrease in income tax expense.

Revenue, the sum of net interest income and noninterest income, was \$17.8 billion in second quarter 2020, compared with \$21.6 billion in the same period a year ago. Revenue for the first half of 2020 was \$35.6 billion, compared with \$43.2 billion in the same period a year ago. Net interest income represented 55% of revenue in second quarter 2020, compared with 56% in the same period a year ago, and 60% of revenue in the first half of 2020, compared with 57% in the same period a year ago. Noninterest income represented 45% of revenue in second quarter 2020, compared with 44% in the same period a year ago, and 40% of revenue in the first half of 2020, compared with 43% in the same period a year ago.

## Net Interest Income

Net interest income is the interest earned on debt securities, loans (including yield-related loan fees) and other interest-earning assets minus the interest paid on deposits, short-term borrowings and long-term debt. The net interest margin is the average yield on earning assets minus the average interest rate paid for deposits and our other sources of funding. Net interest income and the net interest margin are presented on a taxable-equivalent basis in Table 1 to consistently reflect income from taxable and tax-exempt loans and debt and equity securities based on a 21% federal statutory tax rate for the periods ending June 30, 2020 and 2019.

Net interest income and the net interest margin in any one period can be significantly affected by a variety of factors including the mix of earning assets in our portfolio, the overall size of our earning assets portfolio, and the cost of funding those assets. In addition, variable sources of interest income, such as loan fees, periodic dividends, and collection of interest on nonaccrual loans, can fluctuate from period to period.

Net interest income on a taxable-equivalent basis was \$10.0 billion and \$21.5 billion in the second quarter and first half of 2020, respectively, compared with \$12.3 billion and \$24.7 billion for the same periods a year ago. Net interest margin on a taxable-equivalent basis was 2.25% and 2.42% in the second quarter and first half of 2020, respectively, compared with 2.82% and 2.86% for the same periods a year ago. The decrease in net interest income and net interest margin in the second quarter and first half of 2020, compared with the same periods a year ago, was driven by unfavorable impacts of repricing due to lower market rates and changes in mix of earning assets and funding sources, including sales of high yielding Pick-a-Pay loans in 2019.

Average earning assets increased \$40.0 billion in second quarter 2020, compared with the same period a year ago. The change was driven by increases in:

- average interest-earning deposits with banks of \$35.3 billion;
- average loans of \$23.8 billion;
- average mortgage loans held for sale of \$7.5 billion; and
- other earning assets of \$3.0 billion;

partially offset by decreases in:

- average federal funds sold and securities purchased under resale agreements of \$21.7 billion; and
- average equity securities of \$7.8 billion.

Average earning assets increased \$44.9 billion in the first half of 2020, compared with the same period a year ago. The change was driven by increases in:

- average loans of \$19.4 billion;
- average interest-earning deposits with banks of \$12.0 billion;
- average mortgage loans held for sale of \$7.0 billion;
- average debt securities of \$4.2 billion;
- other earning assets of \$3.0 billion; and
- average federal funds sold and securities purchased under resale agreements of \$1.1 billion;

partially offset by decreases in:

- average equity securities of \$1.7 billion.

Deposits are an important low-cost source of funding and affect both net interest income and the net interest margin. Deposits include noninterest-bearing deposits, interest-bearing checking, market rate and other savings, savings certificates, other time deposits, and deposits in non-U.S. offices. Average deposits were \$1.39 trillion and \$1.36 trillion in the second quarter and first half of 2020, respectively, compared with \$1.27 trillion for both the second quarter and first half of 2019, and represented 143% of average loans in second quarter 2020 and 141% in the first half of 2020, compared with 134% in second quarter 2019 and 133% in the first half of 2019. Average deposits were 78% and 76% of average earning assets in the second quarter and first half of 2020, compared with 73% in both periods a year ago. The average deposit cost for second quarter 2020 was 17 basis points, down 53 basis points from a year ago, reflecting the lower interest rate environment.



# Earnings Performance (continued)

**Table 1: Average Balances, Yields and Rates Paid (Taxable-Equivalent Basis) (1)**

(in millions)	2020			Quarter ended June 30, 2019		
	Average balance	Yields/rates	Interest income/expense	Average balance	Yields/rates	Interest income/expense
<b>Earning assets</b>						
Interest-earning deposits with banks	\$ 176,327	0.12%	\$ 51	141,045	2.33%	\$ 819
Federal funds sold and securities purchased under resale agreements	76,384	0.01	2	98,130	2.44	598
Debt securities (2):						
Trading debt securities	96,049	2.76	663	86,514	3.45	746
Available-for-sale debt securities:						
Securities of U.S. Treasury and federal agencies	9,452	0.83	19	15,402	2.21	85
Securities of U.S. states and political subdivisions	35,728	2.98	267	45,769	4.02	460
Mortgage-backed securities:						
Federal agencies	143,600	2.33	837	149,761	2.99	1,120
Residential and commercial	4,433	2.27	25	5,562	4.02	56
Total mortgage-backed securities	148,033	2.33	862	155,323	3.03	1,176
Other debt securities	39,231	2.75	268	45,063	4.40	494
Total available-for-sale debt securities	232,444	2.44	1,416	261,557	3.39	2,215
Held-to-maturity debt securities:						
Securities of U.S. Treasury and federal agencies	48,574	2.14	258	44,762	2.19	244
Securities of U.S. states and political subdivisions	14,168	3.81	135	6,958	4.06	71
Federal agency and other mortgage-backed securities	104,047	2.21	575	95,506	2.64	632
Other debt securities	15	2.58	—	58	3.86	—
Total held-to-maturity debt securities	166,804	2.33	968	147,284	2.57	947
Total debt securities	495,297	2.46	3,047	495,355	3.16	3,908
Mortgage loans held for sale (3)	25,960	3.55	230	18,464	4.22	195
Loans held for sale (3)	1,650	1.87	7	1,642	4.80	20
Loans:						
Commercial loans:						
Commercial and industrial – U.S.	310,104	2.58	1,990	285,084	4.47	3,176
Commercial and industrial – Non-U.S.	72,241	2.48	445	62,905	3.90	611
Real estate mortgage	123,525	3.03	930	121,869	4.58	1,390
Real estate construction	21,361	3.37	179	21,568	5.36	288
Lease financing	18,087	4.34	196	19,133	4.71	226
Total commercial loans	545,318	2.76	3,740	510,559	4.47	5,691
Consumer loans:						
Real estate 1-4 family first mortgage	280,878	3.44	2,414	286,169	3.88	2,776
Real estate 1-4 family junior lien mortgage	27,700	4.24	292	32,609	5.75	468
Credit card	36,539	10.78	979	38,154	12.65	1,204
Automobile	48,441	4.99	601	45,179	5.23	589
Other revolving credit and installment	32,390	5.45	440	34,790	7.12	617
Total consumer loans	425,948	4.45	4,726	436,901	5.18	5,654
Total loans (3)	971,266	3.50	8,466	947,460	4.80	11,345
Equity securities	27,417	1.70	117	35,215	2.70	237
Other	7,715	(0.02)	—	4,693	1.76	20
Total earning assets	\$ 1,782,016	2.68%	\$ 11,920	1,742,004	3.94%	\$ 17,142
<b>Funding sources</b>						
Deposits:						
Interest-bearing checking	\$ 53,592	0.07%	\$ 9	57,549	1.46%	\$ 210
Market rate and other savings	799,949	0.16	311	690,677	0.59	1,009
Savings certificates	27,051	1.11	75	30,620	1.62	124
Other time deposits	59,920	1.01	149	96,887	2.61	630
Deposits in non-U.S. offices	37,682	0.44	41	51,875	1.86	240
Total interest-bearing deposits	978,194	0.24	585	927,608	0.96	2,213
Short-term borrowings	63,535	(0.10)	(17)	114,754	2.26	646
Long-term debt	232,395	2.13	1,237	236,734	3.21	1,900
Other liabilities	29,947	1.53	116	24,314	2.18	132
Total interest-bearing liabilities	1,304,071	0.59	1,921	1,303,410	1.50	4,891
Portion of noninterest-bearing funding sources	477,945	—	—	438,594	—	—
Total funding sources	\$ 1,782,016	0.43	1,921	1,742,004	1.12	4,891
<b>Net interest margin and net interest income on a taxable-equivalent basis (4)</b>		<b>2.25%</b>	<b>\$ 9,999</b>		<b>2.82%</b>	<b>\$ 12,251</b>
<b>Noninterest-earning assets</b>						
Cash and due from banks	\$ 21,227			19,475		
Goodwill	26,384			26,415		
Other	119,312			112,733		
Total noninterest-earning assets	\$ 166,923			158,623		
<b>Noninterest-bearing funding sources</b>						
Deposits	\$ 408,462			341,371		
Other liabilities	52,298			56,161		
Total equity	184,108			199,685		
Noninterest-bearing funding sources used to fund earning assets	(477,945)			(438,594)		
Net noninterest-bearing funding sources	\$ 166,923			158,623		
<b>Total assets</b>	<b>\$ 1,948,939</b>			<b>1,900,627</b>		
<b>Average prime rate</b>		<b>3.25%</b>			<b>5.50%</b>	
<b>Average three-month London Interbank Offered Rate (LIBOR)</b>		<b>0.60</b>			<b>2.51</b>	

(1) Yields/rates and amounts include the effects of hedge and risk management activities associated with the respective asset and liability categories.

(2) Yields/rates are based on interest income/expense amounts for the period, annualized based on the accrual basis for the respective accounts. The average balance amounts represent amortized cost for the periods presented.

(3) Nonaccrual loans and related income are included in their respective loan categories.

(4) Includes taxable-equivalent adjustments of \$119 million and \$156 million for the quarters ended June 30, 2020 and 2019, respectively, and \$259 million and \$318 million for the first half of 2020 and 2019, respectively, predominantly related to tax-exempt income on certain loans and securities.

(in millions)	Six months ended June 30,					
	2020			2019		
	Average balance	Yields/rates	Interest income/expense	Average balance	Yields/rates	Interest income/expense
<b>Earning assets</b>						
Interest-earning deposits with banks	\$ 152,924	0.57%	\$ 432	140,915	2.33%	\$ 1,629
Federal funds sold and securities purchased under resale agreements	91,969	0.84	382	90,875	2.42	1,093
Debt securities (2):						
Trading debt securities	98,556	2.91	1,433	87,938	3.52	1,544
Available-for-sale debt securities:						
Securities of U.S. Treasury and federal agencies	10,116	1.14	57	14,740	2.18	159
Securities of U.S. states and political subdivisions	37,340	3.22	601	47,049	4.02	946
Mortgage-backed securities:						
Federal agencies	151,119	2.51	1,899	150,623	3.04	2,293
Residential and commercial	4,540	2.55	58	5,772	4.17	120
Total mortgage-backed securities	155,659	2.51	1,957	156,395	3.09	2,413
Other debt securities	39,386	3.11	611	45,920	4.43	1,011
Total available-for-sale debt securities	242,501	2.66	3,226	264,104	3.44	4,529
Held-to-maturity debt securities:						
Securities of U.S. Treasury and federal agencies	47,255	2.17	509	44,758	2.20	487
Securities of U.S. states and political subdivisions	13,852	3.82	265	6,560	4.05	133
Federal agency and other mortgage-backed securities	101,221	2.38	1,203	95,753	2.69	1,288
Other debt securities	20	2.90	—	60	3.91	1
Total held-to-maturity debt securities	162,348	2.44	1,977	147,131	2.60	1,909
Total debt securities	503,405	2.64	6,636	499,173	3.20	7,982
Mortgage loans held for sale (3)	23,161	3.69	427	16,193	4.28	347
Loans held for sale (3)	1,567	2.49	19	1,752	5.04	44
Loans:						
Commercial loans:						
Commercial and industrial – U.S.	299,303	3.05	4,536	285,827	4.47	6,345
Commercial and industrial – Non U.S.	71,451	2.82	1,001	62,863	3.90	1,215
Real estate mortgage	122,656	3.47	2,117	121,644	4.58	2,763
Real estate construction	20,819	3.94	408	21,999	5.40	589
Lease financing	18,687	4.37	408	19,261	4.66	450
Total commercial loans	532,916	3.19	8,470	511,594	4.48	11,362
Consumer loans:						
Real estate 1-4 family first mortgage	287,217	3.53	5,064	285,694	3.92	5,597
Real estate 1-4 family junior lien mortgage	28,303	4.70	662	33,197	5.75	949
Credit card	38,147	11.53	2,186	38,168	12.76	2,416
Automobile	48,350	4.98	1,197	45,007	5.21	1,163
Other revolving credit and installment	33,223	5.89	974	35,068	7.13	1,240
Total consumer loans	435,240	4.65	10,083	437,134	5.22	11,365
Total loans (3)	968,156	3.85	18,553	948,728	4.82	22,727
Equity securities	32,475	2.00	325	34,154	2.63	448
Other	7,573	0.37	14	4,555	1.69	38
Total earning assets	\$ 1,781,230	3.02%	\$ 26,788	1,736,345	3.97%	\$ 34,308
<b>Funding sources</b>						
Deposits:						
Interest-bearing checking	\$ 58,339	0.50%	\$ 144	56,905	1.44%	\$ 407
Market rate and other savings	781,044	0.33	1,289	689,628	0.54	1,856
Savings certificates	28,575	1.30	185	27,940	1.46	202
Other time deposits	70,949	1.43	505	97,356	2.64	1,275
Deposits in non-U.S. offices	45,508	0.90	204	53,649	1.88	499
Total interest-bearing deposits	984,415	0.48	2,327	925,478	0.92	4,239
Short-term borrowings	83,256	0.66	275	111,719	2.24	1,243
Long-term debt	230,699	2.15	2,477	234,963	3.27	3,827
Other liabilities	30,073	1.71	258	24,801	2.23	275
Total interest-bearing liabilities	1,328,443	0.81	5,337	1,296,961	1.49	9,584
Portion of noninterest-bearing funding sources	452,787	—	—	439,384	—	—
Total funding sources	\$ 1,781,230	0.60	5,337	1,736,345	1.11	9,584
<b>Net interest margin and net interest income on a taxable-equivalent basis (4)</b>		<b>2.42%</b>	<b>\$ 21,451</b>		<b>2.86%</b>	<b>\$ 24,724</b>
<b>Noninterest-earning assets</b>						
Cash and due from banks	\$ 20,899			19,544		
Goodwill	26,386			26,417		
Other	121,284			109,601		
Total noninterest-earning assets	\$ 168,569			155,562		
<b>Noninterest-bearing funding sources</b>						
Deposits	\$ 377,894			340,061		
Other liabilities	57,323			55,864		
Total equity	186,139			199,021		
Noninterest-bearing funding sources used to fund earning assets	(452,787)			(439,384)		
Net noninterest-bearing funding sources	\$ 168,569			155,562		
<b>Total assets</b>	<b>\$ 1,949,799</b>			<b>1,891,907</b>		
<b>Average prime rate</b>		<b>3.82%</b>			<b>5.50%</b>	
<b>Average three-month London Interbank Offered Rate (LIBOR)</b>		<b>1.07</b>			<b>2.60</b>	

## Earnings Performance (continued)

### Noninterest Income

**Table 2: Noninterest Income**

(in millions)	Quarter ended June 30,			Six months ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Service charges on deposit accounts	\$ 930	1,206	(23)%	\$ 2,139	2,300	(7)%
Trust and investment fees:						
Brokerage advisory, commissions and other fees	2,117	2,318	(9)	4,599	4,511	2
Trust and investment management	687	795	(14)	1,388	1,581	(12)
Investment banking	547	455	20	938	849	10
Total trust and investment fees	3,351	3,568	(6)	6,925	6,941	—
Card fees	797	1,025	(22)	1,689	1,969	(14)
Other fees:						
Lending related charges and fees	303	349	(13)	631	696	(9)
Cash network fees	88	117	(25)	194	226	(14)
Commercial real estate brokerage commissions	—	105	(100)	1	186	(99)
Wire transfer and other remittance fees	99	121	(18)	209	234	(11)
All other fees	88	108	(19)	175	228	(23)
Total other fees	578	800	(28)	1,210	1,570	(23)
Mortgage banking:						
Servicing income, net	(689)	277	NM	(418)	641	NM
Net gains on mortgage loan origination/sales activities	1,006	481	109	1,114	825	35
Total mortgage banking	317	758	(58)	696	1,466	(53)
Net gains from trading activities	807	229	252	871	586	49
Net gains on debt securities	212	20	960	449	145	210
Net gains (losses) from equity securities	533	622	(14)	(868)	1,436	NM
Lease income	334	424	(21)	686	867	(21)
Life insurance investment income	163	167	(2)	324	326	(1)
All other (1)	(66)	670	NM	240	1,181	(80)
Total	\$ 7,956	9,489	(16)	\$ 14,361	18,787	(24)

NM – Not meaningful

(1) In second quarter 2020, insurance income was reclassified to all other noninterest income. Prior period balances have been revised to conform with the current period presentation.

Noninterest income decreased \$1.5 billion and \$4.4 billion in the second quarter and first half of 2020, respectively, compared with the same periods a year ago, due to overall lower income driven by the economic impact of the COVID-19 pandemic. For more information on the nature of services performed for certain of our revenues discussed below, see Note 18 (Revenue from Contracts with Customers) to Financial Statements in this Report.

Service charges on deposit accounts decreased \$276 million and \$161 million in the second quarter and first half of 2020, respectively, compared with the same periods a year ago, due to lower customer transaction volumes and higher average account balances. We have provided certain fee waivers and reversals to support customers during the COVID-19 pandemic, which also negatively impacted income from service charges on deposit accounts.

Brokerage advisory, commissions and other fees decreased \$201 million in second quarter 2020, compared with the same period a year ago, due to lower asset-based fees and lower transactional revenue. Brokerage advisory, commissions and other fees increased \$88 million in the first half of 2020, compared with the same period a year ago, due to higher asset-based fees. Asset-based fees include fees from advisory accounts that are based on a percentage of the market value of the assets as of the beginning of the quarter. All retail brokerage services are provided by our Wealth and Investment Management (WIM) operating segment. For additional information on retail

brokerage client assets, including asset composition, see the “Operating Segment Results – Wealth and Investment Management – Retail Brokerage Client Assets” section in this Report.

Trust and investment management fees decreased \$108 million and \$193 million in the second quarter and first half of 2020, respectively, compared with the same periods a year ago, driven by lower trust fees due to the sale of our Institutional Retirement and Trust (IRT) business in 2019.

Our assets under management (AUM) totaled \$766.6 billion at June 30, 2020, compared with \$682.0 billion at June 30, 2019. Substantially all of our AUM is managed by our WIM operating segment. Our assets under administration (AUA) totaled \$1.7 trillion at June 30, 2020 and \$1.8 trillion at June 30, 2019. Management believes that AUM and AUA are useful metrics because they allow investors and others to assess how changes in asset amounts may impact the generation of certain asset-based fees.

Our AUM and AUA included IRT client assets of \$21 billion and \$730 billion, respectively, at June 30, 2020, which we continue to administer at the direction of the buyer pursuant to a transition services agreement that will terminate no later than July 2021.

Additional information regarding our WIM operating segment AUM is provided in Table 4f and the related discussion in the “Operating Segment Results – Wealth and Investment

Management – Trust and Investment Client Assets Under Management” section in this Report.

Card fees decreased \$228 million and \$280 million in the second quarter and first half of 2020, respectively, compared with the same periods a year ago. The decrease in the second quarter and first half of 2020, compared with the same periods a year ago, was due to lower interchange fees driven by decreased purchase volume due to the impact of the COVID-19 pandemic, and higher fee waivers as part of our actions to support customers during the COVID-19 pandemic, partially offset by lower rewards costs.

Other fees decreased \$222 million and \$360 million in the second quarter and first half of 2020, respectively, compared with the same periods a year ago, driven by a decline in commission fees as a result of the sale of our commercial real estate brokerage business, Eastdil Secured (Eastdil), in fourth quarter 2019, and lower business payroll income due to the sale of our Business Payroll Services business in first quarter 2019. Additionally, we waived or reversed certain lending related charges or fees as part of our actions to support customers during the COVID-19 pandemic, which also negatively impacted other fees.

Mortgage banking noninterest income, consisting of net servicing income and net gains on mortgage loan origination/sales activities, decreased \$441 million and \$770 million in the second quarter and first half of 2020, respectively, compared with the same periods a year ago. For more information, see Note 11 (Mortgage Banking Activities) to Financial Statements in this Report.

Our portfolio of loans serviced for others was \$1.6 trillion at both June 30, 2020, and December 31, 2019. At June 30, 2020, the ratio of combined residential and commercial mortgage servicing rights (MSRs) to related loans serviced for others was 0.52%, compared with 0.79% at December 31, 2019.

Net servicing income decreased \$1.0 billion and \$1.1 billion in the second quarter and first half of 2020, respectively, compared with the same periods a year ago. The decrease in net servicing income in the second quarter and first half of 2020, compared with the same periods a year ago, was driven by MSR valuation losses, net of hedge results, reflecting higher expected servicing costs and updates to other valuation model assumptions affecting prepayment estimates that are independent of interest rate changes, such as changes in home prices and in customer credit profiles. The decrease in net servicing income in the second quarter and first half of 2020 also reflected continued prepayments and the impacts of customer accommodations associated with the COVID-19 pandemic. See the “Risk Management – Asset/Liability Management – Mortgage Banking Interest Rate and Market Risk” section in this Report for additional information regarding our MSRs risks and hedging approach.

Net gains on mortgage loan origination/sales activities increased \$525 million and \$289 million in the second quarter and first half of 2020, respectively, compared with the same periods a year ago, due to higher residential real estate held for sale origination volumes and margins.

The production margin on residential held for sale mortgage loan originations, which represents net gains on residential mortgage loan origination/sales activities divided by total residential held for sale mortgage loan originations, provides a measure of the profitability of our residential mortgage origination activity. The increase in the production margin in the second quarter and first half of 2020, compared with the same periods a year ago, was due to higher margins in both our retail and correspondent production channels, as well as a shift to more

retail origination volume, which has a higher margin. Table 2a presents the information used in determining the production margin.

**Table 2a Selected Mortgage Production Data**

		Quarter ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
<b>Net gains on mortgage loan origination/sales activities (in millions):</b>					
Residential	(A)	\$ 866	322	\$1,226	554
Commercial		83	83	106	130
Residential pipeline and unsold/repurchased loan management (1)		57	76	(218)	141
<b>Total</b>		<b>\$1,006</b>	<b>481</b>	<b>\$1,114</b>	<b>825</b>
<b>Application data (in billions):</b>					
Mortgage applications		\$ 84	90	192	154
First mortgage unclosed pipeline (2)		50	44	50	44
<b>Residential real estate originations (in billions):</b>					
Held for sale	(B)	\$ 43	33	\$ 76	55
Held for investment		16	20	31	31
<b>Total</b>		<b>\$ 59</b>	<b>53</b>	<b>\$ 107</b>	<b>86</b>
<b>Production margin on residential held for sale mortgage loan originations</b>					
	(A)/(B)	<b>2.04%</b>	0.98	<b>1.61%</b>	1.01%

(1) Predominantly Includes the results of Government National Mortgage Association (GNMA) loss mitigation activities, interest rate management activities and changes in estimate to the liability for mortgage loan repurchase losses.

(2) Balances presented are as of June 30, 2020 and 2019.

Net gains from trading activities, which reflect unrealized changes in fair value of our trading positions and realized gains and losses, increased \$578 million and \$285 million in the second quarter and first half of 2020, respectively, compared with the same periods a year ago. The increase in the second quarter and first half of 2020, compared with the same periods a year ago, reflected trading volatility created by the COVID-19 pandemic. The increase in second quarter 2020, compared with the same period a year ago, also reflected higher gains driven by market liquidity and improvements in the energy sector, as well as increased demand for interest rate products due to lower interest rates. The increase in the first half of 2020, compared with the same period a year ago, also reflected higher income driven by demand for interest rate products due to lower interest rates, as well as higher equities and credit trading volume, partially offset by lower income from wider credit spreads and lower trading volumes in asset-backed securities. Net gains from trading activities exclude interest and dividend income and expense on trading securities, which are reported within interest income from debt and equity securities and other interest income. For additional information about trading activities, see the “Risk Management – Asset/Liability Management – Market Risk-Trading Activities” section and Note 4 (Trading Activities) to Financial Statements in this Report.

Net gains from debt securities increased \$192 million and \$304 million in the second quarter and first half of 2020, respectively, compared with the same periods a year ago, reflecting higher gains from the sale of agency mortgage-backed securities (MBS).

Net gains from equity securities decreased \$89 million and \$2.3 billion in the second quarter and first half of 2020, respectively, compared with the same periods a year ago, driven

## Earnings Performance (continued)

by changes in the value of deferred compensation plan investments (largely offset in personnel expense) and higher unrealized losses. The decrease in the first half of 2020, compared with the same period a year ago, also included a \$1.0 billion impairment on equity securities. Table 3a presents results for our deferred compensation plan and related investments.

Lease income decreased \$90 million and \$181 million in the second quarter and first half of 2020, respectively, compared with the same periods a year ago, driven by reductions in the size of the equipment leasing portfolio.

All other income decreased \$736 million and \$941 million in the second quarter and first half of 2020, respectively, compared with the same periods a year ago. All other income includes insurance income, income or losses from equity method investments, including low-income housing tax credit

investments (excluding related tax credits recorded in income tax expense), foreign currency adjustments and related hedges of foreign currency risks, and certain economic hedges. The decrease in the second quarter and first half of 2020, compared with the same periods a year ago, was driven by higher income in the second quarter and first half of 2019 from gains on the sales of purchased credit-impaired (PCI) loans, as well as lower equity method investments income in the second quarter and first half of 2020, partially offset by gains on the sales of loans reclassified to held for sale in 2019 and sold in the second quarter and first half of 2020. The decrease in the first half of 2020, compared with the same period a year ago, also reflected a pre-tax gain on the sale of our Business Payroll Services business in first quarter 2019, partially offset by transition services fees in the first half of 2020 associated with the sale of our IRT business.

## Noninterest Expense

**Table 3: Noninterest Expense**

(in millions)	Quarter ended June 30,		%	Six months ended June 30,		%
	2020	2019		Change	2020	
Personnel (1)	\$ 8,911	8,474	5%	\$ 17,225	17,682	(3)%
Technology and equipment (1)	562	641	(12)	1,268	1,335	(5)
Occupancy (2)	871	719	21	1,586	1,436	10
Core deposit and other intangibles	22	27	(19)	45	55	(18)
FDIC and other deposit assessments	165	144	15	283	303	(7)
Operating losses	1,219	247	394	1,683	485	247
Outside professional services	758	821	(8)	1,485	1,499	(1)
Contract services (1)	634	590	7	1,219	1,120	9
Leases (3)	244	311	(22)	504	597	(16)
Advertising and promotion	137	329	(58)	318	566	(44)
Outside data processing	142	175	(19)	307	342	(10)
Travel and entertainment	15	163	(91)	108	310	(65)
Postage, stationery and supplies	108	119	(9)	237	241	(2)
Telecommunications	110	93	18	202	184	10
Foreclosed assets	23	35	(34)	52	72	(28)
Insurance	25	25	—	50	50	—
All other	605	536	13	1,027	1,088	(6)
<b>Total</b>	<b>\$ 14,551</b>	<b>13,449</b>	<b>8</b>	<b>\$ 27,599</b>	<b>27,365</b>	<b>1</b>

(1) In second quarter 2020, personnel-related expenses were combined into a single line item, and expenses for cloud computing services were reclassified from contract services expense to technology and equipment expense. Prior period balances have been revised to conform with the current period presentation.

(2) Represents expenses for both leased and owned properties.

(3) Represents expenses for assets we lease to customers.

Noninterest expense increased \$1.1 billion and \$234 million in the second quarter and first half of 2020, compared with the same periods a year ago, predominantly driven by higher operating losses and occupancy expense.

Personnel expense increased \$437 million in second quarter 2020, compared with the same period a year ago, and decreased \$457 million in the first half of 2020, compared with the same period a year ago. The increase in second quarter 2020, compared with the same period a year ago, was driven by higher deferred compensation expense (offset in net gains from equity securities), and higher salaries expense. The decrease in the first half of 2020, compared with the same period a year ago, was driven by lower deferred compensation expense (offset in net losses from equity securities), partially offset by an increase in salaries and employee benefits expense. The second quarter and first half of 2020 also reflected higher salaries driven by annual salary increases and higher staffing levels, as well as increased employee benefits and incentive compensation expense related to the COVID-19 pandemic, including additional payments for

certain customer-facing and support employees and back-up childcare services.

Table 3a presents results for our deferred compensation plan and related hedges. Historically, we used equity securities as economic hedges of our deferred compensation plan liabilities. Changes in the fair value of the equity securities used as economic hedges were recorded in net gains (losses) from equity securities within noninterest income. In second quarter 2020, we entered into arrangements to transition our economic hedges from equity securities to derivative instruments. Changes in fair value of derivatives used as economic hedges are presented within the same financial statement line as the related business activity being hedged. As a result of this transition, we presented the net gains/(losses) on derivatives from economic hedges on the deferred compensation plan liabilities in personnel expense. For additional information on the derivatives used in the economic hedges, see Note 15 (Derivatives) to Financial Statements in this Report.

**Table 3a: Deferred Compensation and Related Hedges**

(in millions)	Quarter ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Net interest income	\$ 3	18	\$ 15	31
Net gains (losses) from equity securities	346	87	(275)	432
Total revenue (losses) from deferred compensation plan investments	349	105	(260)	463
Change in deferred compensation plan liabilities	490	114	(108)	471
Net derivative (gains) losses from economic hedges of deferred compensation	(141)	—	(141)	—
Personnel expense	349	114	(249)	471
Income (loss) before income tax expense	\$ —	(9)	\$ (11)	(8)

Occupancy expense increased \$152 million and \$150 million in the second quarter and first half of 2020, respectively, compared with the same periods a year ago, due to additional cleaning fees, supplies, and equipment expenses related to the COVID-19 pandemic.

Operating losses increased \$1.0 billion and \$1.2 billion in the second quarter and first half of 2020, respectively, compared with the same periods a year ago, due to higher litigation and customer remediation accruals. The increase in customer remediation accruals reflected expansions of the population of affected customers, remediation payments, and/or remediation time frames for a variety of matters.

Outside professional and contract services expense decreased \$19 million in second quarter 2020, compared with the same period a year ago, and increased \$85 million in the first half of 2020, compared with the same period a year ago. The decrease in second quarter 2020, compared with the same period a year ago, was due to lower legal expenses and reduced project spending. The increase in the first half of 2020, compared with the same period a year ago, was due to an increase in project spending, partially offset by lower legal expenses.

Advertising and promotion expense decreased \$192 million and \$248 million in the second quarter and first half of 2020, respectively, compared with the same periods a year ago, driven by decreases in marketing and brand campaign volumes due to the impact of the COVID-19 pandemic.

Travel and entertainment expense decreased \$148 million and \$202 million in the second quarter and first half of 2020, respectively, compared with the same periods a year ago, driven by a reduction in business travel and company events due to ongoing expense management initiatives, as well as the impact of the COVID-19 pandemic.

All other expense increased \$69 million in second quarter 2020, compared with the same period a year ago, and decreased \$61 million in the first half of 2020, compared with the same period a year ago. The increase in second quarter 2020, compared with the same period a year ago, was due to higher pension plan settlement expenses and lower gains on the extinguishment of debt, partially offset by a reduction in the insurance claims reserve and lower pension benefit plan expenses. The decrease in the first half of 2020, compared with the same period a year ago, was due to a reduction in the insurance claims reserve and lower pension benefit plan expenses, partially offset by higher pension plan settlement expenses.

#### Income Tax Expense

Income tax benefit was \$3.9 billion and \$3.8 billion in the second quarter and first half of 2020, respectively, compared with income tax expense of \$1.3 billion and \$2.2 billion in the same periods a year ago. The decrease in income tax expense to an income tax benefit in both the second quarter and first half of 2020, compared with the same periods a year ago, was driven by lower income. Our effective income tax rate was 62.2% and 68.5% for the second quarter and first half of 2020, respectively, compared with 17.3% and 15.3% for the same periods a year ago. The higher rate in second quarter 2020, compared with the same period a year ago, reflected the impact of annual income tax benefits, primarily tax credits, driven by the reported pre-tax loss, and included net discrete income tax benefits of \$98 million predominantly related to the resolution of prior period U.S. federal income tax matters.

## Earnings Performance (continued)

### Operating Segment Results

As of June 30, 2020, we were organized for management reporting purposes into three operating segments: Community Banking; Wholesale Banking; and Wealth and Investment Management (WIM). These segments are defined by product type and customer segment and their results are based on our management reporting process. The management reporting process is based on U.S. GAAP with specific adjustments, such as for funds transfer pricing for asset/liability management, for shared revenues and expenses, and tax-equivalent adjustments to consistently reflect income from taxable and tax-exempt sources. On February 11, 2020, we announced a new organizational structure with five principal lines of business: Consumer and Small Business Banking; Consumer Lending; Commercial Banking; Corporate and Investment Banking; and Wealth and Investment Management. This new organizational structure is intended to help drive operating, control, and business performance. In July 2020, the Company completed the transition to this new organizational structure, including finalizing leadership for these principal business lines and aligning management reporting and allocation methodologies. These changes will not impact the consolidated financial results of the Company. Accordingly, we will update our operating segment disclosures, including comparative financial results, in third quarter 2020. Table 4 and the following discussion present our results by operating segment. For additional description of our operating segments, including additional financial information and the underlying management reporting process, see Note 22 (Operating Segments) to Financial Statements in this Report.

We perform a goodwill impairment assessment annually in the fourth quarter. However, in second quarter 2020, we performed another interim, quantitative impairment assessment of our goodwill given deteriorated macroeconomic conditions from the impact of the COVID-19 pandemic. These market conditions led to a sharp decline in share prices for Wells Fargo and other companies across many industries. As part of our interim assessment, we updated our assumptions used in both the income and market approaches for estimating fair values of our reporting units. The update to assumptions incorporated current market-based information such as price-earnings information and a regular update to our internal enterprise-wide

forecasts, which reflected lower interest rates and higher expected credit losses, as well as a weaker macroeconomic outlook.

Since our annual assessment, we have observed declines in the fair values of our reporting units and the amount of excess fair value over the carrying amount of our reporting units; however, we did not have evidence of goodwill impairment as of June 30, 2020. The fair value of each reporting unit exceeded its corresponding carrying amount by 18% or higher. The estimated fair value of our corporate and investment banking reporting unit, included within the Wholesale Banking operating segment, increased in second quarter 2020 as it reflected recent updates in price-earnings information used in our market approach valuations. The increase in fair value resulted in significant excess fair value over the carrying amount for the reporting unit compared with the prior quarter.

The aggregate fair value of our reporting units exceeded our market capitalization as of June 30, 2020. Our individual reporting unit fair values cannot be directly correlated to the Company's market capitalization. However, we considered several factors in the comparison of aggregate fair value to market capitalization, including (i) control premiums adjusted for the current market environment, which include synergies that may not be reflected in current market pricing, (ii) degree of complexity and execution risk at the reporting unit level compared with the enterprise level, and (iii) issues or risks related to the Company level that may not be included in the fair value of the individual reporting units. Given the uncertainty of the severity or length of the current economic downturn, we will continue to monitor our performance against our internal forecasts as well as market conditions for circumstances that could have a further negative effect on the estimated fair values of our reporting units.

In connection with the planned change to our operating segment disclosures, we will realign our goodwill to the reporting units that underlie our operating segments, which could impact the results of our goodwill impairment assessment. We will reassess goodwill for impairment at the time of the realignment. For additional information about goodwill, see Note 1 (Summary of Significant Accounting Policies) in our 2019 Form 10-K.

**Table 4: Operating Segment Results – Highlights**

(income/expense in millions, balance sheet data in billions)	Community Banking		Wholesale Banking		Wealth and Investment Management		Other (1)		Consolidated Company	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Quarter ended June 30,</b>										
Revenue	\$ 8,766	11,805	6,563	7,065	3,660	4,050	(1,153)	(1,336)	17,836	21,584
Provision (reversal of provision) for credit losses	3,378	479	6,028	28	257	(1)	(129)	(3)	9,534	503
Net income (loss)	(331)	3,147	(2,143)	2,789	180	602	(85)	(332)	(2,379)	6,206
Average loans	\$ 449.3	457.7	504.3	474.0	78.7	75.0	(61.0)	(59.2)	971.3	947.5
Average deposits	848.5	777.6	441.2	410.4	171.8	143.5	(74.8)	(62.5)	1,386.7	1,269.0
Goodwill	16.7	16.7	8.4	8.4	1.3	1.3	—	—	26.4	26.4
<b>Six months ended June 30,</b>										
Revenue	\$ 18,262	23,555	12,380	14,176	7,375	8,129	(2,464)	(2,667)	35,553	43,193
Provision (reversal of provision) for credit losses	5,096	1,189	8,316	162	265	3	(138)	(6)	13,539	1,348
Net income (loss)	(176)	5,970	(1,832)	5,559	643	1,179	(361)	(642)	(1,726)	12,066
Average loans	\$ 456.0	457.9	494.4	475.2	78.6	74.7	(60.8)	(59.1)	968.2	948.7
Average deposits	823.5	771.6	448.9	410.1	161.6	148.3	(71.7)	(64.5)	1,362.3	1,265.5
Goodwill	16.7	16.7	8.4	8.4	1.3	1.3	—	—	26.4	26.4

(1) Includes the elimination of certain items that are included in more than one business segment, most of which represents products and services for WIM customers served through Community Banking distribution channels.

**Community Banking** offers a complete line of diversified financial products and services for consumers and small businesses with annual sales generally up to \$5 million in which the owner generally is the financial decision maker. These financial products and services include checking and savings accounts, credit and debit cards, automobile, student, mortgage, home equity and small business lending, as well as referrals to Wholesale Banking

and WIM business partners. The Community Banking segment also includes the results of our Corporate Treasury activities net of allocations (including funds transfer pricing, capital, liquidity and certain corporate expenses) in support of other segments and results of investments in our affiliated venture capital and private equity partnerships. Table 4a provides additional financial information for Community Banking.

**Table 4a: Community Banking**

(in millions, except average balances which are in billions)	Quarter ended June 30,			Six months ended June 30,		
	2020	2019	% Change	2020	2019	% Change
<b>Net interest income</b>	<b>\$ 5,699</b>	7,066	(19)%	<b>\$ 12,486</b>	14,314	(13)%
<b>Noninterest income:</b>						
Service charges on deposit accounts	419	704	(40)	1,119	1,314	(15)
Trust and investment fees:						
Brokerage advisory, commissions and other fees (1)	433	480	(10)	951	929	2
Trust and investment management (1)	174	199	(13)	368	409	(10)
Investment banking (2)	(67)	(18)	NM	(166)	(38)	NM
Total trust and investment fees	540	661	(18)	1,153	1,300	(11)
Card fees	732	929	(21)	1,541	1,787	(14)
Other fees	247	335	(26)	532	667	(20)
Mortgage banking	253	655	(61)	593	1,296	(54)
Net gains (losses) from trading activities	6	(11)	155	35	(6)	683
Net gains on debt securities	123	15	720	317	52	510
Net gains (losses) from equity securities (3)	388	471	(18)	(640)	1,072	NM
Other (4)	359	980	(63)	1,126	1,759	(36)
Total noninterest income	3,067	4,739	(35)	5,776	9,241	(37)
<b>Total revenue</b>	<b>8,766</b>	11,805	(26)	<b>18,262</b>	23,555	(22)
<b>Provision for credit losses</b>	<b>3,378</b>	479	605	<b>5,096</b>	1,189	329
<b>Noninterest expense:</b>						
Personnel	5,992	5,436	10	11,447	11,417	—
Technology and equipment (4)	648	614	6	1,335	1,283	4
Occupancy	685	542	26	1,214	1,084	12
Core deposit and other intangibles	—	—	—	1	1	—
FDIC and other deposit assessments	112	94	19	180	200	(10)
Outside professional services	460	387	19	902	703	28
Operating losses	1,037	197	426	1,491	416	258
Other (4)	(588)	(58)	NM	(1,108)	(203)	NM
Total noninterest expense	8,346	7,212	16	15,462	14,901	4
<b>Income (loss) before income tax expense and noncontrolling interests</b>	<b>(2,958)</b>	4,114	NM	<b>(2,296)</b>	7,465	NM
Income tax expense (benefit)	(2,666)	838	NM	(2,022)	1,262	NM
Less: Net income (loss) from noncontrolling interests (5)	39	129	(70)	(98)	233	NM
<b>Net income (loss)</b>	<b>\$ (331)</b>	3,147	NM	<b>\$ (176)</b>	5,970	NM
<b>Average loans</b>	<b>\$ 449.3</b>	457.7	(2)	<b>\$ 456.0</b>	457.9	—
<b>Average deposits</b>	<b>848.5</b>	777.6	9	<b>823.5</b>	771.6	7

NM – Not meaningful

- (1) Represents income on products and services for WIM customers served through Community Banking distribution channels which is eliminated in consolidation.
- (2) Includes underwriting fees paid to Wells Fargo Securities for services related to the issuance of our corporate securities which are offset in our Wholesale Banking segment and eliminated in consolidation.
- (3) Primarily represents gains resulting from venture capital investments.
- (4) In second quarter 2020, insurance income was reclassified to other noninterest income, and expenses for cloud computing services were reclassified from contract services expense (within other noninterest expense) to technology and equipment expense. Prior period balances have been revised to conform with the current period presentation.
- (5) Reflects results attributable to noncontrolling interests predominantly associated with the Company's consolidated venture capital investments.

Community Banking reported a net loss of \$331 million in second quarter 2020, compared with net income of \$3.1 billion in the same period a year ago, and reported a net loss of \$176 million in the first half of 2020, compared with net income of \$6.0 billion in the same period a year ago.

Revenue decreased \$3.0 billion and \$5.3 billion in the second quarter and first half of 2020, respectively, compared with the same periods a year ago. The decrease in the second quarter and first half of 2020, compared with the same periods a year ago, was driven by lower net interest income reflecting the lower interest rate environment and lower noninterest income reflecting lower fees from reduced consumer spending and transaction activity due to the impact of the COVID-19 pandemic, partially offset by higher net gains on debt securities. The decrease in the first half of 2020, compared with the same period a year ago, also reflected net losses on equity securities (including lower deferred compensation plan investment results,

which were largely offset in personnel expense).

The provision for credit losses increased \$2.9 billion and \$3.9 billion in the second quarter and first half of 2020, respectively, compared with the same periods a year ago, due to increases in the allowance for credit losses reflecting current and forecasted economic conditions due to the impact of the COVID-19 pandemic.

Noninterest expense increased \$1.1 billion and \$561 million in the second quarter and first half of 2020, respectively, compared with the same periods a year ago. The increase in the second quarter and first half of 2020, compared with the same periods a year ago, was due to higher operating losses, occupancy expense, outside professional services expense, and technology and equipment expense, partially offset by lower other expenses. The increase in second quarter 2020, compared with the same period a year ago, also reflected higher personnel expense.



## Earnings Performance (continued)

Average loans decreased \$8.4 billion and \$1.9 billion in the second quarter and first half of 2020, respectively, compared with the same periods a year ago. The decrease in second quarter 2020, compared with the same period a year ago, was driven by lower real estate 1-4 family first mortgage loans and lower junior lien mortgage loans, partially offset by higher commercial loans. The decrease in the first half of 2020, compared with the same period a year ago, was due to lower junior lien mortgage loans, partially offset by higher automobile loans.

Average deposits increased \$70.9 billion and \$51.9 billion, in the second quarter and first half of 2020, respectively, compared

with the same periods a year ago, driven by customers' preferences for liquidity due to the COVID-19 pandemic.

**Wholesale Banking** provides financial solutions to businesses with annual sales generally in excess of \$5 million and to financial institutions globally. Products and businesses include Commercial Banking, Commercial Real Estate, Corporate and Investment Banking, Credit Investment Portfolio, Treasury Management, and Commercial Capital. Table 4b provides additional financial information for Wholesale Banking.

**Table 4b: Wholesale Banking**

(in millions, except average balances which are in billions)	Quarter ended June 30,			Six months ended June 30,		
	2020	2019	% Change	2020	2019	% Change
<b>Net interest income</b>	<b>\$ 3,891</b>	4,535	(14)%	<b>\$ 8,027</b>	9,069	(11)%
<b>Noninterest income:</b>						
Service charges on deposit accounts	511	502	2	1,019	985	3
Trust and investment fees:						
Brokerage advisory, commissions and other fees	79	74	7	169	152	11
Trust and investment management	130	117	11	261	231	13
Investment banking	614	475	29	1,104	887	24
Total trust and investment fees	823	666	24	1,534	1,270	21
Card fees	65	95	(32)	148	181	(18)
Other fees	330	464	(29)	676	901	(25)
Mortgage banking	65	104	(38)	105	172	(39)
Net gains from trading activities	794	226	251	835	559	49
Net gains on debt securities	89	5	NM	132	93	42
Net gains (losses) from equity securities	(16)	116	NM	(111)	193	NM
Other (1)	11	352	(97)	15	753	(98)
Total noninterest income	2,672	2,530	6	4,353	5,107	(15)
<b>Total revenue</b>	<b>6,563</b>	7,065	(7)	<b>12,380</b>	14,176	(13)
<b>Provision for credit losses</b>	<b>6,028</b>	28	NM	<b>8,316</b>	162	NM
<b>Noninterest expense:</b>						
Personnel	1,311	1,384	(5)	2,694	2,894	(7)
Technology and equipment (1)	8	13	(38)	19	26	(27)
Occupancy	106	96	10	210	191	10
Core deposit and other intangibles	19	23	(17)	38	47	(19)
FDIC and other deposit assessments	45	44	2	89	89	—
Outside professional services	124	231	(46)	225	415	(46)
Operating losses	173	10	NM	177	11	NM
Other (1)	2,177	2,081	5	4,274	4,047	6
Total noninterest expense	3,963	3,882	2	7,726	7,720	—
<b>Income (loss) before income tax expense (benefit) and noncontrolling interests</b>	<b>(3,428)</b>	3,155	NM	<b>(3,662)</b>	6,294	NM
Income tax expense (benefit) (2)	(1,286)	365	NM	(1,832)	734	NM
Less: Net income from noncontrolling interests	1	1	—	2	1	100
<b>Net income (loss)</b>	<b>\$ (2,143)</b>	2,789	NM	<b>\$ (1,832)</b>	5,559	NM
<b>Average loans</b>	<b>\$ 504.3</b>	474.0	6	<b>\$ 494.4</b>	475.2	4
<b>Average deposits</b>	<b>441.2</b>	410.4	8	<b>448.9</b>	410.1	9

NM – Not meaningful

- (1) In second quarter 2020, insurance income was reclassified to other noninterest income, and expenses for cloud computing services were reclassified from contract services expense (within other noninterest expense) to technology and equipment expense. Prior period balances have been revised to conform with the current period presentation.
- (2) Income tax expense for our Wholesale Banking operating segment included income tax credits related to low-income housing and renewable energy investments of \$465 million and \$956 million for the second quarter and first half of 2020, respectively, and \$423 million and \$850 million for the second quarter and first half of 2019, respectively.

Wholesale Banking reported a net loss of \$2.1 billion in second quarter 2020, compared with net income of \$2.8 billion in the same period a year ago, and reported a net loss of \$1.8 billion in the first half of 2020, compared with net income of \$5.6 billion in the same period a year ago.

Net interest income decreased \$644 million and \$1.0 billion in the second quarter and first half of 2020, respectively, compared with the same periods a year ago, driven by the impact of the lower interest rate environment, partially offset by higher average deposit balances and higher average loan balances.

Noninterest income increased \$142 million in second quarter 2020, compared with the same period a year ago, due to increased market sensitive revenue (represents net gains (losses) from trading activities, debt securities, and equity securities) and

investment banking fees, partially offset by lower other noninterest income including lower lease income, and lower commercial real estate brokerage fees within other fees related to our sale of Eastdil in fourth quarter 2019. Noninterest income decreased \$754 million in the first half of 2020, compared with the same period a year ago, due to lower other income from higher amortization on renewable energy and community lending investments and lower lease income, lower other fees related to our sale of Eastdil, and lower mortgage banking fees, partially offset by higher investment banking fees.

The provision for credit losses increased \$6.0 billion and \$8.2 billion in the second quarter and first half of 2020, respectively, compared with the same periods a year ago, due to increases in the allowance for credit losses reflecting current and

forecasted economic conditions due to the impact of the COVID-19 pandemic and higher charge-offs in the oil and gas and commercial real estate portfolios.

Noninterest expense increased \$81 million and \$6 million in the second quarter and first half of 2020, respectively, compared with the same periods a year ago. The increase in second quarter 2020, compared with the same period a year ago, was driven by higher operating losses primarily due to litigation accruals, partially offset by lower personnel expense. The increase in the first half of 2020, compared with the same period a year ago, was due to higher operating losses and increased regulatory and risk related expense within other noninterest expense, partially offset by lower personnel expense, and lower lease and travel expenses within other noninterest expense, as well as the impact of the sale of Eastdil in fourth quarter 2019.

Average loans increased \$30.3 billion and \$19.2 billion in the second quarter and first half of 2020, respectively, compared with the same periods a year ago, reflecting broad-based growth across the lines of businesses driven by draws of revolving lines due to the economic slowdown associated with the COVID-19 pandemic.

Average deposits increased \$30.8 billion and \$38.8 billion in the second quarter and first half of 2020, respectively, compared with the same periods a year ago, reflecting customers' preferences for liquidity due to the COVID-19 pandemic.

**Wealth and Investment Management** provides a full range of personalized wealth management, investment and retirement products and services to clients across U.S.-based businesses including Wells Fargo Advisors, The Private Bank, Abbot Downing, and Wells Fargo Asset Management. We deliver financial planning, private banking, credit, investment management and fiduciary services to high-net worth and ultra-high-net worth individuals and families. We also serve clients' brokerage needs and provide investment management capabilities delivered to global institutional clients through separate accounts and the Wells Fargo Funds. The sale of our IRT business closed on July 1, 2019. For additional information on the sale of our IRT business, including its impact on our AUM and AUA, see the "Earnings Performance – Noninterest Income" section in this Report. Table 4c provides additional financial information for WIM.

**Table 4c: Wealth and Investment Management**

(in millions, except average balances which are in billions)	Quarter ended June 30,			Six months ended June 30,		
	2020	2019	% Change	2020	2019	% Change
<b>Net interest income</b>	<b>\$ 736</b>	1,037	(29)%	<b>\$ 1,603</b>	2,138	(25)%
<b>Noninterest income:</b>						
Service charges on deposit accounts	4	4	—	9	8	13
Trust and investment fees:						
Brokerage advisory, commissions and other fees	2,039	2,248	(9)	4,436	4,372	1
Trust and investment management	568	687	(17)	1,150	1,363	(16)
Investment banking	1	(1)	200	2	4	(50)
Total trust and investment fees	2,608	2,934	(11)	5,588	5,739	(3)
Card fees	1	2	(50)	2	3	(33)
Other fees	4	4	—	8	8	—
Mortgage banking	(3)	(3)	—	(6)	(6)	—
Net gains (losses) from trading activities	6	13	(54)	(1)	32	NM
Net gains on debt securities	—	—	—	—	—	—
Net gains (losses) from equity securities	161	35	360	(117)	171	NM
Other (1)	143	24	496	289	36	703
Total noninterest income	2,924	3,013	(3)	5,772	5,991	(4)
<b>Total revenue</b>	<b>3,660</b>	4,050	(10)	<b>7,375</b>	8,129	(9)
<b>Provision (reversal of provision) for credit losses</b>	<b>257</b>	(1)	NM	<b>265</b>	3	NM
<b>Noninterest expense:</b>						
Personnel	2,021	2,112	(4)	3,971	4,309	(8)
Technology and equipment (1)	(94)	15	NM	(86)	27	NM
Occupancy	111	112	(1)	224	224	—
Core deposit and other intangibles	3	4	(25)	6	7	(14)
FDIC and other deposit assessments	14	12	17	26	26	—
Outside professional services	182	210	(13)	373	394	(5)
Operating losses	15	43	(65)	24	64	(63)
Other (1)	901	738	22	1,718	1,498	15
Total noninterest expense	3,153	3,246	(3)	6,256	6,549	(4)
<b>Income before income tax expense and noncontrolling interests</b>	<b>250</b>	805	(69)	<b>854</b>	1,577	(46)
Income tax expense	63	201	(69)	216	393	(45)
Less: Net income (loss) from noncontrolling interests	7	2	250	(5)	5	NM
<b>Net income</b>	<b>\$ 180</b>	602	(70)	<b>\$ 643</b>	1,179	(45)
<b>Average loans</b>	<b>\$ 78.7</b>	75.0	5	<b>\$ 78.6</b>	74.7	5
<b>Average deposits</b>	<b>171.8</b>	143.5	20	<b>161.6</b>	148.3	9

NM – Not meaningful

(1) In second quarter 2020, insurance income was reclassified to other noninterest income, and expenses for cloud computing services were reclassified from contract services expense (within other noninterest expense) to technology and equipment expense. Prior period balances have been revised to conform with the current period presentation.

WIM net income decreased \$422 million and \$536 million in the second quarter and first half of 2020, respectively, compared with the same periods a year ago.

Net interest income decreased \$301 million and \$535 million in the second quarter and first half of 2020, respectively, compared with the same periods a year ago, driven by lower

interest rates, partially offset by higher average deposit balances and higher average loan balances.

Noninterest income decreased \$89 million and \$219 million in the second quarter and first half of 2020, respectively, compared with the same periods a year ago. The decrease in second quarter 2020, compared with the same period a year ago,

## Earnings Performance (continued)

was driven by lower asset-based fees and lower brokerage transaction revenue, partially offset by net gains from equity securities driven by an increase in deferred compensation plan investment results (largely offset by lower personnel expense). The decrease in the first half of 2020, compared with the same period a year ago, was driven by net losses from equity securities driven by a decline in deferred compensation plan investment results (largely offset by lower personnel expense) and lower trust and investment management income, partially offset by higher retail brokerage advisory fees (priced at the beginning of the quarter).

The provision for credit losses increased \$258 million and \$262 million in the second quarter and first half of 2020, respectively, compared with the same periods a year ago, driven by current and forecasted economic conditions due to the impact of the COVID-19 pandemic.

Noninterest expense decreased \$93 million and \$293 million in the second quarter and first half of 2020, respectively, compared with the same periods a year ago. The decrease in second quarter 2020, compared with the same period a year ago, was driven by lower personnel expense from lower commissions and other incentive compensation, and lower technology and equipment expense related to the reversal of an accrual for software costs, partially offset by higher project spending on regulatory and compliance related initiatives included within other noninterest expense and higher deferred compensation plan expense within personnel expense (largely offset by net gains from equity securities). The decrease in the first half of 2020, compared with the same period a year ago, was due to lower personnel expense driven by lower deferred compensation plan expense (largely offset by net losses from equity securities) and incentive compensation, and lower technology and equipment expense related to the reversal of an accrual for software costs, partially offset by higher project spending on

regulatory and compliance related initiatives included within other noninterest expense and higher broker commissions within personnel expense.

Average loans increased \$3.7 billion and \$3.9 billion in the second quarter and first half of 2020, respectively, compared with the same periods a year ago, driven by growth in real estate 1-4 first mortgage loans.

Average deposits increased \$28.3 billion and \$13.3 billion in the second quarter and first half of 2020, respectively, compared with the same periods a year ago, primarily due to growth in brokerage clients' cash balances.

The following discussions provide additional information for client assets we oversee in our retail brokerage advisory and trust and investment management business lines.

**Retail Brokerage Client Assets** Brokerage advisory, commissions and other fees are received for providing full-service and discount brokerage services predominantly to retail brokerage clients. Offering advisory account relationships to our brokerage clients is an important component of our broader strategy of meeting their financial needs. Although a majority of our retail brokerage client assets are in accounts that earn brokerage commissions, the fees from those accounts generally represent transactional commissions based on the number and size of transactions executed at the client's direction. Fees from advisory accounts are based on a percentage of the market value of the assets as of the beginning of the quarter, which vary across the account types based on the distinct services provided, and are affected by investment performance as well as asset inflows and outflows. A majority of our brokerage advisory, commissions and other fee income is earned from advisory accounts. Table 4d shows advisory account client assets as a percentage of total retail brokerage client assets at June 30, 2020 and 2019.

**Table 4d: Retail Brokerage Client Assets**

(\$ in billions)	June 30,	
	2020	2019
Retail brokerage client assets	\$ 1,561.2	1,620.5
Advisory account client assets	569.4	561.3
Advisory account client assets as a percentage of total client assets	36%	35

Retail Brokerage advisory accounts include assets that are financial advisor-directed and separately managed by third-party managers, as well as certain client-directed brokerage assets where we earn a fee for advisory and other services, but do not have investment discretion. For second quarter 2020 and 2019, the average fee rate by account type ranged from 80 to 120 basis points. Table 4e presents retail brokerage advisory account client assets activity by account type for the second quarter and first half of 2020 and 2019.

**Table 4e: Retail Brokerage Advisory Account Client Assets**

(in billions)	Quarter ended					Six months ended				
	Balance, beginning of period	Inflows (1)	Outflows (2)	Market impact (3)	Balance, end of period	Balance, beginning of period	Inflows (1)	Outflows (2)	Market impact (3)	Balance, end of period
<b>June 30, 2020</b>										
<b>Client directed (4)</b>	\$ 142.7	7.3	(7.8)	20.0	162.2	\$ 169.4	17.4	(17.4)	(7.2)	162.2
<b>Financial advisor directed (5)</b>	152.4	8.4	(6.6)	22.6	176.8	176.3	19.1	(15.2)	(3.4)	176.8
<b>Separate accounts (6)</b>	134.2	5.0	(5.8)	18.1	151.5	160.1	11.8	(14.3)	(6.1)	151.5
<b>Mutual fund advisory (7)</b>	69.5	2.2	(2.7)	9.9	78.9	83.7	5.4	(7.2)	(3.0)	78.9
<b>Total advisory client assets</b>	<b>\$ 498.8</b>	<b>22.9</b>	<b>(22.9)</b>	<b>70.6</b>	<b>569.4</b>	<b>\$ 589.5</b>	<b>53.7</b>	<b>(54.1)</b>	<b>(19.7)</b>	<b>569.4</b>
<b>June 30, 2019</b>										
Client directed (4)	\$ 163.6	8.6	(9.7)	3.7	166.2	\$ 151.5	16.5	(19.0)	17.2	166.2
Financial advisor directed (5)	156.9	8.6	(8.7)	6.4	163.2	141.9	16.1	(16.4)	21.6	163.2
Separate accounts (6)	148.3	6.2	(8.0)	5.4	151.9	136.4	11.8	(14.9)	18.6	151.9
Mutual fund advisory (7)	77.9	2.9	(3.5)	2.7	80.0	71.3	5.7	(6.7)	9.7	80.0
<b>Total advisory client assets</b>	<b>\$ 546.7</b>	<b>26.3</b>	<b>(29.9)</b>	<b>18.2</b>	<b>561.3</b>	<b>\$ 501.1</b>	<b>50.1</b>	<b>(57.0)</b>	<b>67.1</b>	<b>561.3</b>

(1) Inflows include new advisory account assets, contributions, dividends and interest.

(2) Outflows include closed advisory account assets, withdrawals, and client management fees.

(3) Market impact reflects gains and losses on portfolio investments.

(4) Investment advice and other services are provided to client, but decisions are made by the client and the fees earned are based on a percentage of the advisory account assets, not the number and size of transactions executed by the client.

(5) Professionally managed portfolios with fees earned based on respective strategies and as a percentage of certain client assets.

(6) Professional advisory portfolios managed by Wells Fargo Asset Management or third-party asset managers. Fees are earned based on a percentage of certain client assets.

(7) Program with portfolios constructed of load-waived, no-load and institutional share class mutual funds. Fees are earned based on a percentage of certain client assets.

**Trust and Investment Client Assets Under Management** We earn trust and investment management fees from managing and administering assets, including mutual funds, separate accounts, and personal trust assets, through our asset management and wealth businesses. Prior to the sale of our IRT business, which closed on July 1, 2019, we also earned fees from managing employee benefit trusts through the retirement business. Our asset management business is conducted by Wells Fargo Asset Management (WFAM), which offers Wells Fargo proprietary mutual funds and manages institutional separate accounts, and

our wealth business, which manages assets for high net worth clients. Generally, our trust and investment management fee income is earned from AUM where we have discretionary management authority over the investments and generate fees as a percentage of the market value of the AUM. For additional information on the sale of our IRT business, including its impact on our AUM and AUA, see the “Earnings Performance – Noninterest Income” section in this Report. Table 4f presents AUM activity for the second quarter and first half of 2020 and 2019.

**Table 4f: WIM Trust and Investment – Assets Under Management**

(in billions)	Quarter ended					Six months ended				
	Balance, beginning of period	Inflows (1)	Outflows (2)	Market impact (3)	Balance, end of period	Balance, beginning of period	Inflows (1)	Outflows (2)	Market impact (3)	Balance, end of period
<b>June 30, 2020</b>										
<b>Assets managed by WFAM (4):</b>										
<b>Money market funds (5)</b>	\$ 166.2	35.7	—	—	201.9	\$ 130.6	71.3	—	—	201.9
<b>Other assets managed</b>	351.6	26.9	(26.5)	24.4	376.4	378.2	53.1	(55.1)	0.2	376.4
<b>Assets managed by Wealth and IRT (6)</b>	162.8	8.5	(10.6)	15.8	176.5	187.4	16.3	(21.2)	(6.0)	176.5
<b>Total assets under management</b>	<b>\$ 680.6</b>	<b>71.1</b>	<b>(37.1)</b>	<b>40.2</b>	<b>754.8</b>	<b>\$ 696.2</b>	<b>140.7</b>	<b>(76.3)</b>	<b>(5.8)</b>	<b>754.8</b>
<b>June 30, 2019</b>										
<b>Assets managed by WFAM (4):</b>										
Money market funds (5)	\$ 109.5	10.3	—	—	119.8	\$ 112.4	7.4	—	—	119.8
Other assets managed	367.0	22.2	(23.0)	9.1	375.3	353.5	41.5	(44.9)	25.2	375.3
<b>Assets managed by Wealth and IRT (6)</b>	181.4	8.2	(11.2)	3.5	181.9	170.7	17.4	(21.6)	15.4	181.9
<b>Total assets under management</b>	<b>\$ 657.9</b>	<b>40.7</b>	<b>(34.2)</b>	<b>12.6</b>	<b>677.0</b>	<b>\$ 636.6</b>	<b>66.3</b>	<b>(66.5)</b>	<b>40.6</b>	<b>677.0</b>

(1) Inflows include new managed account assets, contributions, dividends and interest.

(2) Outflows include closed managed account assets, withdrawals and client management fees.

(3) Market impact reflects gains and losses on portfolio investments.

(4) Assets managed by WFAM consist of equity, alternative, balanced, fixed income, money market, and stable value, and include client assets that are managed or sub-advised on behalf of other Wells Fargo lines of business.

(5) Money Market funds activity is presented on a net inflow or net outflow basis, because the gross flows are not meaningful nor used by management as an indicator of performance.

(6) Includes \$5.0 billion and \$4.5 billion as of June 30, 2020 and 2019, respectively, of client assets invested in proprietary funds managed by WFAM.

## Balance Sheet Analysis

At June 30, 2020, our assets totaled \$1.97 trillion, up \$41.2 billion from December 31, 2019. Asset growth reflected an increase in cash, cash equivalents and restricted cash of \$121.3 billion, partially offset by declines in debt securities and loans of \$24.5 billion and \$27.1 billion, respectively, as well as a \$22.9 billion decrease in federal funds sold and securities purchased under resale agreements and a \$15.7 billion decrease in equity securities.

### Available-for-Sale and Held-to-Maturity Debt Securities

**Table 5: Available-for-Sale and Held-to-Maturity Debt Securities**

(in millions)	June 30, 2020			December 31, 2019		
	Amortized cost, net (1)	Net unrealized gain (loss)	Fair value	Amortized cost	Net unrealized gain (loss)	Fair value
Available-for-sale (2)	224,467	4,432	228,899	260,060	3,399	263,459
Held-to-maturity (3)	169,002	7,880	176,882	153,933	2,927	156,860
Total	\$ 393,469	12,312	405,781	413,993	6,326	420,319

- (1) Represents amortized cost of the securities, net of the allowance for credit losses, of \$114 million related to available-for-sale debt securities and \$20 million related to held-to-maturity debt securities at June 30, 2020. The allowance for credit losses related to available-for-sale and held-to-maturity debt securities was \$0 at December 31, 2019, due to our adoption of CECL on January 1, 2020. For more information, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.
- (2) Available-for-sale debt securities are carried on the balance sheet at fair value, which includes the allowance for credit losses, subsequent to the adoption of CECL on January 1, 2020.
- (3) Held-to-maturity debt securities are carried on the balance sheet at amortized cost, net of allowance for credit losses, subsequent to the adoption of CECL on January 1, 2020.

Table 5 presents a summary of our available-for-sale and held-to-maturity debt securities, which decreased \$19.5 billion in balance sheet carrying value from December 31, 2019, as purchases were more than offset by runoff and sales.

The total net unrealized gains on available-for-sale debt securities were \$4.4 billion at June 30, 2020, up from net unrealized gains of \$3.4 billion at December 31, 2019, driven by lower interest rates, partially offset by wider credit spreads. For a discussion of our investment management objectives and practices, see the “Balance Sheet Analysis” section in our 2019 Form 10-K. Also, see the “Risk Management – Asset/Liability Management” section in this Report for information on our use of investments to manage liquidity and interest rate risk.

After adoption of CECL, we recorded an allowance for credit losses on available-for-sale and held-to-maturity debt securities. Total provision/(reversal of provision) for credit losses on debt securities was \$(31) million and \$141 million in the second quarter and first half of 2020. For a discussion of our accounting policies relating to the allowance for credit losses on debt securities and underlying considerations and analysis, see Note 1 (Summary of Significant Accounting Policies) and Note 5 (Available-for-Sale and Held-to-Maturity Debt Securities) to Financial Statements in this Report.

At June 30, 2020, debt securities included \$47.3 billion of municipal bonds, of which 97.7% were rated “A-” or better based predominantly on external ratings. Additionally, some of the debt securities in our total municipal bond portfolio are guaranteed against loss by bond insurers. These guaranteed bonds are predominantly investment grade and were generally underwritten in accordance with our own investment standards prior to the determination to purchase, without relying on the bond insurer’s guarantee in making the investment decision. The credit quality of our municipal bond holdings are monitored as part of our ongoing evaluation of the appropriateness of the allowance for credit losses on debt securities.

The weighted-average expected maturity of debt securities available-for-sale was 4.3 years at June 30, 2020. The expected

The following discussion provides additional information about the major components of our balance sheet. Information regarding our capital and changes in our asset mix is included in the “Earnings Performance – Net Interest Income” and “Capital Management” sections and Note 23 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report.

remaining maturity is shorter than the remaining contractual maturity for the 65% of this portfolio that is mortgage-backed securities (MBS) because borrowers generally have the right to prepay obligations before the underlying mortgages mature. The estimated effects of a 200 basis point increase or decrease in interest rates on the fair value and the expected remaining maturity of the MBS available-for-sale portfolio are shown in Table 6.

**Table 6: Mortgage-Backed Securities Available-for-Sale**

(in billions)	Fair value	Net unrealized gain (loss)	Expected remaining maturity (in years)
At June 30, 2020			
Actual	\$ 148.9	5.4	3.6
Assuming a 200 basis point:			
Increase in interest rates	136.0	(7.5)	5.5
Decrease in interest rates	151.5	8.0	3.2

The weighted-average expected remaining maturity of debt securities held-to-maturity (HTM) was 4.4 years at June 30, 2020. HTM debt securities are measured at amortized cost and, therefore, changes in the fair value of our held-to-maturity MBS resulting from changes in interest rates are not recognized in earnings. See Note 5 (Available-for-Sale and Held-to-Maturity Debt Securities) to Financial Statements in this Report for a summary of debt securities by security type.

### Loan Portfolios

Table 7 provides a summary of total outstanding loans by portfolio segment. Total loans decreased \$27.1 billion from December 31, 2019, predominantly due to a decrease in consumer loans.

Commercial loans decreased \$2.5 billion from December 31, 2019, driven by paydowns of commercial and industrial loans

following increased loan draws in first quarter 2020, partially offset by growth in commercial real estate loans driven by new originations and construction loan fundings.

Consumer loans decreased \$24.6 billion from December 31,

2019, due to paydowns exceeding originations. Also, in second quarter 2020, we designated \$10.4 billion of real estate 1-4 family first lien mortgage loans as MLHFS.

**Table 7: Loan Portfolios**

(in millions)	June 30, 2020	December 31, 2019
Commercial	\$ 513,187	515,719
Consumer	421,968	446,546
Total loans	\$ 935,155	962,265
Change from prior year-end	\$ (27,110)	9,155

Average loan balances and a comparative detail of average loan balances is included in Table 1 under “Earnings Performance – Net Interest Income” earlier in this Report. Additional information on total loans outstanding by portfolio segment and class of financing receivable is included in the “Risk Management – Credit Risk Management” section in this Report. Period-end balances and other loan related information are in Note 6 (Loans

and Related Allowance for Credit Losses) to Financial Statements in this Report.

See the “Balance Sheet Analysis – Loan Portfolios” section in our 2019 Form 10-K for information regarding contractual loan maturities and the distribution of loans to changes in interest rates.

### Deposits

Deposits were \$1.4 trillion at June 30, 2020, up \$88.1 billion from December 31, 2019, reflecting strong growth across our deposit gathering businesses driven by impacts from the COVID-19 pandemic including customers’ preferences for liquidity, loan payment deferrals, tax payment deferrals, stimulus checks, and lower consumer spending. The increase in deposits was partially offset by actions taken to manage to the asset cap resulting in

declines in other time deposits driven by lower brokered certificates of deposit (CDs) and declines in deposits in non-U.S. offices.

Table 8 provides additional information regarding deposits. Information regarding the impact of deposits on net interest income and a comparison of average deposit balances is provided in the “Earnings Performance – Net Interest Income” section and Table 1 earlier in this Report.

**Table 8: Deposits**

(\$ in millions)	Jun 30, 2020	% of total deposits	Dec 31, 2019	% of total deposits	% Change
Noninterest-bearing	\$ 432,857	31%	\$ 344,496	26%	26
Interest-bearing checking	54,477	4	62,814	5	(13)
Market rate and other savings	809,232	57	751,080	57	8
Savings certificates	26,118	2	31,715	2	(18)
Other time deposits	53,203	4	78,609	6	(32)
Deposits in non-U.S. offices (1)	34,824	2	53,912	4	(35)
Total deposits	\$ 1,410,711	100%	\$ 1,322,626	100%	7

(1) Includes Eurodollar sweep balances of \$21.5 billion and \$34.2 billion at June 30, 2020, and December 31, 2019, respectively.

## Balance Sheet Analysis (continued)

### Fair Value of Financial Instruments

We use fair value measurements to record fair value adjustments to certain financial instruments and to determine fair value disclosures. See the “Critical Accounting Policies” section in our 2019 Form 10-K and Note 16 (Fair Values of Assets and Liabilities) to Financial Statements in this Report for a description of our critical accounting policy related to fair value of financial instruments and a discussion of our fair value measurement techniques.

Table 9 presents the summary of the fair value of financial instruments recorded at fair value on a recurring basis, and the amounts measured using significant Level 3 inputs (before derivative netting adjustments). The fair value of the remaining assets and liabilities were measured using valuation methodologies involving market-based or market-derived information (collectively Level 1 and 2 measurements).

**Table 9: Fair Value Level 3 Summary**

(\$ in billions)	June 30, 2020		December 31, 2019	
	Total balance	Level 3 (1)	Total balance	Level 3 (1)
Assets carried at fair value	\$ 380.5	20.4	428.6	24.3
As a percentage of total assets	19%	1	22	1
Liabilities carried at fair value	\$ 31.6	1.6	26.5	1.8
As a percentage of total liabilities	2%	*	2	*

\* Less than 1%.

(1) Before derivative netting adjustments.

See Note 16 (Fair Values of Assets and Liabilities) to Financial Statements in this Report for additional information on fair value measurements and a description of the Level 1, 2 and 3 fair value hierarchy.

### Equity

Total equity was \$180.1 billion at June 30, 2020, compared with \$188.0 billion at December 31, 2019. The decrease was driven by common stock repurchases of \$3.4 billion (substantially all of which occurred in first quarter 2020), preferred stock redemptions of \$2.5 billion, dividends of \$4.8 billion, and a net loss of \$1.8 billion, partially offset by the issuance of common and preferred stock of \$4.0 billion.

## Off-Balance Sheet Arrangements

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In the ordinary course of business, we engage in financial transactions that are not recorded on the balance sheet, or may be recorded on the balance sheet in amounts that are different from the full contract or notional amount of the transaction. Our off-balance sheet arrangements include commitments to lend and purchase debt and equity securities, transactions with unconsolidated entities, guarantees, derivatives, and other commitments. These transactions are designed to (1) meet the financial needs of customers, (2) manage our credit, market or liquidity risks, and/or (3) diversify our funding sources. For additional information on our contractual obligations that may require future cash payments, see the “Off-Balance Sheet Arrangements – Contractual Cash Obligations” section in our 2019 Form 10-K.

### Commitments to Lend

We enter into commitments to lend to customers, which are usually at a stated interest rate, if funded, and for specific purposes and time periods. When we enter into commitments, we are exposed to credit risk. The maximum credit risk for these commitments will generally be lower than the contractual amount because a significant portion of these commitments are not funded. For more information, see Note 6 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report.

### Commitments to Purchase Debt and Equity Securities

We enter into commitments to purchase securities under resale agreements. We also may enter into commitments to purchase debt and equity securities to provide capital for customers’ funding, liquidity or other future needs. For more information, see Note 13 (Guarantees, Pledged Assets and Collateral, and Other Commitments) to Financial Statements in this Report.

### Transactions with Unconsolidated Entities

In the normal course of business, we enter into various types of on- and off-balance sheet transactions with special purpose entities (SPEs), which are corporations, trusts, limited liability companies or partnerships that are established for a limited purpose. Generally, SPEs are formed in connection with securitization transactions and are considered variable interest entities (VIEs). For more information, see Note 10 (Securitizations and Variable Interest Entities) to Financial Statements in this Report.

### Guarantees and Other Arrangements

Guarantees are contracts that contingently require us to make payments to a guaranteed party based on an event or a change in an underlying asset, liability, rate or index. Guarantees are generally in the form of standby letters of credit, direct pay letters of credit, written options, recourse obligations, exchange and clearing house guarantees, indemnifications, and other types of similar arrangements. For more information, see Note 13 (Guarantees, Pledged Assets and Collateral, and Other Commitments) to Financial Statements in this Report.

### Derivatives

We use derivatives to manage exposure to market risk, including interest rate risk, credit risk and foreign currency risk, and to assist customers with their risk management objectives. Derivatives are recorded on the balance sheet at fair value, and volume can be measured in terms of the notional amount, which is generally not exchanged, but is used only as the basis on which interest and other payments are determined. The notional amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments. For more information, see Note 15 (Derivatives) to Financial Statements in this Report.



## Risk Management

Wells Fargo manages a variety of risks that can significantly affect our financial performance and our ability to meet the expectations of our customers, shareholders, regulators and other stakeholders. For more information about how we manage risk, see the “Risk Management” section in our 2019 Form 10-K. The discussion that follows supplements our discussion of the management of certain risks contained in the “Risk Management” section in our 2019 Form 10-K.

### Credit Risk Management

We define credit risk as the risk of loss associated with a borrower or counterparty default (failure to meet obligations in accordance with agreed upon terms). Credit risk exists with many of our assets and exposures such as debt security holdings, certain derivatives, and loans.

The Board’s Credit Committee has primary oversight responsibility for credit risk. At the management level, Credit Risk, which is part of the Company’s Independent Risk Management (IRM) organization, has primary oversight responsibility for credit risk. Credit Risk reports to the Chief Risk Officer (CRO) and also provides periodic reports related to credit risk to the Board’s Credit Committee.

### Coronavirus Aid, Relief, and Economic Security Act

On March 25, 2020, the U.S. Senate approved the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), a bill designed to provide a wide range of economic relief to consumers and businesses in the U.S.

**PAYCHECK PROTECTION PROGRAM** The CARES Act created funding for the Small Business Administration’s (SBA) loan program providing forgiveness of up to the full principal amount of qualifying loans guaranteed under a new program called the Paycheck Protection Program (PPP). The intent of the PPP is to provide loans to small businesses in order to keep their employees on the payroll and make certain other eligible payments. Loans granted under the PPP are guaranteed by the SBA and are fully forgivable if used for qualifying expenses such as payroll, mortgage interest, rent and utilities. If the loans are not forgiven, they must be repaid over a term not to exceed five years. Under the PPP, through June 30, 2020, we funded \$10.1 billion in loans to more than 179,000 borrowers. As of June 30, 2020, \$9.8 billion of principal remained outstanding on these PPP loans. We deferred \$397 million of SBA processing fees that will be recognized as interest income over the term of the loans. We have committed to donating the gross processing fees received from funding PPP loans to non-profit organizations that support small businesses as the fees are recognized in earnings. We did not donate any processing fees during second quarter 2020.

**PPP LIQUIDITY FACILITY** The FRB established the Paycheck Protection Program Liquidity Facility which is intended to provide liquidity to financial institutions participating in PPP lending. Under this program, we act as a correspondent between the Federal Reserve Banks and community development financial institutions (CDFIs) to facilitate cash flows between the two entities. We do not receive any fees for our participation in this program.

**SBA SIX MONTH PAYMENT ASSISTANCE** Under the CARES Act, the SBA will make principal and interest payments on behalf of

certain borrowers for six months. As of June 30, 2020, over 20,000 of our lending customers were eligible for SBA payment assistance, and we had received \$193 million in payments from the SBA.

**MAIN STREET LENDING PROGRAM** The Federal Reserve Board (FRB) established the Main Street Lending Program to provide additional financial support for small and medium sized businesses. Under the terms of the program, eligible lenders will perform underwriting and originate loans to eligible borrowers and subsequently sell 95% of the loan to a special purpose vehicle established by the FRB. We have registered as an eligible lender under the program and anticipate that we will begin funding customer loans in third quarter 2020.

### Loan Portfolios

The following discussion focuses on our loan portfolios, which represent the largest component of assets on our balance sheet for which we have credit risk. Table 10 presents our total loans outstanding by portfolio segment and class of financing receivable.

**Table 10: Total Loans Outstanding by Portfolio Segment and Class of Financing Receivable**

(in millions)	Jun 30, 2020	Dec 31, 2019
<b>Commercial:</b>		
Commercial and industrial	\$ 350,116	354,125
Real estate mortgage	123,967	121,824
Real estate construction	21,694	19,939
Lease financing	17,410	19,831
Total commercial	513,187	515,719
<b>Consumer:</b>		
Real estate 1-4 family first mortgage	277,945	293,847
Real estate 1-4 family junior lien mortgage	26,839	29,509
Credit card	36,018	41,013
Automobile	48,808	47,873
Other revolving credit and installment	32,358	34,304
Total consumer	421,968	446,546
Total loans	\$ 935,155	962,265

We manage our credit risk by establishing what we believe are sound credit policies for underwriting new business, while monitoring and reviewing the performance of our existing loan portfolios. We employ various credit risk management and monitoring activities to mitigate risks associated with multiple risk factors affecting loans we hold, could acquire or originate including:

- Loan concentrations and related credit quality
- Counterparty credit risk
- Economic and market conditions
- Legislative or regulatory mandates
- Changes in interest rates
- Merger and acquisition activities
- Reputation risk

Our credit risk management oversight process is governed centrally, but provides for decentralized management and accountability by our lines of business. Our overall credit process

includes comprehensive credit policies, disciplined credit underwriting, frequent and detailed risk measurement and modeling, extensive credit training programs, and a continual loan review and audit process.

A key to our credit risk management is adherence to a well-controlled underwriting process, which we believe is appropriate for the needs of our customers as well as investors who purchase the loans or securities collateralized by the loans.

**Credit Quality Overview** Credit quality in second quarter 2020 continued to decline due to the economic impact that the COVID-19 pandemic had on our customer base. Second quarter 2020 results reflected:

- Nonaccrual loans were \$7.6 billion at June 30, 2020, up from \$5.3 billion at December 31, 2019, predominantly due to a \$2.0 billion increase in commercial nonaccrual loans driven by increases in the commercial and industrial and commercial real estate portfolios as the economic impact of the COVID-19 pandemic continued to impact our customer base. Commercial nonaccrual loans increased to \$4.3 billion at June 30, 2020, compared with \$2.3 billion at December 31, 2019, and consumer nonaccrual loans increased to \$3.3 billion at June 30, 2020, compared with \$3.1 billion at December 31, 2019. Nonaccrual loans represented 0.81% of total loans at June 30, 2020, compared with 0.56% at December 31, 2019.
- Net loan charge-offs (annualized) as a percentage of our average commercial and consumer loan portfolios were 0.44% and 0.48% in the second quarter and 0.35% and 0.51% in the first half of 2020, respectively, compared with 0.13% and 0.45% in the second quarter and 0.12% and 0.48% in the first half of 2019.
- Loans that are not government insured/guaranteed and 90 days or more past due and still accruing were \$145 million and \$672 million in our commercial and consumer portfolios, respectively, at June 30, 2020, compared with \$78 million and \$855 million at December 31, 2019.
- Our provision for credit losses for loans was \$9.6 billion and \$13.4 billion in the second quarter and first half of 2020, respectively, compared with \$503 million and \$1.3 billion for the same periods a year ago. The increase in provision for credit losses for loans in the second quarter and first half of 2020, compared with the same periods a year ago, reflected an increase in the allowance for credit losses for loans driven by current and forecasted economic conditions due to the COVID-19 pandemic, and higher net loan charge-offs driven by higher losses in our commercial real estate portfolio and continued weakness in our oil and gas portfolio.
- The allowance for credit losses for loans totaled \$20.4 billion, or 2.19% of total loans, at June 30, 2020, up from \$10.5 billion, or 1.09%, at December 31, 2019.

Additional information on our loan portfolios and our credit quality trends follows.

**TROUBLED DEBT RESTRUCTURING RELIEF** The CARES Act provides banks optional, temporary relief from accounting for certain loan modifications as troubled debt restructurings (TDRs). The modifications must be related to the adverse effects of COVID-19, and certain other criteria are required to be met in order to apply the relief. In first quarter 2020, we elected to apply the TDR relief provided by the CARES Act, which expires no later than December 31, 2020.

On April 7, 2020, federal banking regulators issued the *Interagency Statement on Loan Modifications and Reporting for*

*Financial Institutions Working with Customers Affected by the Coronavirus (Revised)* (the Interagency Statement). The Interagency Statement provides additional TDR relief as it clarifies that it is not necessary to consider the impact of COVID-19 on the financial condition of a borrower in connection with short-term (e.g., six months or less) loan modifications related to COVID-19 provided the borrower is current at the date the modification program is implemented. For additional information regarding the TDR relief provided by the CARES Act and the clarifying TDR accounting guidance from the Interagency Statement, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

The TDR relief provided under the CARES Act, as well as from the Interagency Statement, does not change our processes for monitoring the credit quality of our loan portfolios or for updating our measurement of the allowance for credit losses for loans based on expected losses.

Additionally, our election to apply the TDR relief provided by the CARES Act and the Interagency Statement impacts our regulatory capital ratios as these loan modifications related to COVID-19 are not adjusted to a higher risk-weighting normally required with TDR classification.

#### **COVID-Related Lending Accommodations**

During second quarter 2020, we continued to provide accommodations to our customers in response to the COVID-19 pandemic, including fee reversals for consumer and small business banking customers, and payment deferrals, fee waivers, covenant waivers, and other expanded assistance for mortgage, credit card, automobile, small business, personal and commercial lending customers. Foreclosure, collection and credit bureau reporting activities have also been suspended. Additionally, we deferred rental payments on certain leased assets for which we are the lessor. Customer payment deferral activities instituted in response to the COVID-19 pandemic could delay the recognition of net charge-offs, delinquencies, and nonaccrual status for those customers who would have otherwise moved into past due or nonaccrual status.

Table 11 and Table 11a summarize the unpaid principal balance (UPB) of commercial and consumer loans at June 30, 2020, that received accommodations under loan modification programs established to assist customers with the economic impact of the COVID-19 pandemic (COVID-related modifications), and exclude accommodations made for customers with loans that we service for others. COVID-related modifications primarily included payment deferrals of principal, interest or both as well as interest and fee waivers. As of June 30, 2020, the unpaid principal balance of loans with COVID-related modifications represented 7% and 13% of our total commercial and consumer loan portfolios, respectively, and included customers that continued to make payments after receiving a modification and those that were no longer in a deferral period.

If the COVID-19 pandemic continues to cause economic uncertainty, customers may request additional or extended accommodations. During second quarter 2020, we provided certain extensions of prior modifications for up to an additional 90 days. As of June 30, 2020, the unpaid principal balance of commercial and consumer loans that received extensions of prior modifications was \$9.7 billion and \$876 million, respectively.

Of the loans that received COVID-related modifications, \$38 billion and \$50 billion of unpaid principal balance of commercial and consumer loans, respectively, were not classified as TDRs as of June 30, 2020, of which 5% for both commercial and consumer loans qualified for TDR designation relief under the CARES Act or Interagency Statement. Additionally, the tables

## Risk Management - Credit Risk Management (continued)

include \$241 million and \$3 billion of unpaid principal balance of commercial and consumer loans, respectively, that were already classified as TDRs when the COVID-related modification was granted.

For information related to loans that are classified as TDRs, see Note 6 (Loans and Allowance for Credit Losses) to Financial Statements this Report.

**Table 11: Commercial Loan Modifications Related to COVID-19**

(in millions)	Unpaid principal balance of modified loans (1)	% of loan class (2)	General program description
Six months ended June 30, 2020			
Commercial:			
Commercial and industrial	\$ 20,656	6%	Initial deferral of scheduled principal and/or interest up to 90 days, with available extensions up to 90 days
Real estate mortgage and construction	16,229	11	Initial deferral of scheduled principal and/or interest up to 90 days, with available extensions up to 90 days
Lease financing	1,287	7	Initial deferral of lease payments up to 90 days, with available extensions up to 90 days
<b>Total commercial</b>	<b>\$ 38,172</b>	<b>7%</b>	

(1) Includes all COVID-related modifications provided since the inception of the loan modification programs in first quarter 2020. COVID-related modifications are at the loan facility level.

(2) Based on total loans outstanding at June 30, 2020.

**Table 11a: Consumer Loan Modifications Related to COVID-19**

(in millions)	Unpaid principal balance of modified loans (1)	% of loan class (2)	% current at time of deferral (3)	% with payment during deferral (4)	Unpaid principal balance of modified loans still in deferral period	% of loan class (2)	General program description
Six months ended June 30, 2020							
Consumer:							
Real estate 1-4 family first mortgage (5)	\$ 38,022	14%	79	34	\$ 32,253	12%	Initial deferral up to 90 days of scheduled principal and interest; with available extensions up to 90 days
Real estate 1-4 family junior lien mortgage	3,123	12	88	62	2,812	10	Initial deferral up to 90 days of scheduled principal and interest; with available extensions up to 90 days
Credit card	3,173	9	91	48	2,616	7	Initial 90 day deferral of minimum payment and waiver of interest and fees; modifications subsequent to June 3, 2020, including extensions, were 60 day deferral of minimum payment only
Automobile	6,560	13	87	24	4,880	10	Initial 90 day deferral of scheduled principal and interest, with available extensions of 90 days
Other revolving credit and installment	1,968	6	89	20	1,673	5	Revolving lines: Initial 90 day deferral of minimum payment and waiver of interest and fees; with available extensions of 60 days Installment loans: Initial 90 day deferral of scheduled principal and interest, with available extensions of 90 days
<b>Total consumer</b>	<b>\$ 52,846</b>	<b>13%</b>	<b>82</b>	<b>35</b>	<b>\$ 44,234</b>	<b>10%</b>	

(1) Includes all COVID-related modifications provided since the inception of the loan modification programs in first quarter 2020.

(2) Based on total loans outstanding at June 30, 2020.

(3) Represents loans that were less than 30 days past due at the date of the initial COVID-related modification, based on the outstanding balance of modified loans at June 30, 2020.

(4) Represents loans for which at least a partial payment was collected during the deferral period, based on the outstanding balance of modified loans at June 30, 2020.

(5) Unpaid principal balance includes approximately \$7.4 billion of real estate 1-4 family first mortgage loans insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA) that were repurchased from GNMA loan securitization pools. FHA/VA loans are entitled to payment deferrals of scheduled principal and interest up to a total of 12 months. Excluding these loans, the percentage current at time of deferral was 95%.

**Significant Loan Portfolio Reviews** Measuring and monitoring our credit risk is an ongoing process that tracks delinquencies, collateral values, Fair Isaac Corporation (FICO) scores, economic trends by geographic areas, loan-level risk grading for certain portfolios (typically commercial) and other indications of credit risk. Our credit risk monitoring process is designed to enable early identification of developing risk and to support our determination of an appropriate allowance for credit losses. The following discussion provides additional characteristics and analysis of our significant loan portfolios. See Note 6 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report for more analysis and credit metric information for each of the following portfolios.

**COMMERCIAL AND INDUSTRIAL LOANS AND LEASE FINANCING** For purposes of portfolio risk management, we aggregate commercial and industrial loans and lease financing according to market segmentation and standard industry codes. We generally subject commercial and industrial loans and lease financing to individual risk assessment using our internal borrower and collateral quality ratings. Our ratings are aligned to federal banking regulators' definitions of pass and criticized categories with the criticized category including special mention, substandard, doubtful, and loss categories.

The commercial and industrial loans and lease financing portfolio totaled \$367.5 billion, or 39% of total loans, at June 30, 2020. The net charge-off rate (annualized) of average loans for this portfolio was 0.54% and 0.45% in the second quarter and first

half of 2020, respectively, compared with 0.18% and 0.17% for the same periods a year ago. At June 30, 2020, 0.83% of this portfolio was nonaccruing, compared with 0.44% at December 31, 2019. Nonaccrual loans in this portfolio increased \$1.4 billion from December 31, 2019, primarily in the oil, gas and pipelines category due to the economic impact of the COVID-19 pandemic. Also, \$27.8 billion of the commercial and industrial loan and lease financing portfolio was internally classified as criticized in accordance with regulatory guidance at June 30, 2020, compared with \$16.6 billion at December 31, 2019, reflecting increases primarily in the oil, gas and pipelines, real estate and construction, entertainment and recreation, and retail categories due to the economic impact of the COVID-19 pandemic.

The majority of our commercial and industrial loans and lease financing portfolio is secured by short-term assets, such as accounts receivable, inventory, and debt securities, as well as long-lived assets, such as equipment and other business assets. Generally, the collateral securing this portfolio represents a secondary source of repayment.

Table 12 provides our commercial and industrial loans and lease financing by industry, and includes non-U.S. loans of \$68.2 billion and \$71.7 billion at June 30, 2020, and December 31, 2019, respectively. Significant industry concentrations of non-U.S. loans included \$32.7 billion and \$31.2 billion in the financials except banks category, and \$15.5 billion and \$19.9 billion in the banks category, at June 30, 2020, and December 31, 2019, respectively. The oil, gas and pipelines category included \$1.6 billion of non-U.S. loans at both June 30, 2020, and December 31, 2019. The industry categories are based on the North American Industry Classification System.

Loans to financials except banks, our largest industry concentration, were \$112.1 billion, or 12% of total outstanding

loans, at June 30, 2020, compared with \$117.3 billion, or 12% of total outstanding loans, at December 31, 2019. This industry category is comprised of loans to investment firms, financial vehicles, and non-bank creditors, including those that invest in financial assets backed predominantly by commercial or residential real estate or consumer loan assets. We had \$72.4 billion and \$75.2 billion of loans originated by our Asset Backed Finance (ABF) lines of business at June 30, 2020, and December 31, 2019, respectively. These ABF loans are limited to a percentage of the value of the underlying financial assets considering underlying credit risk, asset duration, and ongoing performance. These ABF loans may also have other features to manage credit risk such as cross-collateralization, credit enhancements, and contractual re-margining of collateral supporting the loans. Loans to financials except banks included collateralized loan obligations (CLOs) in loan form of \$7.7 billion and \$7.0 billion at June 30, 2020, and December 31, 2019, respectively.

Oil, gas and pipelines loans totaled \$12.6 billion, or 1% of total outstanding loans, at June 30, 2020, compared with \$13.6 billion, or 1% of total outstanding loans, at December 31, 2019. Oil, gas and pipelines loans included \$8.9 billion and \$9.2 billion of senior secured loans outstanding at June 30, 2020 and December 31, 2019, respectively. Oil, gas and pipelines nonaccrual loans increased to \$1.4 billion at June 30, 2020, compared with \$615 million at December 31, 2019, due to new downgrades to nonaccrual status in second quarter 2020.

In addition to the oil, gas and pipelines category, industries with escalated credit monitoring include retail, entertainment and recreation, transportation services, and commercial real estate.

**Table 12: Commercial and Industrial Loans and Lease Financing by Industry**

(\$ in millions)	June 30, 2020				December 31, 2019			
	Nonaccrual loans	Loans outstanding	% of total loans	Total commitments (1)	Nonaccrual loans	Loans outstanding	% of total loans	Total commitments (1)
Financials except banks	\$ 219	112,130	12%	\$ 197,152	\$ 112	117,312	12%	\$ 200,848
Equipment, machinery and parts manufacturing	98	21,622	2	41,771	36	23,457	2	42,040
Technology, telecom and media	61	24,912	3	54,894	28	22,447	2	53,343
Real estate and construction	290	25,245	3	49,925	47	22,011	2	48,217
Banks	—	15,548	2	16,598	—	20,070	2	20,728
Retail	216	23,149	2	43,212	105	19,923	2	41,938
Materials and commodities	46	15,877	2	37,877	33	16,375	2	39,369
Automobile related	24	13,103	1	25,162	24	15,996	2	26,310
Food and beverage manufacturing	12	13,082	1	29,284	9	14,991	2	29,172
Health care and pharmaceuticals	76	17,144	2	32,481	28	14,920	2	30,168
Oil, gas and pipelines	1,414	12,598	1	32,679	615	13,562	1	35,445
Entertainment and recreation	62	11,820	1	18,134	44	13,462	1	19,854
Transportation services	319	10,849	1	17,040	224	10,957	1	17,660
Commercial services	98	12,095	1	24,548	50	10,455	1	22,713
Agribusiness	54	7,362	*	12,984	35	7,539	*	12,901
Utilities	1	6,486	*	20,615	224	5,995	*	19,390
Insurance and fiduciaries	2	6,032	*	17,069	1	5,525	*	15,596
Government and education	6	5,741	*	12,128	6	5,363	*	12,267
Other (2)	36	12,731	1	32,843	19	13,596	*	32,988
<b>Total</b>	<b>\$ 3,034</b>	<b>367,526</b>	<b>39%</b>	<b>\$ 716,396</b>	<b>\$ 1,640</b>	<b>373,956</b>	<b>39%</b>	<b>\$ 720,947</b>

\* Less than 1%.

(1) Total commitments consist of loans outstanding plus unfunded credit commitments, excluding issued letters of credit.

(2) No other single industry had total loans in excess of \$4.4 billion and \$4.7 billion at June 30, 2020, and December 31, 2019, respectively.

## Risk Management - Credit Risk Management (continued)

**COMMERCIAL REAL ESTATE (CRE)** We generally subject CRE loans to individual risk assessment using our internal borrower and collateral quality ratings. Our ratings are aligned to federal banking regulators' definitions of pass and criticized categories with criticized segmented among special mention, substandard, doubtful and loss categories. The CRE portfolio, which included \$8.2 billion of non-U.S. CRE loans, totaled \$145.7 billion, or 16% of total loans, at June 30, 2020, and consisted of \$124.0 billion of mortgage loans and \$21.7 billion of construction loans.

Table 13 summarizes CRE loans by state and property type with the related nonaccrual totals at June 30, 2020. The portfolio is diversified both geographically and by property type. The largest geographic concentrations of CRE loans are in California, New York, Florida, and Texas, which combined represented 49% of the total CRE portfolio. By property type, the largest

concentrations are office buildings at 26% and apartments at 19% of the portfolio. CRE nonaccrual loans totaled 0.86% of the CRE outstanding balance at June 30, 2020, compared with 0.43% at December 31, 2019. The increase in CRE nonaccrual loans was driven by the hotel/motel, shopping center, and office buildings property types and reflected the economic impact of the COVID-19 pandemic. At June 30, 2020, we had \$9.1 billion of criticized CRE mortgage loans, compared with \$3.8 billion at December 31, 2019, and \$1.3 billion of criticized CRE construction loans, compared with \$187 million at December 31, 2019. The increase in criticized CRE mortgage and CRE construction loans was driven by the hotel/motel, shopping center, retail (excluding shopping center), and office building property types and reflected the economic impact of the COVID-19 pandemic.

**Table 13: CRE Loans by State and Property Type**

(\$ in millions)	June 30, 2020							% of total loans
	Real estate mortgage		Real estate construction		Total			
	Nonaccrual loans	Total portfolio	Nonaccrual loans	Total portfolio	Nonaccrual loans	Total portfolio		
By state:								
California	\$ 149	32,164	2	4,666	151	36,830		4%
New York	96	12,952	2	2,059	98	15,011		2
Florida	27	8,295	1	1,446	28	9,741		1
Texas	341	8,047	—	1,226	341	9,273		*
Washington	13	3,934	—	782	13	4,716		*
Georgia	15	4,043	—	448	15	4,491		*
North Carolina	12	3,737	—	648	12	4,385		*
Arizona	35	3,862	—	318	35	4,180		*
Colorado	16	3,300	—	587	16	3,887		*
Virginia	4	3,036	—	664	4	3,700		*
Other	509	40,597	29	8,850	538	49,447	(1)	5
<b>Total</b>	<b>\$ 1,217</b>	<b>123,967</b>	<b>34</b>	<b>21,694</b>	<b>1,251</b>	<b>145,661</b>		<b>16%</b>
By property:								
Office buildings	\$ 160	35,280	1	3,209	161	38,489		4%
Apartments	11	19,284	—	7,694	11	26,978		3
Industrial/warehouse	72	16,149	1	1,674	73	17,823		2
Retail (excluding shopping center)	171	14,211	2	181	173	14,392		2
Hotel/motel	170	10,637	—	1,610	170	12,247		1
Shopping center	399	10,878	—	1,055	399	11,933		1
Mixed use properties	90	5,641	—	640	90	6,281		*
Institutional	77	3,910	20	2,159	97	6,069		*
Collateral pool	—	2,336	—	202	—	2,538		*
Agriculture	61	2,006	—	9	61	2,015		*
Other	6	3,635	10	3,261	16	6,896		*
<b>Total</b>	<b>\$ 1,217</b>	<b>123,967</b>	<b>34</b>	<b>21,694</b>	<b>1,251</b>	<b>145,661</b>		<b>16%</b>

\* Less than 1%.

(1) Consists of 40 states, none of which had loans in excess of \$3.7 billion.

**NON-U.S. LOANS** Our classification of non-U.S. loans is based on whether the borrower's primary address is outside of the United States. At June 30, 2020, non-U.S. loans totaled \$76.6 billion, representing approximately 8% of our total consolidated loans outstanding, compared with \$80.5 billion, or approximately 8% of total consolidated loans outstanding, at December 31, 2019. Non-U.S. loans were approximately 4% of our consolidated total assets at both June 30, 2020, and December 31, 2019.

**COUNTRY RISK EXPOSURE** Our country risk monitoring process incorporates centralized monitoring of economic, political, social, legal, and transfer risks in countries where we do or plan to do business, along with frequent dialogue with our customers, counterparties and regulatory agencies. We establish exposure limits for each country through a centralized oversight process based on customer needs, and through consideration of the relevant and distinct risk of each country. We monitor exposures closely and adjust our country limits in response to changing conditions.

We evaluate our individual country risk exposure based on our assessment of the borrower's ability to repay, which gives consideration for allowable transfers of risk such as guarantees and collateral and may be different from the reporting based on the borrower's primary address. Our largest single country exposure outside the U.S. based on our assessment of risk at June 30, 2020, was the United Kingdom, which totaled \$36.3 billion, or approximately 2% of our total assets, and included \$11.6 billion of sovereign claims. Our United Kingdom sovereign claims arise predominantly from deposits we have placed with the Bank of England pursuant to regulatory requirements in support of our London branch.

The United Kingdom withdrew from the European Union (Brexit) on January 31, 2020, and is currently subject to a

transition period during which the terms and conditions of its exit are being negotiated. As the United Kingdom exits from the European Union, our primary goal is to continue to serve our existing clients in the United Kingdom and the European Union as well as to continue to meet the needs of our domestic clients as they do business in those locations. We have an existing authorized bank in Ireland and an asset management entity in Luxembourg. Additionally, we established a broker dealer in France. We are in the process of leveraging these entities to continue to serve clients in the European Union and continue to take actions to update our business operations in the United Kingdom and European Union, including implementing new supplier contracts and staffing arrangements. For additional information on risks associated with Brexit, see the "Risk Factors" section in our 2019 Form 10-K.

Table 14 provides information regarding our top 20 exposures by country (excluding the U.S.), based on our assessment of risk, which gives consideration to the country of any guarantors and/or underlying collateral. With respect to Table 14:

- Lending exposure includes outstanding loans, unfunded credit commitments, and deposits with non-U.S. banks. These balances are presented prior to the deduction of allowance for credit losses or collateral received under the terms of the credit agreements, if any.
- Securities exposure represents debt and equity securities of non-U.S. issuers. Long and short positions are netted, and net short positions are reflected as negative exposure.
- Derivatives and other exposure represents foreign exchange contracts, derivative contracts, securities resale agreements, and securities lending agreements.

**Table 14: Select Country Exposures**

(in millions)	June 30, 2020								
	Lending		Securities		Derivatives and other		Total exposure		
	Sovereign	Non-sovereign	Sovereign	Non-sovereign	Sovereign	Non-sovereign	Sovereign	Non-sovereign (1)	Total
<b>Top 20 country exposures:</b>									
United Kingdom	\$ 11,579	21,649	—	1,189	—	1,894	11,579	24,732	36,311
Canada	4	16,575	—	87	—	425	4	17,087	17,091
Cayman Islands	—	6,398	—	—	—	138	—	6,536	6,536
Ireland	1,217	4,873	—	168	—	117	1,217	5,158	6,375
Japan	19	1,049	4,535	236	—	28	4,554	1,313	5,867
Luxembourg	—	3,745	—	102	—	64	—	3,911	3,911
Guernsey	—	3,522	—	3	—	16	—	3,541	3,541
China	—	2,838	(14)	327	49	53	35	3,218	3,253
Bermuda	—	3,034	—	73	—	56	—	3,163	3,163
Germany	—	2,621	—	179	6	60	6	2,860	2,866
Netherlands	—	2,382	—	205	—	272	—	2,859	2,859
South Korea	—	2,573	(5)	181	—	16	(5)	2,770	2,765
Switzerland	—	1,924	—	(79)	—	121	—	1,966	1,966
France	—	1,729	—	43	20	15	20	1,787	1,807
Brazil	—	1,626	—	4	5	11	5	1,641	1,646
Chile	—	1,481	—	150	—	2	—	1,633	1,633
Australia	—	1,405	—	66	—	14	—	1,485	1,485
Singapore	—	1,173	—	72	—	49	—	1,294	1,294
India	—	1,185	—	94	—	—	—	1,279	1,279
United Arab Emirates	—	1,029	—	3	—	2	—	1,034	1,034
<b>Total top 20 country exposures</b>	<b>\$ 12,819</b>	<b>82,811</b>	<b>4,516</b>	<b>3,103</b>	<b>80</b>	<b>3,353</b>	<b>17,415</b>	<b>89,267</b>	<b>106,682</b>

(1) For countries presented in the table, total non-sovereign exposure comprises \$45.9 billion exposure to financial institutions and \$43.3 billion to non-financial corporations at June 30, 2020.

## Risk Management - Credit Risk Management (continued)

**REAL ESTATE 1-4 FAMILY MORTGAGE LOANS** Our real estate 1-4 family mortgage loan portfolio is comprised of both first and junior lien mortgage loans, which are presented in Table 15.

**Table 15: Real Estate 1-4 Family Mortgage Loans**

(in millions)	June 30, 2020		December 31, 2019	
	Balance	% of portfolio	Balance	% of portfolio
Real estate 1-4 family first mortgage	\$ 277,945	91%	\$ 293,847	91%
Real estate 1-4 family junior lien mortgage	26,839	9	29,509	9
<b>Total real estate 1-4 family mortgage loans</b>	<b>\$ 304,784</b>	<b>100%</b>	<b>\$ 323,356</b>	<b>100%</b>

The real estate 1-4 family mortgage loan portfolio includes some loans with an interest-only feature as part of the loan terms and some with adjustable-rate features. Interest-only loans were approximately 3% of total loans at both June 30, 2020, and December 31, 2019. We believe we have manageable adjustable-rate mortgage (ARM) reset risk across our mortgage loan portfolios, including ARM loans that have negative amortizing features that were acquired in prior business combinations. We do not offer option ARM products, nor do we offer variable-rate mortgage products with fixed payment amounts, commonly referred to within the financial services industry as negative amortizing mortgage loans. In connection with our adoption of CECL on January 1, 2020, our real estate 1-4 family mortgage purchased credit-impaired (PCI) loans, which had a carrying value of \$568 million, were reclassified as purchased credit-deteriorated (PCD) loans. PCD loans are generally accounted for in the same manner as non-PCD loans. For more information on PCD loans, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

We continue to modify real estate 1-4 family mortgage loans to assist homeowners and other borrowers experiencing financial difficulties. For more information on our modification programs, see the “Risk Management – Credit Risk Management – Real Estate 1-4 Family Mortgage Loans” section in our 2019 Form 10-K. For more information on customer accommodations, including loan modifications, in response to the COVID-19 pandemic, see the “Risk Management – Credit Risk Management – COVID-Related Lending Accommodations” section in this Report.

Part of our credit monitoring includes tracking delinquency, current FICO scores and loan/combined loan to collateral values (LTV/CLTV) on the entire real estate 1-4 family mortgage loan portfolio. These credit risk indicators on the mortgage portfolio exclude government insured/guaranteed loans. Loans 30 days or more delinquent at June 30, 2020, totaled \$2.9 billion, or 1% of total mortgages, compared with \$3.0 billion, or 1%, at December 31, 2019. Loans with FICO scores lower than 640 totaled \$6.8 billion, or 2% of total mortgages at June 30, 2020, compared with \$7.6 billion, or 2%, at December 31, 2019. Mortgages with a LTV/CLTV greater than 100% totaled \$2.3 billion at June 30, 2020, or 1% of total mortgages, compared with \$2.5 billion, or 1%, at December 31, 2019. Information regarding credit quality indicators can be found in Note 6 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report.

Real estate 1-4 mortgage loans by state are presented in Table 16. Our real estate 1-4 family mortgage loans to borrowers in California represented 13% of total loans at June 30, 2020, located predominantly within the larger metropolitan areas, with no single California metropolitan area consisting of more than 5% of total loans. We monitor changes in real estate values and underlying economic or market conditions for all geographic areas of our real estate 1-4 family mortgage portfolios as part of our credit risk management process. Our underwriting and periodic review of loans and lines secured by residential real estate collateral includes original appraisals adjusted for the change in Home Price Index (HPI) or estimates from automated valuation models (AVMs) to support property values. Additional information about appraisals and AVMs and our policy for their use can be found in Note 6 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report and the “Risk Management – Credit Risk Management – Real Estate 1-4 Family Mortgage Loans” section in our 2019 Form 10-K.

**Table 16: Real Estate 1-4 Family Mortgage Loans by State**

(in millions)	June 30, 2020			
	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Total real estate 1-4 family mortgage	% of total loans
<b>Real estate 1-4 family mortgage loans:</b>				
California	\$ 112,828	7,291	120,119	13%
New York	31,163	1,406	32,569	3
New Jersey	13,159	2,539	15,698	2
Florida	11,172	2,393	13,565	2
Washington	10,302	603	10,905	1
Virginia	7,829	1,549	9,378	1
Texas	8,309	546	8,855	1
North Carolina	5,287	1,262	6,549	1
Colorado	5,929	595	6,524	1
Other (1)	59,505	8,655	68,160	7
Government insured/guaranteed loans (2)	12,462	—	12,462	1
<b>Total</b>	<b>\$ 277,945</b>	<b>26,839</b>	<b>304,784</b>	<b>33%</b>

(1) Consists of 41 states; none of which had loans in excess of \$6.2 billion.

(2) Represents loans whose repayments are predominantly insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA).

**First Lien Mortgage Portfolio** Our total real estate 1-4 family first lien mortgage portfolio (first mortgage) decreased \$15.0 billion and \$15.9 billion in the second quarter and first half of 2020, respectively. Mortgage loan originations of \$16.4 billion and \$30.7 billion in the second quarter and first half of 2020, respectively, were more than offset by paydowns. In addition, in second quarter 2020 we designated \$10.4 billion of first mortgage loans as MLHFS.

Net loan charge-offs (annualized) as a percentage of average first mortgage loans were 0.00% in both the second quarter and first half of 2020, compared with a net recovery of 0.04% and

0.03% for the same periods a year ago. Nonaccrual loans were \$2.4 billion at June 30, 2020, up \$243 million from December 31, 2019. The increase in nonaccrual loans from December 31, 2019 was driven by the implementation of CECL, which required PCI loans to be classified as nonaccruing based on performance. For additional information, see the “Risk Management – Credit Risk Management – Nonperforming Assets (Nonaccrual Loans and Foreclosed Assets)” section in this Report.

Table 17 shows certain delinquency and loss information for the first mortgage portfolio and lists the top five states by outstanding balance.

**Table 17: First Mortgage Portfolio Performance**

(in millions)	Outstanding balance		% of loans 30 days or more past due		Loss (recovery) rate (annualized) quarter ended				
	Jun 30, 2020	Dec 31, 2019	Jun 30, 2020	Dec 31, 2019	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
California	\$ 112,828	118,256	0.59%	0.48	(0.01)	(0.01)	(0.02)	(0.01)	(0.04)
New York	31,163	31,336	0.95	0.83	0.02	(0.01)	0.02	0.01	—
New Jersey	13,159	14,113	1.38	1.40	0.03	—	0.02	0.02	(0.06)
Florida	11,172	11,804	2.07	1.81	(0.01)	(0.03)	(0.06)	(0.07)	(0.11)
Washington	10,302	10,863	0.37	0.29	(0.01)	(0.02)	(0.02)	—	(0.03)
Other	86,859	95,750	1.21	1.20	0.01	0.01	(0.02)	—	(0.06)
Total	265,483	282,122	0.93	0.86	—	—	(0.02)	(0.01)	(0.04)
Government insured/guaranteed loans	12,462	11,170							
PCI (1)	N/A	555							
Total first lien mortgages	\$ 277,945	293,847							

(1) In connection with our adoption of CECL on January 1, 2020, PCI loans were reclassified as PCD loans and are therefore included with other non-PCD loans in this table. For more information, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

**Junior Lien Mortgage Portfolio** The junior lien mortgage portfolio consists of residential mortgage lines and loans that are subordinate in rights to an existing lien on the same property. It is not unusual for these lines and loans to have draw periods, interest-only payments, balloon payments, adjustable rates, and similar features. Junior lien loan products are mostly amortizing payment loans with fixed interest rates and repayment periods between five to 30 years.

We continuously monitor the credit performance of our junior lien mortgage portfolio for trends and factors that influence the frequency and severity of loss, such as junior lien mortgage performance when the first mortgage loan is delinquent. Table 18 shows certain delinquency and loss information for the junior lien mortgage portfolio and lists the top five states by outstanding balance. The decrease in outstanding balances since December 31, 2019, predominantly

reflected loan paydowns. In second quarter 2020, we suspended the origination of junior lien mortgages. As of June 30, 2020, 4% of the outstanding balance of the junior lien mortgage portfolio was associated with loans that had a combined loan to value (CLTV) ratio in excess of 100%. Of those junior lien mortgages with a CLTV ratio in excess of 100%, 3% were 30 days or more past due. CLTV means the ratio of the total loan balance of first mortgages and junior lien mortgages (including unused line amounts for credit line products) to property collateral value. The unsecured portion (the outstanding amount that was in excess of the most recent property collateral value) of the outstanding balances of these loans totaled 1% of the junior lien mortgage portfolio at June 30, 2020. For additional information on consumer loans by LTV/CLTV, see Table 6.12 in Note 6 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report.

**Table 18: Junior Lien Mortgage Portfolio Performance**

(in millions)	Outstanding balance		% of loans 30 days or more past due		Loss (recovery) rate (annualized) quarter ended				
	Jun 30, 2020	Dec 31, 2019	Jun 30, 2020	Dec 31, 2019	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
California	\$ 7,291	8,054	1.55%	1.62	(0.26)	(0.36)	(0.44)	(0.51)	(0.40)
New Jersey	2,539	2,744	2.36	2.74	(0.12)	0.13	0.07	0.11	(0.07)
Florida	2,393	2,600	2.38	2.93	(0.01)	—	(0.09)	(0.11)	(0.11)
Virginia	1,549	1,712	1.79	1.97	(0.05)	0.09	(0.02)	(0.23)	(0.17)
Pennsylvania	1,540	1,674	1.78	2.16	0.05	0.11	(0.10)	(0.05)	(0.19)
Other	11,527	12,712	1.77	2.05	(0.21)	0.01	(0.18)	(0.29)	(0.22)
Total	26,839	29,496	1.82	2.07	(0.17)	(0.07)	(0.21)	(0.28)	(0.24)
PCI (1)	N/A	13							
Total junior lien mortgages	\$ 26,839	29,509							

(1) In connection with our adoption of CECL on January 1, 2020, PCI loans were reclassified as PCD loans and are therefore included with other non-PCD loans in this table. For more information, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.



## Risk Management - Credit Risk Management (continued)

Our junior lien, as well as first lien, lines of credit portfolios generally have draw periods of 10, 15 or 20 years with variable interest rate and payment options available during the draw period of (1) interest only or (2) 1.5% of outstanding principal balance plus accrued interest. As of June 30, 2020, lines of credit in a draw period primarily used the interest-only option. During the draw period, the borrower has the option of converting all or a portion of the line from a variable interest rate to a fixed rate with terms including interest-only payments for a fixed period between three to seven years or a fully amortizing payment with a fixed period between five to 30 years. At the end of the draw period, a line of credit generally converts to an amortizing payment schedule with repayment terms of up to 30 years based on the balance at time of conversion. Certain lines and loans have been structured with a balloon payment, which requires full repayment of the outstanding balance at the end of the term period. The conversion of lines or loans to fully amortizing or balloon payoff may result in a significant payment increase, which can affect some borrowers' ability to repay the outstanding balance.

On a monthly basis, we monitor the payment characteristics of borrowers in our first and junior lien lines of credit portfolios. In June 2020, excluding borrowers with COVID-19 related loan modification payment deferrals, approximately 44% of borrowers paid only the minimum amount due and approximately 52% paid more than the minimum amount due. The rest were either

delinquent or paid less than the minimum amount due. For the borrowers with an interest-only payment feature, approximately 28% paid only the minimum amount due and approximately 68% paid more than the minimum amount due.

The lines that enter their amortization period may experience higher delinquencies and higher loss rates than the ones in their draw or term period. We have considered this increased inherent risk in our allowance for credit loss estimate.

In anticipation of our borrowers reaching the end of their contractual commitment, we have created a program to inform, educate and help these borrowers transition from interest-only to fully-amortizing payments or full repayment. We monitor the performance of the borrowers moving through the program in an effort to refine our ongoing program strategy.

Table 19 reflects the outstanding balance of our portfolio of junior lien mortgages, including lines and loans, and first lien lines segregated into scheduled end-of-draw or end-of-term periods and products that are currently amortizing, or in balloon repayment status. At June 30, 2020, \$367 million, or 1%, of lines in their draw period were 30 days or more past due, compared with \$344 million, or 4%, of amortizing lines of credit. Included in the amortizing amounts in Table 19 is \$61 million of end-of-term balloon payments which were past due. The unfunded credit commitments for junior and first lien lines totaled \$57.7 billion at June 30, 2020.

**Table 19: Junior Lien Mortgage Line and Loan and First Lien Mortgage Line Portfolios Payment Schedule**

(in millions)	Outstanding balance June 30, 2020	Remainder of 2020	Scheduled end of draw / term					Amortizing
			2021	2022	2023	2024	2025 and thereafter (1)	
Junior lien lines and loans	\$ 26,839	133	739	2,982	2,055	1,646	11,101	8,183
First lien lines	9,806	60	367	1,501	1,128	879	4,247	1,624
<b>Total</b>	<b>\$ 36,645</b>	<b>193</b>	<b>1,106</b>	<b>4,483</b>	<b>3,183</b>	<b>2,525</b>	<b>15,348</b>	<b>9,807</b>
% of portfolios	100%	1	3	12	9	7	42	26

(1) Substantially all lines and loans are scheduled to convert to amortizing loans by the end of 2029, with annual scheduled amounts through 2029 ranging from \$1.7 billion to \$4.3 billion and averaging \$2.9 billion per year.

**CREDIT CARDS** Our credit card portfolio totaled \$36.0 billion at June 30, 2020, which represented 4% of our total outstanding loans. The net charge-off rate (annualized) for our credit card portfolio was 3.60% for second quarter 2020, compared with 3.68% for second quarter 2019, and 3.71% for the first half of both 2020 and 2019. The decrease in the net charge-off rate in second quarter 2020, compared with the same period a year ago, was driven by payment deferral activities in response to the COVID-19 pandemic.

**AUTOMOBILE** Our automobile portfolio totaled \$48.8 billion at June 30, 2020. The net charge-off rate (annualized) for our automobile portfolio was 0.88% for second quarter 2020, compared with 0.46% for second quarter 2019, and 0.78% and 0.64% for the first half of 2020 and 2019, respectively. The increase in the net charge-off rate in the second quarter and first half of 2020, compared with the same periods in 2019, was driven by lower recoveries due to the temporary suspension of involuntary repossessions in response to the COVID-19 pandemic.

**OTHER REVOLVING CREDIT AND INSTALLMENT** Other revolving credit and installment loans totaled \$32.4 billion at June 30, 2020, and largely included student and securities-based loans. Our private student loan portfolio totaled \$10.3 billion at June 30, 2020. On July 1, 2020, we announced that only customers with an outstanding private student loan balance will be eligible for new loans for the upcoming academic year. The net charge-off rate (annualized) for other revolving credit and installment loans was 1.09% for second quarter 2020, compared with 1.56% for second quarter 2019, and 1.35% and 1.52% for the first half of 2020 and 2019, respectively. The decrease in the net charge-off rate in the second quarter and first half of 2020, compared with the same periods a year ago, was driven by payment deferral activities in response to the COVID-19 pandemic.

**NONPERFORMING ASSETS (NONACCRUAL LOANS AND FORECLOSED ASSETS)** Table 20 summarizes nonperforming assets (NPAs) for each of the last four quarters. Total NPAs increased \$1.4 billion from first quarter 2020 to \$7.8 billion. Nonaccrual loans of \$7.6 billion increased \$1.4 billion from first quarter 2020. The increase in nonaccrual loans was driven by an increase in commercial nonaccrual loans predominantly due to an increase in oil and gas and real estate mortgage nonaccrual loans as the economic impact of the COVID-19 pandemic continued to impact our customer base. Customer payment deferral activities instituted in response to the COVID-19 pandemic may delay recognition of delinquencies for customers who otherwise would have moved into nonaccrual status. Prior to January 1, 2020, PCI loans were excluded from nonaccrual loans because they continued to earn interest income from accretable yield, independent of performance in accordance with their contractual terms. However, as a result of our adoption of CECL on January 1,

2020, \$275 million of real estate 1-4 family mortgage loans were reclassified from PCI to PCD loans, and as a result, were also classified as nonaccrual loans given their contractual delinquency. For more information on PCD loans, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

For information about when we generally place loans on nonaccrual status, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2019 Form 10-K. For more information on customer accommodations, including loan modifications, in response to the COVID-19 pandemic, see the “Risk Management – Credit Risk Management – COVID-Related Lending Accommodations” section in this Report.

Foreclosed assets of \$195 million were down \$57 million from first quarter 2020.

**Table 20: Nonperforming Assets (Nonaccrual Loans and Foreclosed Assets)**

(\$ in millions)	June 30, 2020		March 31, 2020		December 31, 2019		September 30, 2019	
	Balance	% of total loans	Balance	% of total loans	Balance	% of total loans	Balance	% of total loans
<b>Nonaccrual loans:</b>								
Commercial:								
Commercial and industrial	\$ 2,896	0.83%	\$ 1,779	0.44%	\$ 1,545	0.44%	\$ 1,539	0.44%
Real estate mortgage	1,217	0.98	944	0.77	573	0.47	669	0.55
Real estate construction	34	0.16	21	0.10	41	0.21	32	0.16
Lease financing	138	0.79	131	0.68	95	0.48	72	0.37
Total commercial	4,285	0.83	2,875	0.51	2,254	0.44	2,312	0.45
Consumer:								
Real estate 1-4 family first mortgage (1)	2,393	0.86	2,372	0.81	2,150	0.73	2,261	0.78
Real estate 1-4 family junior lien mortgage (1)	753	2.81	769	2.70	796	2.70	819	2.66
Automobile	129	0.26	99	0.20	106	0.22	110	0.24
Other revolving credit and installment	45	0.14	41	0.12	40	0.12	43	0.12
Total consumer	3,320	0.79	3,281	0.74	3,092	0.69	3,233	0.73
Total nonaccrual loans	7,605	0.81	6,156	0.61	5,346	0.56	5,545	0.58
<b>Foreclosed assets:</b>								
Government insured/guaranteed (2)	31		43		50		59	
Non-government insured/guaranteed	164		209		253		378	
Total foreclosed assets	195		252		303		437	
Total nonperforming assets	\$ 7,800	0.83%	\$ 6,408	0.63%	\$ 5,649	0.59%	\$ 5,982	0.63%
Change in NPAs from prior quarter	\$ 1,392		759		(333)		(317)	

(1) Real estate 1-4 family mortgage loans predominantly insured by the FHA or guaranteed by the VA are not placed on nonaccrual status because they are insured or guaranteed.

(2) Consistent with regulatory reporting requirements, foreclosed real estate resulting from government insured/guaranteed loans are classified as nonperforming. Both principal and interest related to these foreclosed real estate assets are collectible because the loans were predominantly insured by the FHA or guaranteed by the VA. Receivables related to the foreclosure of certain government guaranteed residential real estate mortgage loans are excluded from this table and included in Accounts Receivable in Other Assets. For more information on foreclosed assets, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2019 Form 10-K.

## Risk Management - Credit Risk Management (continued)

Table 21 provides an analysis of the changes in nonaccrual loans.

**Table 21: Analysis of Changes in Nonaccrual Loans**

(in millions)	Quarter ended				
	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
<b>Commercial nonaccrual loans</b>					
Balance, beginning of period	\$ 2,875	2,254	2,312	2,470	2,797
Inflows	2,741	1,479	652	710	621
Outflows:					
Returned to accruing	(64)	(56)	(124)	(52)	(46)
Foreclosures	—	—	—	(78)	(2)
Charge-offs	(560)	(360)	(201)	(194)	(187)
Payments, sales and other	(707)	(442)	(385)	(544)	(713)
Total outflows	(1,331)	(858)	(710)	(868)	(948)
Balance, end of period	4,285	2,875	2,254	2,312	2,470
<b>Consumer nonaccrual loans</b>					
Balance, beginning of period	3,281	3,092	3,233	3,452	4,108
Inflows (1)	379	749	473	448	437
Outflows:					
Returned to accruing	(135)	(254)	(227)	(274)	(250)
Foreclosures	(6)	(21)	(29)	(32)	(34)
Charge-offs	(39)	(48)	(45)	(44)	(34)
Payments, sales and other	(160)	(237)	(313)	(317)	(775)
Total outflows	(340)	(560)	(614)	(667)	(1,093)
Balance, end of period	3,320	3,281	3,092	3,233	3,452
Total nonaccrual loans	\$ 7,605	6,156	5,346	5,545	5,922

(1) In connection with our adoption of CECL on January 1, 2020, we classified \$275 million of PCD loans as nonaccruing based on performance.

Typically, changes to nonaccrual loans period-over-period represent inflows for loans that are placed on nonaccrual status in accordance with our policy, offset by reductions for loans that are paid down, charged off, sold, foreclosed, or are no longer classified as nonaccrual as a result of continued performance and an improvement in the borrower's financial condition and loan repayment capabilities.

While nonaccrual loans are not free of loss content, we believe exposure to loss is significantly mitigated by the following factors at June 30, 2020:

- 90% of total commercial nonaccrual loans and 99% of total consumer nonaccrual loans are secured. Of the consumer nonaccrual loans, 95% are secured by real estate and 89% have a combined LTV (CLTV) ratio of 80% or less.
- losses of \$708 million and \$990 million have already been recognized on 16% of commercial nonaccrual loans and 34% of consumer nonaccrual loans, respectively, in accordance with our charge-off policies. Once we write down loans to the net realizable value (fair value of collateral less estimated costs to sell), we re-evaluate each loan regularly and record additional write-downs if needed.

- 80% of commercial nonaccrual loans were current on interest and 75% of commercial nonaccrual loans were current on both principal and interest, but were on nonaccrual status because the full or timely collection of interest or principal had become uncertain.
- of the \$1.3 billion of consumer loans in bankruptcy or discharged in bankruptcy, and classified as nonaccrual, \$866 million were current.
- the remaining risk of loss of all nonaccrual loans has been considered and we believe is adequately covered by the allowance for loan losses.

We continue to work with our customers experiencing financial difficulty to determine if they can qualify for a loan modification so that they can stay in their homes. Under our proprietary modification programs, customers may be required to provide updated documentation, and some programs require completion of payment during trial periods to demonstrate sustained performance before the loan can be removed from nonaccrual status.

Table 22 provides a summary of foreclosed assets and an analysis of changes in foreclosed assets.

**Table 22: Foreclosed Assets**

(in millions)	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
<b>Summary by loan segment</b>					
Government insured/guaranteed	\$ 31	43	50	59	68
Commercial	45	49	62	180	101
Consumer	119	160	191	198	208
Total foreclosed assets	\$ 195	252	303	437	377
<b>Analysis of changes in foreclosed assets</b>					
Balance, beginning of period	\$ 252	303	437	377	436
Net change in government insured/guaranteed (1)	(12)	(7)	(9)	(9)	(7)
Additions to foreclosed assets (2)	51	107	126	235	144
Reductions:					
Sales	(98)	(154)	(250)	(155)	(199)
Write-downs and gains (losses) on sales	2	3	(1)	(11)	3
Total reductions	(96)	(151)	(251)	(166)	(196)
Balance, end of period	\$ 195	252	303	437	377

(1) Foreclosed government insured/guaranteed loans are temporarily transferred to and held by us as servicer, until reimbursement is received from FHA or VA.

(2) Includes loans moved into foreclosed assets from nonaccrual status and repossessed automobiles.

Foreclosed assets at June 30, 2020, included \$138 million of foreclosed residential real estate, of which 22% is predominantly FHA insured or VA guaranteed and expected to have minimal or no loss content. The remaining amount of foreclosed assets has been written down to estimated net realizable value. Of the \$195 million in foreclosed assets at June 30, 2020, 64% have been in the foreclosed assets portfolio one year or less.

As part of our actions to support customers during the COVID-19 pandemic, we have suspended certain mortgage foreclosure activities, which may affect the amount of our foreclosed assets for the remainder of the year. For additional information on loans in process of foreclosure, see Note 6 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report.

**TROUBLED DEBT RESTRUCTURINGS (TDRs)**
**Table 23: Troubled Debt Restructurings (TDRs)**

(in millions)	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
<b>Commercial:</b>					
Commercial and industrial	\$ 1,882	1,302	1,183	1,162	1,294
Real estate mortgage	717	697	669	598	620
Real estate construction	20	33	36	40	43
Lease financing	10	10	13	16	31
Total commercial TDRs	2,629	2,042	1,901	1,816	1,988
<b>Consumer:</b>					
Real estate 1-4 family first mortgage	7,176	7,284	7,589	7,905	8,218
Real estate 1-4 family junior lien mortgage	1,309	1,356	1,407	1,457	1,550
Credit Card	510	527	520	504	486
Automobile	108	76	81	82	85
Other revolving credit and installment	173	172	170	167	159
Trial modifications	91	108	115	123	127
Total consumer TDRs	9,367	9,523	9,882	10,238	10,625
Total TDRs	\$ 11,996	11,565	11,783	12,054	12,613
TDRs on nonaccrual status	\$ 3,475	2,846	2,833	2,775	3,058
<b>TDRs on accrual status:</b>					
Government insured/guaranteed	1,277	1,157	1,190	1,199	1,209
Non-government insured/guaranteed	7,244	7,562	7,760	8,080	8,346
Total TDRs	\$ 11,996	11,565	11,783	12,054	12,613

Table 23 provides information regarding the recorded investment of loans modified in TDRs. The allowance for loan losses for TDRs was \$607 million and \$1.0 billion at June 30, 2020, and December 31, 2019, respectively. See Note 6 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report for additional information regarding TDRs. In those situations where principal is forgiven, the entire amount of such forgiveness is immediately charged off. When we delay the timing on the repayment of a portion of principal (principal forbearance), we charge off the amount of forbearance if that amount is not considered fully collectible. As part of our actions to support customers during the COVID-19 pandemic, we have provided borrowers relief in the form of loan modifications. Under the CARES Act and the Interagency Statement, loan modifications related to the COVID-19 pandemic will not be classified as TDRs if they meet certain eligibility criteria. For more information on the CARES Act and the Interagency Statement, see the “Risk Management – Credit Risk Management – Credit Quality Overview – Troubled Debt Restructuring Relief” section in this Report.

For more information on our nonaccrual policies when a restructuring is involved, see the “Risk Management – Credit Risk Management – Troubled Debt Restructurings (TDRs)” section in our 2019 Form 10-K.

Table 24 provides an analysis of the changes in TDRs. Loans modified more than once are reported as TDR inflows only in the period they are first modified. Other than resolutions such as foreclosures, sales and transfers to held for sale, we may remove loans held for investment from TDR classification, but only if they have been refinanced or restructured at market terms and qualify as new loans.

**Table 24: Analysis of Changes in TDRs**

(in millions)	Quarter ended				
	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
<b>Commercial TDRs</b>					
Balance, beginning of quarter	\$ 2,042	1,901	1,816	1,988	2,512
Inflows (1)	971	452	476	293	232
Outflows					
Charge-offs	(60)	(56)	(48)	(66)	(37)
Foreclosures	—	—	(1)	—	—
Payments, sales and other (2)	(324)	(255)	(342)	(399)	(719)
Balance, end of quarter	2,629	2,042	1,901	1,816	1,988
<b>Consumer TDRs</b>					
Balance, beginning of quarter	9,523	9,882	10,238	10,625	12,797
Inflows (1)	425	312	350	360	336
Outflows					
Charge-offs	(46)	(63)	(57)	(56)	(61)
Foreclosures	(8)	(57)	(61)	(70)	(74)
Payments, sales and other (2)	(510)	(544)	(580)	(617)	(2,364)
Net change in trial modifications (3)	(17)	(7)	(8)	(4)	(9)
Balance, end of quarter	9,367	9,523	9,882	10,238	10,625
Total TDRs	\$ 11,996	11,565	11,783	12,054	12,613

- (1) Inflows include loans that modify, even if they resolve within the period, as well as gross advances on term loans that modified in a prior period and net advances on revolving TDRs that modified in a prior period.
- (2) Other outflows consist of normal amortization/accretion of loan basis adjustments and loans transferred to held for sale. Occasionally, loans that have been refinanced or restructured at market terms qualify as new loans, which are also included as other outflows.
- (3) Net change in trial modifications includes: inflows of new TDRs entering the trial payment period, net of outflows for modifications that either (i) successfully perform and enter into a permanent modification, or (ii) did not successfully perform according to the terms of the trial period plan and are subsequently charged-off, foreclosed upon or otherwise resolved.

## Risk Management - Credit Risk Management (continued)

**LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING** Loans 90 days or more past due are still accruing if they are (1) well-secured and in the process of collection or (2) real estate 1-4 family mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual until later delinquency, usually 120 days past due. Prior to January 1, 2020, PCI loans were excluded from loans 90 days or more past due and still accruing because they continued to earn interest income from accretable yield, independent of performance in accordance with their contractual terms. In connection with our adoption of CECL, PCI loans were reclassified as PCD loans and classified as accruing or nonaccruing based on performance.

Loans 90 days or more past due and still accruing, excluding insured/guaranteed loans, at June 30, 2020, were down \$116 million, or 12%, from December 31, 2019 due to payoffs and lower delinquencies in consumer loans as payment deferral activities instituted in response to the COVID-19 pandemic

delayed recognition of delinquencies for customers who would have otherwise moved into past due status, partially offset by an increase in commercial loans 90 days or more past due and still accruing driven by credit deterioration due to the economic impact of the COVID-19 pandemic.

Loans 90 days or more past due and still accruing whose repayments are predominantly insured by the FHA or guaranteed by the VA for mortgages were \$8.9 billion at June 30, 2020, up from \$6.4 billion at December 31, 2019, due to the economic slowdown related to the COVID-19 pandemic affecting our customers.

Table 25 reflects loans 90 days or more past due and still accruing by class for loans not government insured/guaranteed. For additional information on delinquencies by loan class, see Note 6 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report.

**Table 25: Loans 90 Days or More Past Due and Still Accruing**

(in millions)	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
Total:	\$ 9,739	7,023	7,285	7,130	7,258
Less: FHA insured/VA guaranteed (1)	8,922	6,142	6,352	6,308	6,478
<b>Total, not government insured/guaranteed</b>	<b>\$ 817</b>	<b>881</b>	<b>933</b>	<b>822</b>	<b>780</b>
By segment and class, not government insured/guaranteed:					
Commercial:					
Commercial and industrial	\$ 101	24	47	6	17
Real estate mortgage	44	28	31	28	24
Real estate construction	—	1	—	—	—
Total commercial	145	53	78	34	41
Consumer:					
Real estate 1-4 family first mortgage	93	128	112	100	108
Real estate 1-4 family junior lien mortgage	19	25	32	35	27
Credit card	418	528	546	491	449
Automobile	54	69	78	75	63
Other revolving credit and installment	88	78	87	87	92
Total consumer	672	828	855	788	739
<b>Total, not government insured/guaranteed</b>	<b>\$ 817</b>	<b>881</b>	<b>933</b>	<b>822</b>	<b>780</b>

(1) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA.

## NET LOAN CHARGE-OFFS

**Table 26: Net Loan Charge-offs**

(\$ in millions)	Quarter ended									
	Jun 30, 2020		Mar 31, 2020		Dec 31, 2019		Sep 30, 2019		Jun 30, 2019	
	Net loan charge-offs	% of avg. loans (1)	Net loan charge-offs	% of avg. loans (1)	Net loan charge-offs	% of avg. loans (1)	Net loan charge-offs	% of avg. loans (1)	Net loan charge-offs	% of avg. loans (1)
<b>Commercial:</b>										
Commercial and industrial	\$ 521	0.55%	\$ 333	0.37%	\$ 168	0.19%	\$ 147	0.17%	\$ 159	0.18%
Real estate mortgage	67	0.22	(2)	(0.01)	4	0.01	(8)	(0.02)	4	0.01
Real estate construction	(1)	(0.02)	(16)	(0.32)	—	—	(8)	(0.14)	(2)	(0.04)
Lease financing	15	0.33	9	0.19	31	0.63	8	0.17	4	0.09
Total commercial	602	0.44	324	0.25	203	0.16	139	0.11	165	0.13
<b>Consumer:</b>										
Real estate 1-4 family first mortgage	2	—	(3)	—	(3)	—	(5)	(0.01)	(30)	(0.04)
Real estate 1-4 family junior lien mortgage	(12)	(0.17)	(5)	(0.07)	(16)	(0.20)	(22)	(0.28)	(19)	(0.24)
Credit card	327	3.60	377	3.81	350	3.48	319	3.22	349	3.68
Automobile	106	0.88	82	0.68	87	0.73	76	0.65	52	0.46
Other revolving credit and installment	88	1.09	134	1.59	148	1.71	138	1.60	136	1.56
Total consumer	511	0.48	585	0.53	566	0.51	506	0.46	488	0.45
Total	\$ 1,113	0.46%	\$ 909	0.38%	\$ 769	0.32%	\$ 645	0.27%	\$ 653	0.28%

(1) Quarterly net loan charge-offs (recoveries) as a percentage of average respective loans are annualized.

Table 26 presents net loan charge-offs for second quarter 2020 and the previous four quarters. Net loan charge-offs in second quarter 2020 were \$1.1 billion (0.46% of average total loans outstanding), compared with \$653 million (0.28%) in second quarter 2019.

The increase in commercial net loan charge-offs in second quarter 2020 from the prior quarter was driven by higher commercial and industrial losses primarily in our oil and gas portfolio, as well as higher commercial real estate mortgage losses. The decrease in consumer net loan charge-offs in second quarter 2020 from the prior quarter was driven by lower losses in credit card, and other revolving credit and installment loans driven by payment deferral activities in response to the COVID-19 pandemic.

The COVID-19 pandemic may continue to impact the credit quality of our loan portfolio. Although the potential impacts were considered in our allowance for credit losses for loans, payment deferral activities instituted in response to the COVID-19 pandemic could delay the recognition of net loan charge-offs. For more information on customer accommodations in response to the COVID-19 pandemic, see the “Risk Management – Credit Risk Management – COVID-Related Lending Accommodations” section in this Report.

**ALLOWANCE FOR CREDIT LOSSES** We maintain an allowance for credit losses for loans, which is management’s estimate of the expected credit losses in the loan portfolio and unfunded credit commitments, at the balance sheet date, excluding loans and unfunded credit commitments carried at fair value or held for sale. Additionally, we maintain an allowance for credit losses for debt securities classified as either available-for-sale or held-to-maturity, other financial assets measured at amortized cost, net investments in leases, and other off-balance sheet credit exposures.

We apply a disciplined process and methodology to establish our allowance for credit losses each quarter. The process for establishing the allowance for credit losses for loans takes into consideration many factors, including historical and forecasted loss trends, loan-level credit quality ratings and loan grade-specific characteristics. The process involves subjective and complex judgments. In addition, we review a variety of credit metrics and trends. These credit metrics and trends, however, do not solely determine the amount of the allowance as we use several analytical tools. For additional information on our allowance for credit losses, see the “Critical Accounting Policies – Allowance for Credit Losses” section and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report. For additional information on our allowance for credit losses for loans, see Note 6 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report, and for additional information on our allowance for credit losses for debt securities, see the “Balance Sheet Analysis – Available-For-Sale and Held-To-Maturity Debt Securities” section and Note 5 (Available-for-Sale and Held-to-Maturity Debt Securities) to Financial Statements in this Report.

Table 27 presents the allocation of the allowance for credit losses for loans by loan segment and class for the most recent quarter end and last four year ends. The detail of the changes in the allowance for credit losses for loans by portfolio segment (including charge-offs and recoveries by loan class) is included in Note 6 (Loans and Related Allowance for Credit Losses) to Financial Statements in this Report.



## Risk Management - Credit Risk Management (continued)

**Table 27: Allocation of the Allowance for Credit Losses (ACL) for Loans (1)**

(\$ in millions)	Jun 30, 2020		Dec 31, 2019		Dec 31, 2018		Dec 31, 2017		Dec 31, 2016	
	ACL	Loans as % of total loans	ACL	Loans as % of total loans	ACL	Loans as % of total loans	ACL	Loans as % of total loans	ACL	Loans as % of total loans
<b>Commercial:</b>										
Commercial and industrial	\$ 8,109	37%	\$ 3,600	37%	\$ 3,628	37%	\$ 3,752	35%	\$ 4,560	34%
Real estate mortgage	2,395	13	1,236	13	1,282	13	1,374	13	1,320	14
Real estate construction	484	2	1,079	2	1,200	2	1,238	3	1,294	2
Lease financing	681	2	330	2	307	2	268	2	220	2
Total commercial	11,669	54	6,245	54	6,417	54	6,632	53	7,394	52
<b>Consumer:</b>										
Real estate 1-4 family first mortgage	1,541	30	692	30	750	30	1,085	30	1,270	29
Real estate 1-4 family junior lien mortgage	725	3	247	3	431	3	608	4	815	5
Credit card	3,777	4	2,252	4	2,064	4	1,944	4	1,605	4
Automobile	1,174	5	459	5	475	5	1,039	5	817	6
Other revolving credit and installment	1,550	4	561	4	570	4	652	4	639	4
Total consumer	8,767	46	4,211	46	4,290	46	5,328	47	5,146	48
Total	\$ 20,436	100%	\$ 10,456	100%	\$ 10,707	100%	\$ 11,960	100%	\$ 12,540	100%
<b>Components:</b>										
Allowance for loan losses	\$ 18,926		9,551		9,775		11,004		11,419	
Allowance for unfunded credit commitments	1,510		905		932		956		1,121	
Allowance for credit losses for loans	\$ 20,436		10,456		10,707		11,960		12,540	
Allowance for loan losses as a percentage of total loans	2.02%		0.99		1.03		1.15		1.18	
Allowance for loan losses as a percentage of total net loan charge-offs (2)	423		346		356		376		324	
Allowance for credit losses for loans as a percentage of total loans	2.19		1.09		1.12		1.25		1.30	
Allowance for credit losses for loans as a percentage of total nonaccrual loans	269		196		165		156		126	

(1) Disclosure is not comparative due to our adoption of CECL on January 1, 2020. For more information, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

(2) Total net loan charge-offs are annualized for the quarter ended June 30, 2020.

The ratios for the allowance for loan losses and the allowance for credit losses for loans presented in Table 27 may fluctuate from period to period due to such factors as the mix of loan types in the portfolio, borrower credit strength, and the value and marketability of collateral.

The allowance for credit losses for loans increased \$10.0 billion, or 95%, from December 31, 2019, driven by a \$11.4 billion increase in the allowance for credit losses for loans in the first half of 2020, partially offset by a \$1.3 billion decrease as a result of adopting CECL. The increase in the allowance for credit losses for loans reflected current and forecasted economic conditions due to the COVID-19 pandemic. Total provision for credit losses for loans was \$9.6 billion in second quarter 2020, compared with \$503 million in second quarter 2019. The increase in the provision for credit losses for loans in second quarter 2020, compared with the same period a year ago, reflected an increase in the allowance for credit losses for loans due to the economic impact of the COVID-19 pandemic.

We consider multiple economic scenarios to develop our estimate of the allowance for credit losses for loans. The scenarios include a base case considered to be the most likely economic forecast, along with an optimistic (upside) and a

pessimistic (downside) economic forecast. Our estimate of the allowance for credit losses for loans at June 30, 2020, was based on a weighting of the base case and downside economic scenarios of 80% and 20%, respectively, with no weighting applied to the upside scenario. The base case economic forecast assumed near-term economic stress recovering into late 2021. The downside scenario assumed more sustained adverse economic impacts resulting from the COVID-19 pandemic compared with the base case. The downside scenario assumed U.S. real GDP increasing slowly and not fully recovering during the remainder of 2020 and 2021, and a sustained elevation in the U.S. unemployment rate until mid-2022. We considered expectations for the impact of government economic stimulus programs in effect on June 30, 2020; however, we did not consider the impact of future government economic stimulus programs. In addition, we considered expectations for the impact of customer accommodation activity, as well as the estimated impact on certain industries that we consider to be directly and most adversely affected by the COVID-19 pandemic.

In addition to quantitative estimates, we consider qualitative factors that represent risks inherent in our processes and assumptions such as economic environmental factors, modeling

assumptions and performance, and other subjective factors, including industry trends and emerging risk assessments. At June 30, 2020, the qualitative portion of our allowance for credit losses for loans included adjustments for model performance relative to management's loss expectations, including specific incremental risks from the oil and gas, commercial real estate, and home lending portfolios due to the continued economic impact of the COVID-19 pandemic.

The forecasted key economic variables inherent in our estimate of the allowance for credit losses for loans at June 30, 2020, are presented in Table 28.

**Table 28: Forecasted Key Economic Variables**

	4Q 2020	2Q 2021	4Q 2021
Blend of 80% base case and 20% downside scenario (1):			
U.S. unemployment rate (2)	11.0	9.2	7.5
U.S. real GDP (3)	4.3	6.3	3.5
Home price index (4)	0.7	(3.0)	(0.9)
Commercial real estate asset prices (4)	(2.5)	(7.6)	(5.1)

- (1) Represents a weighted average of the forecasted economic variable inputs.  
(2) Quarterly average.  
(3) Seasonally adjusted annualized rate.  
(4) Percentage change year over year of national average; outlook differs by geography and property type.

Future amounts of the allowance for credit losses for loans will be based on a variety of factors, including loan balance changes, portfolio credit quality and mix changes, and changes in general economic conditions and expectations (including for unemployment and GDP), among other factors. Based on economic conditions at the end of second quarter 2020, it was difficult to estimate the length and severity of the economic downturn that may result from the COVID-19 pandemic and the impact of other factors that may influence the level of eventual losses and corresponding requirements for future amounts of the allowance for credit losses, including the impact of economic stimulus programs and customer accommodation activity. The COVID-19 pandemic could continue to result in the recognition of credit losses in our loan portfolios and increases in our allowance for credit losses, particularly if the impact on the economy worsens.

We believe the allowance for credit losses for loans of \$20.4 billion at June 30, 2020, was appropriate to cover expected credit losses, including unfunded credit commitments, at that date. The entire allowance is available to absorb expected credit losses from the total loan portfolio. The allowance for credit losses for loans is subject to change and reflects existing factors as of the date of determination, including economic or market conditions and ongoing internal and external examination processes. Due to the sensitivity of the allowance for credit losses for loans to changes in the economic and business environment, it is possible that we will incur incremental credit losses not anticipated as of the balance sheet date.

**LIABILITY FOR MORTGAGE LOAN REPURCHASE LOSSES** For information on our repurchase liability, see the “Risk Management – Credit Risk Management – Liability For Mortgage Loan Repurchase Losses” section in our 2019 Form 10-K.

**RISKS RELATING TO SERVICING ACTIVITIES** In addition to servicing loans in our portfolio, we act as servicer and/or master servicer of residential mortgage loans included in GSE-guaranteed mortgage securitizations, GNMA-guaranteed mortgage securitizations of FHA-insured/VA-guaranteed mortgages and private label

mortgage securitizations, as well as for unsecuritized loans owned by institutional investors. In connection with our servicing activities, we could become subject to consent orders and settlement agreements with federal and state regulators for alleged servicing issues and practices. In general, these can require us to provide customers with loan modification relief, refinancing relief, and foreclosure prevention and assistance, as well as can impose certain monetary penalties on us.

As a servicer, we are required to advance certain delinquent payments of principal and interest on the mortgage loans we service. The amount and timing of reimbursement of these advances vary by investor and the applicable servicing agreements in place. Due to an increase in customer requests for payment deferrals as a result of the COVID-19 pandemic, the amount of principal and interest advances we were required to make as a servicer increased in second quarter 2020. The amount of these advances may continue to increase if additional payment deferrals are provided. Payment deferrals also delay the collection of contractually specified servicing fees, resulting in lower net servicing income.

In accordance with applicable servicing guidelines, delinquency status continues to advance for loans with COVID-related payment deferrals, which has resulted in an increase in delinquent loans serviced for others and a corresponding increase in loans eligible for repurchase from GNMA loan securitization pools. Our option to repurchase loans from GNMA loan securitization pools becomes exercisable when three scheduled loan payments remain unpaid by the borrower. We generally repurchase these loans for cash and as a result, our total consolidated assets do not change. In July 2020, we repurchased \$14.1 billion of these delinquent loans and we expect to repurchase \$5.6 billion of these delinquent loans in August 2020.

Loans that regain current status or are otherwise modified in accordance with applicable servicing guidelines may be included in future GNMA loan securitization pools. However, in accordance with guidance issued by GNMA in June 2020, repurchased loans with COVID-related payment deferrals are ineligible for inclusion in future GNMA loan securitization pools until the borrower has timely made six consecutive payments. This requirement may delay our ability to resell loans into the securitization market.

For additional information about the risks related to our servicing activities, see the “Risk Management – Credit Risk Management – Risks Relating to Servicing Activities” section in our 2019 Form 10-K. For additional information on mortgage banking activities, see Note 11 (Mortgage Banking Activities) to Financial Statements in this Report.

### Asset/Liability Management

Asset/liability management involves evaluating, monitoring and managing interest rate risk, market risk, liquidity and funding. Primary oversight of interest rate risk and market risk resides with the Finance Committee of our Board, which oversees the administration and effectiveness of financial risk management policies and processes used to assess and manage these risks. Primary oversight of liquidity and funding resides with the Risk Committee of the Board. At the management level we utilize a Corporate Asset/Liability Committee (Corporate ALCO), which consists of management from finance, risk and business groups, to oversee these risks and provide periodic reports to the Board's Finance Committee and Risk Committee as appropriate. As discussed in more detail for market risk activities below, we employ separate management level oversight specific to market risk.

## Asset/Liability Management (continued)

**INTEREST RATE RISK** Interest rate risk, which potentially can have a significant earnings impact, is an integral part of being a financial intermediary. We are subject to interest rate risk because:

- assets and liabilities may mature or reprice at different times (for example, if assets reprice faster than liabilities and interest rates are generally rising, earnings will initially increase);
- assets and liabilities may reprice at the same time but by different amounts (for example, when the general level of interest rates is rising, we may increase rates paid on checking and savings deposit accounts by an amount that is less than the general rise in market interest rates);
- short-term and long-term market interest rates may change by different amounts (for example, the shape of the yield curve may affect new loan yields and funding costs differently);
- the remaining maturity of various assets or liabilities may shorten or lengthen as interest rates change (for example, if long-term mortgage interest rates increase sharply, MBS held in the debt securities portfolio may pay down slower than anticipated, which could impact portfolio income); or
- interest rates may also have a direct or indirect effect on loan demand, collateral values, credit losses, mortgage origination volume, the fair value of MSR and other financial instruments, the value of the pension liability and other items affecting earnings.

We assess interest rate risk by comparing outcomes under various net interest income simulations using many interest rate scenarios that differ in the direction of interest rate changes, the degree of change over time, the speed of change and the projected shape of the yield curve. These simulations require assumptions regarding drivers of earnings and balance sheet composition such as loan originations, prepayment speeds on loans and debt securities, deposit flows and mix, as well as pricing strategies.

Currently, our profile is such that we project net interest income will benefit from higher interest rates as our assets would reprice faster and to a greater degree than our liabilities, while in the case of lower interest rates, our assets would reprice downward and to a greater degree than our liabilities.

Our most recent simulations estimate net interest income sensitivity over the next two years under a range of both lower and higher interest rates. Measured impacts from standardized ramps (gradual changes) and shocks (instantaneous changes) are summarized in Table 29, indicating net interest income sensitivity relative to the Company's base net interest income plan. Ramp scenarios assume interest rates move gradually in parallel across the yield curve relative to the base scenario in year one, and the full amount of the ramp is held as a constant differential to the base scenario in year two. The following describes the simulation assumptions for the scenarios presented in Table 29:

- Simulations are dynamic and reflect anticipated growth across assets and liabilities.
- Other macroeconomic variables that could be correlated with the changes in interest rates are held constant.
- Mortgage prepayment and origination assumptions vary across scenarios and reflect only the impact of the higher or lower interest rates.
- Our base scenario deposit forecast incorporates mix changes consistent with the base interest rate trajectory. Deposit mix is modeled to be the same as in the base scenario across the alternative scenarios. In higher interest rate scenarios,

customer activity that shifts balances into higher-yielding products could reduce expected net interest income.

- We hold the size of the projected debt and equity securities portfolios constant across scenarios.

**Table 29: Net Interest Income Sensitivity Over Next Two-Year Horizon Relative to Base Expectation**

(\$ in billions)	Base	Lower Rates (1)		Higher Rates	
		100 bps Ramp Parallel Decrease	100 bps Instantaneous Parallel Increase	200 bps Ramp Parallel Increase	
<b>First Year of Forecasting Horizon</b>					
Net Interest Income Sensitivity to Base Scenario	\$	(0.9) - (0.4)	4.6 - 5.1	4.2 - 4.7	
<i>Key Rates at Horizon End</i>					
Fed Funds Target	0.25 %	0.00	1.25	2.25	
10-year CMT (2)	0.76	0.00	1.76	2.76	
<b>Second Year of Forecasting Horizon</b>					
Net Interest Income Sensitivity to Base Scenario	\$	(2.3) - (1.8)	7.2 - 7.7	11.2 - 11.7	
<i>Key Rates at Horizon End</i>					
Fed Funds Target	0.25 %	0.00	1.25	2.25	
10-year CMT (2)	0.89	0.00	1.89	2.89	

(1) U.S. interest rates are floored at zero where applicable in this scenario analysis

(2) U.S. Constant Maturity Treasury Rate

The sensitivity results above do not capture interest rate sensitive noninterest income and expense impacts. Our interest rate sensitive noninterest income and expense are predominantly driven by mortgage banking activities, and may move in the opposite direction of our net interest income. Mortgage originations generally decline in response to higher interest rates and generally increase, particularly refinancing activity, in response to lower interest rates. Mortgage results are also impacted by the valuation of MSR and related hedge positions. See the "Risk Management – Asset/Liability Management – Mortgage Banking Interest Rate and Market Risk" section in this Report for more information.

Interest rate sensitive noninterest income also results from changes in earnings credit for noninterest-bearing deposits that reduce treasury management deposit service fees. Additionally, for the trading portfolio, our trading assets are (before the effects of certain economic hedges) generally less sensitive to changes in interest rates than the related funding liabilities. As a result, net interest income from the trading portfolio contracts and expands as interest rates rise and fall, respectively. The impact to net interest income does not include the fair value changes of trading securities and loans, which, along with the effects of related economic hedges, are recorded in noninterest income.

We use the debt securities portfolio and exchange-traded and over-the-counter (OTC) interest rate derivatives to hedge our interest rate exposures. See the "Balance Sheet Analysis – Available-for-Sale and Held-to-Maturity Debt Securities" section in this Report for more information on the use of the available-for-sale and held-to-maturity securities portfolios. The notional or contractual amount, credit risk amount and fair value of the derivatives used to hedge our interest rate risk exposures as of June 30, 2020, and December 31, 2019, are presented in Note 15 (Derivatives) to Financial Statements in this Report. We use derivatives for asset/liability management in two main ways:

- to convert the cash flows from selected asset and/or liability instruments/portfolios including investments, commercial loans and long-term debt, from fixed-rate payments to floating-rate payments, or vice versa; and
- to economically hedge our mortgage origination pipeline, funded mortgage loans and MSRMs using interest rate swaps, swaptions, futures, forwards and options.

**MORTGAGE BANKING INTEREST RATE AND MARKET RISK** We originate, fund and service mortgage loans, which subjects us to various risks, including credit, liquidity and interest rate risks. For more information on mortgage banking interest rate and market risk, see the “Risk Management – Asset/Liability Management – Mortgage Banking Interest Rate and Market Risk” section in our 2019 Form 10-K.

While our hedging activities are designed to balance our mortgage banking interest rate risks, the financial instruments we use may not perfectly correlate with the values and income being hedged. For example, the change in the value of ARM production held for sale from changes in mortgage interest rates may or may not be fully offset by index-based financial instruments used as economic hedges for such ARMs. Hedge results may also be impacted as the overall level of hedges changes as interest rates change, or as there are other changes in the market for mortgage forwards that may affect the implied carry on the MSRMs.

The total carrying value of our residential and commercial MSRMs was \$8.2 billion at June 30, 2020, and \$12.9 billion at December 31, 2019. The weighted-average note rate on our portfolio of loans serviced for others was 4.13% at June 30, 2020, and 4.25% at December 31, 2019. The carrying value of our total MSRMs represented 0.52% and 0.79% of mortgage loans serviced for others at June 30, 2020 and December 31, 2019, respectively.

**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, and the risk of possible loss due to counterparty exposure. This applies to implied volatility risk, basis risk, and market liquidity risk. It also includes price risk in the trading book, mortgage servicing rights and the hedge effectiveness risk associated with the mortgage book, and impairment on private equity investments.

The Board’s Finance Committee has primary oversight responsibility for market risk and oversees the Company’s market risk exposure and market risk management strategies. In addition, the Board’s Risk Committee has certain oversight responsibilities with respect to market risk, including adjusting the Company’s market risk appetite with input from the Finance Committee. The Finance Committee also reports key market risk matters to the Risk Committee.

At the management level, the Market and Counterparty Risk Management function, which is part of IRM, has primary oversight responsibility for market risk. The Market and Counterparty Risk Management function reports into the CRO and also provides periodic reports related to market risk to the Board’s Finance Committee.

**MARKET RISK – TRADING ACTIVITIES** We engage in trading activities to accommodate the investment and risk management activities of our customers and to execute economic hedging to manage certain balance sheet risks. These trading activities predominantly occur within our Wholesale Banking businesses and to a lesser extent other divisions of the Company. Debt securities held for trading, equity securities held for trading, trading loans and trading derivatives are financial instruments used in our trading activities, and all are carried at fair value. Income earned on the financial instruments used in our trading activities include net interest income, changes in fair value and realized gains and losses. Net interest income earned from our trading activities is reflected in the interest income and interest expense components of our income statement. Changes in fair value of the financial instruments used in our trading activities are reflected in net gains on trading activities, a component of noninterest income in our income statement. For more information on the financial instruments used in our trading activities and the income from these trading activities, see Note 4 (Trading Activities) to Financial Statements in this Report.

Value-at-risk (VaR) is a statistical risk measure used to estimate the potential loss from adverse moves in the financial markets. The Company uses VaR metrics complemented with sensitivity analysis and stress testing in measuring and monitoring market risk. For more information, including information regarding our monitoring activities, sensitivity analysis and stress testing, see the “Risk Management – Asset/Liability Management – Market Risk – Trading Activities” section in our 2019 Form 10-K.

Trading VaR is the measure used to provide insight into the market risk exhibited by the Company’s trading positions. The Company calculates Trading VaR for risk management purposes to establish line of business and Company-wide risk limits. Trading VaR is calculated based on all trading positions on our balance sheet.

Table 30 shows the Company’s Trading General VaR by risk category. As presented in Table 30, average Company Trading General VaR was \$155 million for the quarter ended June 30, 2020, compared with \$33 million for the quarter ended March 31, 2020, and \$20 million for the quarter ended June 30, 2019. The increase in average as well as period end Company Trading General VaR for the quarter ended June 30, 2020, compared with the quarter ended June 30, 2019, was driven by recent market volatility, in particular changes in interest rate curves and a significant widening of credit spreads entering the 12-month historical lookback window used to calculate VaR.

**Table 30: Trading 1-Day 99% General VaR by Risk Category**

(in millions)	Quarter ended											
	June 30, 2020				March 31, 2020				June 30, 2019			
	Period end	Average	Low	High	Period end	Average	Low	High	Period end	Average	Low	High
<b>Company Trading General VaR Risk Categories</b>												
Credit	\$ 86	82	61	99	62	28	15	75	15	15	11	18
Interest rate	155	106	42	161	84	32	5	198	29	37	27	49
Equity	14	10	6	17	6	7	4	10	4	5	4	8
Commodity	4	4	2	7	2	2	1	6	2	2	1	6
Foreign exchange	1	2	1	3	2	1	1	6	1	1	1	1
Diversification benefit (1)	(51)	(49)			(63)	(37)			(32)	(40)		
Company Trading General VaR	\$ 209	155			93	33			19	20		

(1) The period-end VaR was less than the sum of the VaR components described above, which is due to portfolio diversification. The diversification effect arises because the risks are not perfectly correlated causing a portfolio of positions to usually be less risky than the sum of the risks of the positions alone. The diversification benefit is not meaningful for low and high metrics since they may occur on different days.

**MARKET RISK – EQUITY SECURITIES** We are directly and indirectly affected by changes in the equity markets. We make and manage direct investments in start-up businesses, emerging growth companies, management buy-outs, acquisitions and corporate recapitalizations. We also invest in non-affiliated funds that make similar private equity investments. These private equity investments are made within capital allocations approved by management and the Board. The Board's policy is to review business developments, key risks and historical returns for the private equity investment portfolio at least annually. Management reviews these investments at least quarterly and assesses them for possible other-than-temporary impairment (OTTI) and observable price changes. For nonmarketable equity securities, the analysis is based on facts and circumstances of each individual investment and the expectations for that investment's cash flows, capital needs, the viability of its business model, our exit strategy, and observable price changes that are similar to the investments held. Investments in nonmarketable equity securities include private equity investments accounted for under the equity method, fair value through net income, and the measurement alternative.

In conjunction with the March 2008 initial public offering (IPO) of Visa, Inc. (Visa), we received approximately 20.7 million shares of Visa Class B common stock, the class which was apportioned to member banks of Visa at the time of the IPO. To manage our exposure to Visa and realize the value of the appreciated Visa shares, we incrementally sold these shares through a series of sales, thereby eliminating this position as of September 30, 2015. As part of these sales, we agreed to compensate the buyer for any additional contributions to a litigation settlement fund for the litigation matters associated with the Class B shares we sold. Our exposure to this retained litigation risk has been updated quarterly and is reflected on our balance sheet. For additional information about the associated litigation matters, see the "Interchange Litigation" section in Note 14 (Legal Actions) to Financial Statements in this Report.

As part of our business to support our customers, we trade public equities, listed/OTC equity derivatives and convertible bonds. We have parameters that govern these activities. We also have marketable equity securities that include investments relating to our venture capital activities. We manage these marketable equity securities within capital risk limits approved by management and the Board and monitored by Corporate ALCO and the Market Risk Committee. The fair value changes in these marketable equity securities are recognized in net income. For

more information, see Note 8 (Equity Securities) to Financial Statements in this Report.

Changes in equity market prices may also indirectly affect our net income by (1) the value of third party assets under management and, hence, fee income, (2) borrowers whose ability to repay principal and/or interest may be affected by the stock market, or (3) brokerage activity, related commission income and other business activities. Each business line monitors and manages these indirect risks.

**LIQUIDITY AND FUNDING** The objective of effective liquidity management is to ensure that we can meet customer loan requests, customer deposit maturities/withdrawals and other cash commitments efficiently under both normal operating conditions and under periods of Wells Fargo-specific and/or market stress. To achieve this objective, the Board establishes liquidity guidelines that require sufficient asset-based liquidity to cover potential funding requirements and to avoid over-dependence on volatile, less reliable funding markets. These guidelines are monitored on a monthly basis by the Corporate ALCO and on a quarterly basis by the Board. These guidelines are established and monitored for both the consolidated company and for the Parent on a stand-alone basis to ensure that the Parent is a source of strength for its regulated, deposit-taking banking subsidiaries.

**Liquidity Standards** We are subject to a rule, issued by the FRB, OCC and Federal Deposit Insurance Corporation (FDIC), that includes a quantitative liquidity requirement consistent with the liquidity coverage ratio (LCR) established by the Basel Committee on Banking Supervision (BCBS). The rule requires banking institutions, such as Wells Fargo, to hold high-quality liquid assets (HQLA), such as central bank reserves and government and corporate debt that can be converted easily and quickly into cash, in an amount equal to or greater than its projected net cash outflows during a 30-day stress period. The rule is applicable to the Company on a consolidated basis and to our insured depository institutions (IDIs) with total assets greater than \$10 billion. In addition, rules issued by the FRB impose enhanced liquidity management standards on large BHCs such as Wells Fargo.

The FRB, OCC and FDIC have proposed a rule that would implement a stable funding requirement, the net stable funding ratio (NSFR), which would require large banking organizations, such as Wells Fargo, to maintain a sufficient amount of stable

funding in relation to their assets, derivative exposures and commitments over a one-year horizon period.

**Liquidity Coverage Ratio** As of June 30, 2020, the consolidated Company, Wells Fargo Bank, N.A. and Wells Fargo National Bank West were above the minimum LCR requirement of 100%, which is calculated as HQLA divided by projected net cash outflows, as each is defined under the LCR rule. Table 31 presents the Company's quarterly average values for the daily-calculated LCR and its components calculated pursuant to the LCR rule requirements.

**Table 31: Liquidity Coverage Ratio**

(in millions, except ratio)	Average for Quarter ended June 30, 2020	
HQLA (1)(2)	\$	409,467
Projected net cash outflows		316,268
LCR		129%

(1) Excludes excess HQLA at certain subsidiaries that is not transferable to other Wells Fargo entities.

(2) Net of applicable haircuts required under the LCR rule.

**Liquidity Sources** We maintain liquidity in the form of cash, cash equivalents and unencumbered high-quality, liquid debt

**Table 32: Primary Sources of Liquidity**

(in millions)	June 30, 2020			December 31, 2019		
	Total	Encumbered	Unencumbered	Total	Encumbered	Unencumbered
Interest-earning deposits with banks	\$ 237,799	—	237,799	119,493	—	119,493
Debt securities of U.S. Treasury and federal agencies	58,486	3,181	55,305	61,099	3,107	57,992
Mortgage-backed securities of federal agencies (1)	255,447	37,215	218,232	258,589	41,135	217,454
Total	\$ 551,732	40,396	511,336	439,181	44,242	394,939

(1) Included in encumbered securities at June 30, 2020, were securities with a fair value of \$2.0 billion, which were purchased in June 2020, but settled in July 2020.

In addition to our primary sources of liquidity shown in Table 32, liquidity is also available through the sale or financing of other debt securities including trading and/or available-for-sale debt securities, as well as through the sale, securitization or financing of loans, to the extent such debt securities and loans are not encumbered. As of June 30, 2020, we also maintained approximately \$276.1 billion of available borrowing capacity at various Federal Home Loan Banks and the Federal Reserve Discount Window.

securities. These assets make up our primary sources of liquidity which are presented in Table 32. Our primary sources of liquidity are substantially the same in composition as HQLA under the LCR rule; however, our primary sources of liquidity will generally exceed HQLA calculated under the LCR rule due to the applicable haircuts to HQLA and the exclusion of excess HQLA at our subsidiary IDIs required under the LCR rule.

Our cash is predominantly on deposit with the Federal Reserve. Debt securities included as part of our primary sources of liquidity are comprised of U.S. Treasury and federal agency debt, and mortgage-backed securities issued by federal agencies within our debt securities portfolio. We believe these debt securities provide quick sources of liquidity through sales or by pledging to obtain financing, regardless of market conditions. Some of these debt securities are within our held-to-maturity portfolio and as such are not intended for sale, but may be pledged to obtain financing. Some of the legal entities within our consolidated group of companies are subject to various regulatory, tax, legal and other restrictions that can limit the transferability of their funds. We believe we maintain adequate liquidity for these entities in consideration of such funds transfer restrictions.

Deposits have historically provided a sizable source of relatively low-cost funds. Deposits were 151% of total loans at June 30, 2020, and 137% at December 31, 2019.

Additional funding is provided by long-term debt and short-term borrowings. Table 33 shows selected information for short-term borrowings, which generally mature in less than 30 days.

**Table 33: Short-Term Borrowings**

(in millions)	Quarter ended				
	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
<b>Balance, period end</b>					
Federal funds purchased and securities sold under agreements to repurchase	\$ 49,659	79,036	92,403	110,399	102,560
Other short-term borrowings	10,826	13,253	12,109	13,509	12,784
Total	\$ 60,485	92,289	104,512	123,908	115,344
<b>Average daily balance for period</b>					
Federal funds purchased and securities sold under agreements to repurchase	\$ 52,868	90,722	103,614	109,499	102,557
Other short-term borrowings	10,667	12,255	12,335	12,343	12,197
Total	\$ 63,535	102,977	115,949	121,842	114,754
<b>Maximum month-end balance for period</b>					
Federal funds purchased and securities sold under agreements to repurchase (1)	\$ 50,397	91,121	111,727	110,399	105,098
Other short-term borrowings (2)	11,220	13,253	12,708	13,509	12,784

(1) Highest month-end balance in each of the last five quarters was in April and February 2020, and October, September and May 2019.

(2) Highest month-end balance in each of the last five quarters was in April and March 2020, and October, September and June 2019.

## Asset/Liability Management (continued)

**Long-Term Debt** We access domestic and international capital markets for long-term funding (generally greater than one year) through issuances of registered debt securities, private placements and asset-backed secured funding. We issue long-term debt in a variety of maturities and currencies to achieve cost-efficient funding and to maintain an appropriate maturity profile. Proceeds from securities issued were used for general corporate purposes, and, unless otherwise specified in the applicable prospectus or prospectus supplement, we expect the proceeds from securities issued in the future will be used for the same purposes. Long-term debt of \$230.9 billion at June 30,

2020, increased \$2.7 billion from December 31, 2019. We issued \$18.8 billion and \$37.7 billion of long-term debt in the second quarter and first half of 2020, respectively, and \$187 million in July 2020. Depending on market conditions, we may purchase our outstanding debt securities from time to time in privately negotiated or open market transactions, by tender offer, or otherwise. Table 34 provides the aggregate carrying value of long-term debt maturities (based on contractual payment dates) for the remainder of 2020 and the following years thereafter, as of June 30, 2020.

**Table 34: Maturity of Long-Term Debt**

(in millions)	June 30, 2020						
	Remaining 2020	2021	2022	2023	2024	Thereafter	Total
<b>Wells Fargo &amp; Company (Parent Only)</b>							
Senior notes	\$ 7,665	17,999	18,411	11,573	12,346	88,248	156,242
Subordinated notes	—	—	—	3,789	772	26,818	31,379
Junior subordinated notes	—	—	—	—	—	1,949	1,949
Total long-term debt – Parent	\$ 7,665	17,999	18,411	15,362	13,118	117,015	189,570
<b>Wells Fargo Bank, N.A. and other bank entities (Bank)</b>							
Senior notes	\$ 2,109	15,207	4,897	2,943	6	416	25,578
Subordinated notes	—	—	—	1,005	—	4,929	5,934
Junior subordinated notes	—	—	—	—	—	369	369
Securitized and other bank debt	1,683	1,296	933	268	139	1,472	5,791
Total long-term debt – Bank	\$ 3,792	16,503	5,830	4,216	145	7,186	37,672
<b>Other consolidated subsidiaries</b>							
Senior notes	\$ 131	1,843	206	508	123	836	3,647
Securitized and other bank debt	—	—	—	—	—	32	32
Total long-term debt – Other consolidated subsidiaries	\$ 131	1,843	206	508	123	868	3,679
<b>Total long-term debt</b>	<b>\$ 11,588</b>	<b>36,345</b>	<b>24,447</b>	<b>20,086</b>	<b>13,386</b>	<b>125,069</b>	<b>230,921</b>

**Credit Ratings** Investors in the long-term capital markets, as well as other market participants, generally will consider, among other factors, a company's debt rating in making investment decisions. Rating agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix, the level and quality of earnings, and rating agency assumptions regarding the probability and extent of federal financial assistance or support for certain large financial institutions. Adverse changes in these factors could result in a reduction of our credit rating; however, our debt securities do not contain credit rating covenants.

On April 22, 2020, Fitch Ratings, Inc. (Fitch) affirmed the Company's long-term and short-term issuer default ratings and revised the rating outlook to negative from stable as Fitch expects significant operating environment headwinds from the disruption to economic activity and financial markets as a result of the COVID-19 pandemic. This rating action followed Fitch's event-driven review of the commercially-oriented U.S. global

systemically important banks (G-SIBs). On May 21, 2020, DBRS Morningstar confirmed the Company's ratings and revised the rating trend to negative from stable, citing the economic disruption caused by the COVID-19 pandemic. On July 22, 2020, Standard & Poor's (S&P) Global Ratings lowered the long-term rating of the Company to BBB+ from A- and revised the rating outlook to stable from negative.

See the "Risk Factors" section in our 2019 Form 10-K for additional information regarding our credit ratings and the potential impact a credit rating downgrade would have on our liquidity and operations, as well as Note 15 (Derivatives) to Financial Statements in this Report for information regarding additional collateral and funding obligations required for certain derivative instruments in the event our credit ratings were to fall below investment grade.

The credit ratings of the Company and Wells Fargo Bank, N.A. as of June 30, 2020, are presented in Table 35.

**Table 35: Credit Ratings as of June 30, 2020**

	Wells Fargo & Company		Wells Fargo Bank, N.A.	
	Senior debt	Short-term borrowings	Long-term deposits	Short-term borrowings
Moody's	A2	P-1	Aa1	P-1
S&P Global Ratings (1)	A-	A-2	A+	A-1
Fitch Ratings, Inc.	A+	F1	AA	F1+
DBRS Morningstar	AA (low)	R-1 (middle)	AA	R-1 (high)

(1) On July 22, 2020, S&P Global Ratings lowered the long-term rating of the Company to BBB+ from A- and revised the rating outlook to stable from negative.

**FEDERAL HOME LOAN BANK MEMBERSHIP** The Federal Home Loan Banks (the FHLBs) are a group of cooperatives that lending institutions use to finance housing and economic development in local communities. We are a member of the FHLBs based in Dallas, Des Moines and San Francisco. Each member of the FHLBs is required to maintain a minimum investment in capital stock of the applicable FHLB. The board of directors of each FHLB can increase the minimum investment requirements in the event it has concluded that additional capital is required to allow it to meet its own regulatory capital requirements. Any increase in the minimum investment requirements outside of specified ranges requires the approval of the Federal Housing Finance Agency. Because the extent of any obligation to increase our investment in any of the FHLBs depends entirely upon the occurrence of a future event, potential future payments to the FHLBs are not determinable.

**LIBOR TRANSITION** Due to uncertainty surrounding the suitability and sustainability of the London Interbank Offered Rate (LIBOR), central banks and global regulators have called for financial market participants to prepare for the discontinuation of LIBOR by the end of 2021. LIBOR is a widely-referenced benchmark rate, which is published in five currencies and a range of tenors, and seeks to estimate the cost at which banks can borrow on an unsecured basis from other banks. We have a significant number of assets and liabilities referenced to LIBOR and other interbank offered rates (IBORs), such as commercial loans, adjustable-rate mortgage loans, derivatives, debt securities, and long-term debt.

Accordingly, we established a LIBOR Transition Office (LTO) in February 2018, with senior management and Board oversight. The LTO is responsible for developing a coordinated strategy to transition the IBOR-linked contracts and processes across Wells Fargo to alternative reference rates and serves as the primary conduit between Wells Fargo and relevant industry groups, such as the Alternative Reference Rates Committee (ARRC).

In addition, the Company is actively working with regulators, industry working groups (such as the ARRC) and trade associations that are developing guidance to facilitate an orderly transition away from the use of LIBOR. We are closely monitoring and seeking to follow the recommendations and guidance announced by such organizations, including those announced by the ARRC and the Bank of England's Working Group on Sterling Risk-Free Reference Rates. We continue to assess the risks and related impacts associated with a transition away from IBORs. See the "Risk Factors" section in the 2019 Form 10-K for additional information regarding the potential impact of a benchmark rate, such as LIBOR, or other referenced financial metric being significantly changed, replaced, or discontinued.

On March 12, 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-04 – *Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (Update) that provides temporary relief from existing GAAP accounting requirements for entities that perform activities related to reference rate reform. The relief provided by the Update is primarily related to contract modifications and hedge accounting relationships that are impacted by the Company's reference rate reform activities. For additional information on the Update, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

For additional information on the amount of our IBOR-linked assets and liabilities, as well as the program structure and initiatives created by the LTO, see the "Risk Management – Asset/Liability Management – LIBOR Transition" section in our 2019 Form 10-K.



## Capital Management

We have an active program for managing capital through a comprehensive process for assessing the Company's overall capital adequacy. Our objective is to maintain capital at an amount commensurate with our risk profile and risk tolerance objectives, and to meet both regulatory and market expectations. We primarily fund our working capital needs through the retention of earnings net of both dividends and share repurchases, as well as through the issuance of preferred stock and long and short-term debt. Retained earnings decreased \$6.7 billion from December 31, 2019, predominantly as a result of common and preferred stock dividends of \$4.9 billion and net losses of \$1.7 billion. During second quarter 2020, we issued \$367 million of common stock, excluding conversions of preferred shares. On March 15, 2020, we suspended our share repurchase activities for the remainder of the first quarter and for second quarter 2020. On June 25, 2020, the FRB announced that it was prohibiting large BHCs subject to the FRB's capital plan rule, including Wells Fargo, from making any capital distribution (excluding any capital distribution arising from the issuance of a capital instrument eligible for inclusion in the numerator of a regulatory capital ratio), unless otherwise approved by the FRB. Through the end of third quarter 2020, the FRB authorized certain limited exceptions to this prohibition, which are described in the "Capital Planning and Stress Testing" section below. For additional information about capital distributions, see the "Capital Planning and Stress Testing" and "Securities Repurchases" sections below.

In January 2020, we issued \$2.0 billion of our Preferred Stock, Series Z. In March 2020, we redeemed the remaining \$1.8 billion of our Preferred Stock, Series K, and redeemed \$669 million of our Preferred Stock, Series T. For more information, see Note 17 (Preferred Stock) to Financial Statements in this Report.

On July 28, 2020, the Company reduced its third quarter 2020 common stock dividend to \$0.10 per share.

### Regulatory Capital Guidelines

The Company and each of our IDIs are subject to various regulatory capital adequacy requirements administered by the FRB and the OCC. Risk-based capital (RBC) guidelines establish a risk-adjusted ratio relating capital to different categories of assets and off-balance sheet exposures as discussed below.

**RISK-BASED CAPITAL AND RISK-WEIGHTED ASSETS** The Company is subject to rules issued by federal banking regulators to implement Basel III capital requirements for U.S. banking organizations. The federal banking regulators' capital rules, among other things, required on a fully phased-in basis as of June 30, 2020:

- a minimum Common Equity Tier 1 (CET1) ratio of 9.00%, comprised of a 4.50% minimum requirement plus a capital conservation buffer of 2.50% and for us, as a global systemically important bank (G-SIB), a capital surcharge of 2.00%;
  - a minimum tier 1 capital ratio of 10.50%, comprised of a 6.00% minimum requirement plus the capital conservation buffer of 2.50% and the G-SIB capital surcharge of 2.00%;
  - a minimum total capital ratio of 12.50%, comprised of a 8.00% minimum requirement plus the capital conservation buffer of 2.50% and the G-SIB capital surcharge of 2.00%;
- a potential countercyclical buffer of up to 2.50% to be added to the minimum capital ratios, which could be imposed by regulators at their discretion if it is determined that a period of excessive credit growth is contributing to an increase in systemic risk; and
  - a minimum tier 1 leverage ratio of 4.00%.

The Basel III capital requirements for calculating CET1 and tier 1 capital, along with risk-weighted assets (RWAs), are fully phased-in. However, the requirements for determining tier 2 and total capital are still in accordance with Transition Requirements and are scheduled to be fully phased-in by the end of 2021. The Basel III capital rules contain two frameworks for calculating capital requirements, a Standardized Approach and an Advanced Approach applicable to certain institutions, including Wells Fargo. Accordingly, in the assessment of our capital adequacy, we must report the lower of our CET1, tier 1 and total capital ratios calculated under the Standardized Approach and under the Advanced Approach. The difference between RWAs under the Standardized and Advanced Approach has narrowed in recent quarters due to economic conditions from the COVID-19 pandemic impacting our calculation of Advanced Approach RWAs. In particular, downgrades of loans in our loan portfolio, which drive negative credit risk migration, increased our Advanced Approach RWAs at June 30, 2020. We expect this trend to continue if the economic impact of the COVID-19 pandemic continues to affect our customer base.

Effective October 1, 2020, a stress capital buffer will be included in the minimum capital ratio requirements. The stress capital buffer is calculated based on the decrease in a BHC's risk-based capital ratios under the severely adverse scenario in the FRB's annual supervisory stress test and related Comprehensive Capital Analysis and Review (CCAR), plus four quarters of planned common stock dividends. The stress capital buffer will replace the current 2.50% capital conservation buffer under the Standardized Approach. On June 29, 2020, following the FRB's release of the results of the 2020 supervisory stress test and related CCAR, the Company announced that it expects its stress capital buffer to be 2.50%, which is the lowest possible under the new framework and would keep the regulatory minimum for the Company's CET1 ratio at 9.00%. The FRB has indicated that it will publish the final stress capital buffer for each BHC by August 31, 2020. Because the stress capital buffer is calculated annually as part of the FRB's supervisory stress test and related CCAR and will be based on data that can differ over time, our stress capital buffer, and thus the regulatory minimums for our capital ratios, are subject to change in future years.

As a G-SIB, we are also subject to the FRB's rule implementing the additional capital surcharge of between 1.00-4.50% on the minimum capital requirements of G-SIBs. Under the rule, we must annually calculate our surcharge under two methods and use the higher of the two surcharges. The first method (method one) considers our size, interconnectedness, cross-jurisdictional activity, substitutability, and complexity, consistent with the methodology developed by the BCBS and the Financial Stability Board (FSB). The second method (method two) uses similar inputs, but replaces substitutability with use of short-term wholesale funding and will generally result in higher surcharges than the BCBS methodology. Because the G-SIB capital surcharge is calculated annually based on data that can differ

over time, the amount of the surcharge is subject to change in future years.

In second quarter 2020, the Company elected to apply a modified transition provision issued by federal banking regulators in March 2020 related to the impact of CECL on regulatory capital. The rule permits certain banking organizations to exclude from regulatory capital the initial adoption impact of CECL, plus 25% of the cumulative changes in the ACL under CECL for each period until December 31, 2021, followed by a three-year phase-out of the benefits.

The tables that follow provide information about our risk-based capital and related ratios as calculated under Basel III

capital guidelines. Although we report certain capital amounts and ratios in accordance with Transition Requirements for banking industry regulatory reporting purposes, we manage our capital based on a fully phased-in basis. For information about our capital requirements calculated in accordance with Transition Requirements, see Note 23 (Regulatory and Agency Capital Requirements) to Financial Statements in this Report.

Table 36 summarizes our CET1, tier 1 capital, total capital, RWAs and capital ratios on a fully phased-in basis at June 30, 2020, and December 31, 2019.

**Table 36: Capital Components and Ratios (Fully Phased-In) (1)**

(in millions, except ratios)		Required Minimum Capital Ratios	June 30, 2020		December 31, 2019	
			Advanced Approach	Standardized Approach	Advanced Approach	Standardized Approach
Common Equity Tier 1	(A)		\$ 133,055	133,055	138,760	138,760
Tier 1 Capital	(B)		152,871	152,871	158,949	158,949
Total Capital (2)	(C)		182,698	192,486	187,813	195,703
Risk-Weighted Assets (3)	(D)		1,195,423	1,213,062	1,165,079	1,245,853
Common Equity Tier 1 Capital Ratio (3)	(A)/(D)	9.00%	11.13%	10.97 *	11.91	11.14 *
Tier 1 Capital Ratio (3)	(B)/(D)	10.50	12.79	12.60 *	13.64	12.76 *
Total Capital Ratio (2)(3)	(C)/(D)	12.50	15.28 *	15.87	16.12	15.71 *

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

(1) See Table 37 for information regarding the calculation and components of CET1, tier 1 capital, total capital and RWAs.

(2) Fully phased-in total capital amounts and ratios are considered non-GAAP financial measures that are used by management, bank regulatory agencies, investors and analysts to assess and monitor the Company's capital position. See Table 37 for information regarding the calculation and components of our fully phased-in total capital amounts, including a corresponding reconciliation to GAAP financial measures.

(3) RWAs and capital ratios for December 31, 2019, have been revised as a result of a decrease in RWAs under the Advanced Approach due to the correction of duplicated operational loss amounts.

## Capital Management (continued)

Table 37 provides information regarding the calculation and composition of our risk-based capital under the Advanced and

Standardized Approaches at June 30, 2020, and December 31, 2019.

**Table 37: Risk-Based Capital Calculation and Components**

(in millions)	June 30, 2020		December 31, 2019	
	Advanced Approach	Standardized Approach	Advanced Approach	Standardized Approach
Total equity	\$ 180,122	180,122	187,984	187,984
Adjustments:				
Preferred stock	(21,098)	(21,098)	(21,549)	(21,549)
Additional paid-in capital on preferred stock	159	159	(71)	(71)
Unearned ESOP shares	875	875	1,143	1,143
Noncontrolling interests	(736)	(736)	(838)	(838)
Total common stockholders' equity	159,322	159,322	166,669	166,669
Adjustments:				
Goodwill	(26,385)	(26,385)	(26,390)	(26,390)
Certain identifiable intangible assets (other than MSRs)	(389)	(389)	(437)	(437)
Goodwill and other intangibles on nonmarketable equity securities (included in other assets)	(2,050)	(2,050)	(2,146)	(2,146)
Applicable deferred taxes related to goodwill and other intangible assets (1)	831	831	810	810
CECL transition provision (2)	1,857	1,857	—	—
Other	(131)	(131)	254	254
Common Equity Tier 1	133,055	133,055	138,760	138,760
Common Equity Tier 1	\$ 133,055	133,055	138,760	138,760
Preferred stock	21,098	21,098	21,549	21,549
Additional paid-in capital on preferred stock	(159)	(159)	71	71
Unearned ESOP shares	(875)	(875)	(1,143)	(1,143)
Other	(248)	(248)	(288)	(288)
Total Tier 1 capital	(A) 152,871	152,871	158,949	158,949
Long-term debt and other instruments qualifying as Tier 2	25,471	25,471	26,515	26,515
Qualifying allowance for credit losses (3)	4,591	14,379	2,566	10,456
Other	(235)	(235)	(217)	(217)
Total Tier 2 capital (Fully Phased-In)	(B) 29,827	39,615	28,864	36,754
Effect of Basel III Transition Requirements	133	133	520	520
Total Tier 2 capital (Basel III Transition Requirements)	\$ 29,960	39,748	29,384	37,274
Total qualifying capital (Fully Phased-In)	(A)+(B) \$ 182,698	192,486	187,813	195,703
Total Effect of Basel III Transition Requirements	133	133	520	520
Total qualifying capital (Basel III Transition Requirements)	\$ 182,831	192,619	188,333	196,223
Risk-Weighted Assets (RWAs) (4)(5):				
Credit risk (6)	\$ 787,340	1,145,141	790,784	1,210,209
Market risk	67,920	67,921	35,644	35,644
Operational risk (7)	340,163	—	338,651	—
Total RWAs (7)	\$ 1,195,423	1,213,062	1,165,079	1,245,853

- (1) Determined by applying the combined federal statutory rate and composite state income tax rates to the difference between book and tax basis of the respective goodwill and intangible assets at period end.
- (2) In second quarter 2020, the Company elected to apply a modified transition provision issued by federal banking regulators in March 2020 related to the impact of CECL on regulatory capital. The rule permits certain banking organizations to exclude from regulatory capital the initial adoption impact of CECL, plus 25% of the cumulative changes in the ACL under CECL for each period until December 31, 2021, followed by a three-year phase-out of the benefits. The impact of the CECL transition provision on our regulatory capital at June 30, 2020, was an increase in capital of \$1.9 billion, reflecting a \$991 million (post-tax) increase in capital recognized upon our initial adoption of CECL, offset by 25% of the \$11.4 billion increase in our ACL under CECL from January 1, 2020, through June 30, 2020.
- (3) Under the Advanced Approach the allowance for credit losses that exceeds expected credit losses is eligible for inclusion in Tier 2 Capital, to the extent the excess allowance does not exceed 0.60% of Advanced credit RWAs, and under the Standardized Approach, the allowance for credit losses is includable in Tier 2 Capital up to 1.25% of Standardized credit RWAs, in each case with any excess allowance for credit losses being deducted from the respective total RWAs.
- (4) RWAs calculated under the Advanced Approach utilize a risk-sensitive methodology, which relies upon the use of internal credit models based upon our experience with internal rating grades. Advanced Approach also includes an operational risk component, which reflects the risk of operating loss resulting from inadequate or failed internal processes or systems.
- (5) Under the regulatory guidelines for risk-based capital, on-balance sheet assets and credit equivalent amounts of derivatives and off-balance sheet items are assigned to one of several broad risk categories according to the obligor, or, if relevant, the guarantor or the nature of any collateral. The aggregate dollar amount in each risk category is then multiplied by the risk weight associated with that category. The resulting weighted values from each of the risk categories are aggregated for determining total RWAs.
- (6) Includes an increase of \$1.5 billion under both the Advanced Approach and Standardized Approach related to the impact of the CECL transition provision on our excess allowance for credit losses as of June 30, 2020. See footnote (3) to this table.
- (7) Amounts for December 31, 2019, have been revised as a result of a decrease in RWAs under the Advanced Approach due to the correction of duplicated operational loss amounts.

Table 38 presents the changes in Common Equity Tier 1 under the Advanced Approach for the six months ended June 30, 2020.

**Table 38: Analysis of Changes in Common Equity Tier 1 (Advanced Approach)**

(in millions)		
Common Equity Tier 1 at December 31, 2019	\$	138,760
Net income applicable to common stock		(2,652)
Common stock dividends		(4,189)
Common stock issued, repurchased, and stock compensation-related items		(2,189)
Changes in cumulative other comprehensive income		513
Cumulative effect from change in accounting policies (1)		991
Goodwill		5
Certain identifiable intangible assets (other than MSRs)		48
Goodwill and other intangibles on nonmarketable equity securities (included in other assets)		96
Applicable deferred taxes related to goodwill and other intangible assets (2)		21
CECL transition provision (3)		1,857
Other		(206)
<b>Change in Common Equity Tier 1</b>		<b>(5,705)</b>
Common Equity Tier 1 at June 30, 2020	\$	133,055

- (1) Effective January 1, 2020, we adopted CECL. For more information, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.
- (2) Determined by applying the combined federal statutory rate and composite state income tax rates to the difference between book and tax basis of the respective goodwill and intangible assets at period end.
- (3) In second quarter 2020, the Company elected to apply a modified transition provision issued by federal banking regulators in March 2020 related to the impact of CECL on regulatory capital. The rule permits certain banking organizations to exclude from regulatory capital the initial adoption impact of CECL, plus 25% of the cumulative changes in the ACL under CECL for each period until December 31, 2021, followed by a three-year phase-out of the benefits. The impact of the CECL transition provision on our regulatory capital at June 30, 2020, was an increase in capital of \$1.9 billion, reflecting a \$991 million (post-tax) increase in capital recognized upon our initial adoption of CECL, offset by 25% of the \$11.4 billion increase in our ACL under CECL from January 1, 2020, through June 30, 2020.

Table 39 presents net changes in the components of RWAs under the Advanced and Standardized Approaches for the six months ended June 30, 2020.

**Table 39: Analysis of Changes in RWAs**

(in millions)		Advanced Approach	Standardized Approach
RWAs at December 31, 2019 (1)	\$	1,165,079	1,245,853
Net change in credit risk RWAs (2)		(3,444)	(65,068)
Net change in market risk RWAs		32,276	32,277
Net change in operational risk RWAs		1,512	—
<b>Total change in RWAs</b>		<b>30,344</b>	<b>(32,791)</b>
RWAs at June 30, 2020	\$	1,195,423	1,213,062

- (1) Amount for December 31, 2019, has been revised as a result of a decrease in RWAs under the Advanced Approach due to the correction of duplicated operational loss amounts.
- (2) Includes an increase of \$1.5 billion under both the Advanced Approach and Standardized Approach related to the impact of the CECL transition provision on our excess allowance for credit losses. See Table 37 for more information.

## Capital Management (continued)

**TANGIBLE COMMON EQUITY** We also evaluate our business based on certain ratios that utilize tangible common equity. Tangible common equity is a non-GAAP financial measure and represents total equity less preferred equity, noncontrolling interests, goodwill, certain identifiable intangible assets (other than MSRs) and goodwill and other intangibles on nonmarketable equity securities, net of applicable deferred taxes. These tangible common equity ratios are as follows:

- Tangible book value per common share, which represents tangible common equity divided by common shares outstanding; and

- Return on average tangible common equity (ROTCE), which represents our annualized earnings contribution as a percentage of tangible common equity.

The methodology of determining tangible common equity may differ among companies. Management believes that tangible book value per common share and return on average tangible common equity, which utilize tangible common equity, are useful financial measures because they enable investors and others to assess the Company's use of equity.

Table 40 provides a reconciliation of these non-GAAP financial measures to GAAP financial measures.

**Table 40: Tangible Common Equity**

(in millions, except ratios)		Balance at period end			Average balance				
		Quarter ended			Quarter ended			Six months ended	
		Jun 30, 2020	Mar 31, 2020	Jun 30, 2019	Jun 30, 2020	Mar 31, 2020	Jun 30, 2019	Jun 30, 2020	Jun 30, 2019
Total equity		\$ 180,122	183,330	200,037	184,108	188,170	199,685	186,139	199,021
Adjustments:									
Preferred stock		(21,098)	(21,347)	(23,021)	(21,344)	(21,794)	(23,023)	(21,569)	(23,118)
Additional paid-in capital on preferred stock		159	140	(78)	140	135	(78)	138	(87)
Unearned ESOP shares		875	1,143	1,292	1,140	1,143	1,294	1,141	1,397
Noncontrolling interests		(736)	(612)	(995)	(643)	(785)	(939)	(714)	(919)
Total common stockholders' equity	(A)	159,322	162,654	177,235	163,401	166,869	176,939	165,135	176,294
Adjustments:									
Goodwill		(26,385)	(26,381)	(26,415)	(26,384)	(26,387)	(26,415)	(26,386)	(26,417)
Certain identifiable intangible assets (other than MSRs)		(389)	(413)	(493)	(402)	(426)	(505)	(414)	(524)
Goodwill and other intangibles on nonmarketable equity securities (included in other assets)		(2,050)	(1,894)	(2,251)	(1,922)	(2,152)	(2,155)	(2,037)	(2,157)
Applicable deferred taxes related to goodwill and other intangible assets (1)		831	821	788	828	818	780	823	782
Tangible common equity	(B)	\$ 131,329	134,787	148,864	135,521	138,722	148,644	137,121	147,978
Common shares outstanding	(C)	4,119.6	4,096.4	4,419.6	N/A	N/A	N/A	N/A	N/A
Net income applicable to common stock	(D)	N/A	N/A	N/A	\$ (2,694)	42	5,848	(2,652)	11,355
Book value per common share	(A)/(C)	\$ 38.67	39.71	40.10	N/A	N/A	N/A	N/A	N/A
Tangible book value per common share	(B)/(C)	31.88	32.90	33.68	N/A	N/A	N/A	N/A	N/A
Return on average common stockholders' equity (ROE) (annualized)	(D)/(A)	N/A	N/A	N/A	(6.63)%	0.10	13.26	(3.23)	12.99
Return on average tangible common equity (ROTCE) (annualized)	(D)/(B)	N/A	N/A	N/A	(8.00)	0.12	15.78	(3.89)	15.47

(1) Determined by applying the combined federal statutory rate and composite state income tax rates to the difference between book and tax basis of the respective goodwill and intangible assets at period end.

**SUPPLEMENTARY LEVERAGE RATIO** As a BHC, we are required to maintain a supplementary leverage ratio (SLR) of at least 5.00% (comprised of a 3.00% minimum requirement plus a supplementary leverage buffer of 2.00%) to avoid restrictions on capital distributions and discretionary bonus payments. Our IDIs are required to maintain a SLR of at least 6.00% to be considered well-capitalized under applicable regulatory capital adequacy guidelines. In April 2018, the FRB and OCC proposed rules (Proposed SLR rules) that would replace the 2.00% supplementary leverage buffer with a buffer equal to one-half of our G-SIB capital surcharge. The Proposed SLR rules would similarly tailor the current 6.00% SLR requirement for our IDIs. In April 2020, the FRB issued an interim final rule that temporarily allows a BHC to exclude on-balance sheet amounts of U.S. Treasury securities and deposits at Federal Reserve Banks from the calculation of its total leverage exposure in the denominator of the SLR. This interim final rule became effective on April 1, 2020, and expires on March 31, 2021. In May 2020, federal banking regulators issued an interim final rule that permits IDIs to choose to similarly exclude these items from the denominator of their SLRs; however, if an IDI chooses to exclude such amounts from the calculation of its SLR, it will be required to request approval from its primary federal banking regulator before making capital distributions, such as paying dividends, to its parent company. As of June 30, 2020, none of the Company's IDIs elected to apply this exclusion.

At June 30, 2020, our SLR for the Company was 7.52%, and we also exceeded the applicable SLR requirements for each of our IDIs. See Table 41 for information regarding the calculation and components of the SLR.

**Table 41: Supplementary Leverage Ratio**

(in millions, except ratio)	Quarter ended June 30, 2020	
<b>Tier 1 capital</b>	(A)	\$ 152,871
Total average assets		1,950,796
Less: Goodwill and other permitted Tier 1 capital deductions (net of deferred tax liabilities)		28,367
Less: Other SLR exclusions		218,984
<b>Total adjusted average assets</b>		<b>1,703,445</b>
Plus adjustments for off-balance sheet exposures:		
Derivatives (1)		74,435
Repo-style transactions (2)		3,604
Other (3)		250,765
Total off-balance sheet exposures		328,804
<b>Total leverage exposure</b>	(B)	<b>\$ 2,032,249</b>
<b>Supplementary leverage ratio</b>	(A)/(B)	<b>7.52%</b>

- (1) Adjustment represents derivatives and collateral netting exposures as defined for supplementary leverage ratio determination purposes.
- (2) Adjustment represents counterparty credit risk for repo-style transactions where Wells Fargo & Company is the principal (i.e., principal counterparty facing the client).
- (3) Adjustment represents credit equivalent amounts of other off-balance sheet exposures not already included as derivatives and repo-style transactions exposures.

**TOTAL LOSS ABSORBING CAPACITY** As a G-SIB, we are required to have a minimum amount of equity and unsecured long-term debt for purposes of resolvability and resiliency, often referred to as Total Loss Absorbing Capacity (TLAC). U.S. G-SIBs are required to have a minimum TLAC amount (consisting of CET1 capital and additional tier 1 capital issued directly by the top-tier or covered BHC plus eligible external long-term debt) equal to the greater of (i) 18.00% of RWAs and (ii) 7.50% of total leverage exposure (the denominator of the SLR calculation). Additionally, U.S. G-SIBs are required to maintain (i) a TLAC buffer equal to 2.50% of RWAs

plus our applicable G-SIB capital surcharge calculated under method one plus any applicable countercyclical buffer to be added to the 18.00% minimum and (ii) an external TLAC leverage buffer equal to 2.00% of total leverage exposure to be added to the 7.50% minimum, in order to avoid restrictions on capital distributions and discretionary bonus payments. U.S. G-SIBs are also required to have a minimum amount of eligible unsecured long-term debt equal to the greater of (i) 6.00% of RWAs plus our applicable G-SIB capital surcharge calculated under method two and (ii) 4.50% of the total leverage exposure. Under the Proposed SLR rules, the 2.00% external TLAC leverage buffer would be replaced with a buffer equal to one-half of our applicable G-SIB capital surcharge, and the leverage component for calculating the minimum amount of eligible unsecured long-term debt would be modified from 4.50% of total leverage exposure to 2.50% of total leverage exposure plus one-half of our applicable G-SIB capital surcharge. As of June 30, 2020, our eligible external TLAC as a percentage of total risk-weighted assets was 25.33% compared with a required minimum of 22.00%. Similar to the risk-based capital requirements, we determine minimum required TLAC based on the greater of RWAs determined under the Standardized and Advanced approaches.

**OTHER REGULATORY CAPITAL AND LIQUIDITY MATTERS** As discussed in the "Risk Management – Asset/ Liability Management – Liquidity and Funding – Liquidity Standards" section in this Report, federal banking regulators have issued a final rule regarding the U.S. implementation of the Basel III LCR and a proposed rule regarding the NSFR.

### Capital Planning and Stress Testing

Our planned long-term capital structure is designed to meet regulatory and market expectations. We believe that our long-term targeted capital structure enables us to invest in and grow our business, satisfy our customers' financial needs in varying environments, access markets, and maintain flexibility to return capital to our shareholders. Our long-term targeted capital structure also considers capital levels sufficient to exceed capital requirements including the G-SIB capital surcharge. Accordingly, based on the final Basel III capital rules under the lower of the Standardized or Advanced Approaches CET1 capital ratios, we currently target a long-term CET1 capital ratio at or in excess of 10.00%, which includes a 2.00% G-SIB capital surcharge. Our capital targets are subject to change based on various factors, including changes to the regulatory capital framework and expectations for large banks promulgated by bank regulatory agencies, changes to the regulatory minimums for our capital ratios (including changes to our stress capital buffer), planned capital actions, changes in our risk profile and other factors.

Under the FRB's capital plan rule, large BHCs are required to submit capital plans annually for review to determine if the FRB has any objections before making any capital distributions. The rule requires updates to capital plans in the event of material changes in a BHC's risk profile, including as a result of any significant acquisitions. The FRB assesses, among other things, the overall financial condition, risk profile, and capital adequacy of BHCs when evaluating capital plans.

Our 2020 capital plan, which was submitted on April 3, 2020, as part of CCAR, included a comprehensive capital outlook supported by an assessment of expected sources and uses of capital over a given planning horizon under a range of expected and stress scenarios. As part of the 2020 CCAR, the FRB also generated a supervisory stress test, which assumed a sharp decline in the economy and significant decline in asset pricing using the information provided by the Company to estimate

## Capital Management (continued)

performance. The FRB reviewed the supervisory stress test results both as required under the Dodd-Frank Act using a common set of capital actions for all large BHCs and by taking into account the Company's proposed capital actions. The FRB published its supervisory stress test results as required under the Dodd-Frank Act on June 25, 2020.

On June 25, 2020, the FRB also announced that it is requiring large BHCs, including Wells Fargo, to update and resubmit their capital plans within 45 days after the FRB provides updated scenarios. Requiring resubmission will prohibit each BHC from making any capital distribution (excluding any capital distribution arising from the issuance of a capital instrument eligible for inclusion in the numerator of a regulatory capital ratio), unless otherwise approved by the FRB. Through the end of third quarter 2020, the FRB is authorizing each BHC to (i) make share repurchases relating to issuances of common stock related to employee stock ownership plans; (ii) provided that the BHC does not increase the amount of its common stock dividends, pay common stock dividends that do not exceed an amount equal to the average of the BHC's net income for the four preceding calendar quarters, unless otherwise specified by the FRB; and (iii) make scheduled payments on additional tier 1 and tier 2 capital instruments. These provisions may be extended by the FRB quarter-by-quarter.

Concurrently with CCAR, federal banking regulators also require large BHCs and banks to conduct their own stress tests to evaluate whether the institution has sufficient capital to continue to operate during periods of adverse economic and financial conditions. These stress testing requirements set forth the timing and type of stress test activities large BHCs and banks must undertake as well as rules governing stress testing controls, oversight and disclosure requirements. We submitted the results of our stress test to the FRB and disclosed a summary of the results in June 2020.

### Securities Repurchases

From time to time the Board authorizes the Company to repurchase shares of our common stock. Although we announce when the Board authorizes share repurchases, we typically do not give any public notice before we repurchase our shares. Future stock repurchases may be private or open-market repurchases, including block transactions, accelerated or delayed block transactions, forward repurchase transactions, and similar transactions. Additionally, we may enter into plans to purchase stock that satisfy the conditions of Rule 10b5-1 of the Securities Exchange Act of 1934. Various factors determine the amount of our share repurchases, including our capital requirements, the number of shares we expect to issue for employee benefit plans and acquisitions, market conditions (including the trading price of our stock), and regulatory and legal considerations, including the FRB's response to our capital plan and to changes in our risk profile. Due to the various factors impacting the amount of our share repurchases and the fact that we tend to be in the market regularly to satisfy repurchase considerations under our capital plan, our share repurchases occur at various price levels. We may suspend share repurchase activity at any time. On March 15, 2020, we, along with the other members of the Financial Services Forum, suspended our share repurchase activities for the remainder of the first quarter and for second quarter 2020. On June 25, 2020, the FRB announced that it was prohibiting large BHCs, including Wells Fargo, from making any capital distribution (excluding any capital distribution arising from the issuance of a capital instrument eligible for inclusion in the numerator of a regulatory capital ratio), unless otherwise approved by the FRB. Through the end of third quarter 2020, the FRB authorized

certain limited exceptions to this prohibition, which are described in the "Capital Planning and Stress Testing" section above.

At June 30, 2020, we had remaining Board authority to repurchase approximately 168 million shares, subject to regulatory and legal conditions. For more information about share repurchases during second quarter 2020, see Part II, Item 2 in this Report.

Historically, our policy has been to repurchase shares under the "safe harbor" conditions of Rule 10b-18 of the Securities Exchange Act of 1934 including a limitation on the daily volume of repurchases. Rule 10b-18 imposes an additional daily volume limitation on share repurchases during a pending merger or acquisition in which shares of our stock will constitute some or all of the consideration. Our management may determine that during a pending stock merger or acquisition when the safe harbor would otherwise be available, it is in our best interest to repurchase shares in excess of this additional daily volume limitation. In such cases, we intend to repurchase shares in compliance with the other conditions of the safe harbor, including the standing daily volume limitation that applies whether or not there is a pending stock merger or acquisition.

For additional information about share repurchases, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

## Regulatory Matters

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Since the enactment of the Dodd-Frank Act in 2010, the U.S. financial services industry has been subject to a significant increase in regulation and regulatory oversight initiatives. This increased regulation and oversight has substantially changed how most U.S. financial services companies conduct business and has increased their regulatory compliance costs.

For a discussion of certain consent orders applicable to the Company, see the “Overview” section in this Report. The following supplements our discussion of the other significant regulations and regulatory oversight initiatives that have affected or may affect our business contained in the “Regulatory Matters” and “Risk Factors” sections in our 2019 Form 10-K and in our 2020 First Quarter Report on Form 10-Q.

**REGULATORY DEVELOPMENTS RELATED TO COVID-19** In response to the COVID-19 pandemic and related events, federal banking regulators have undertaken a number of measures to help stabilize the banking sector, support the broader economy, and facilitate the ability of banking organizations like Wells Fargo to continue lending to consumers and businesses. For example, in order to facilitate the Coronavirus Aid, Relief and Economic Security Act (CARES Act), federal banking regulators issued interim final rules designed to encourage financial institutions to participate in stimulus measures, such as the Small Business Administration’s Paycheck Protection Program and the FRB’s Main Street Lending Program. Similarly, the FRB launched a number of lending facilities designed to enhance liquidity and the functioning of markets, including facilities covering money market mutual funds and term asset-backed securities loans. Federal banking regulators have also issued several joint interim final rules amending the regulatory capital and TLAC rules and other prudential regulations to ease certain restrictions on banking organizations and encourage the use of certain FRB-established facilities in order to further promote lending to consumers and businesses.

In addition, the OCC and the FRB have issued guidelines for banks and BHCs related to working with customers affected by the COVID-19 pandemic, including guidance with respect to waiving fees, offering repayment accommodations, providing payment deferrals, and increasing daily withdrawal limits at automated teller machines. In addition, the federal government has instituted a moratorium on certain mortgage foreclosure activities. Any current or future rules, regulations, and guidance related to the COVID-19 pandemic and its impacts could require us to change certain of our business practices, reduce our revenue and earnings, impose additional costs on us, or otherwise adversely affect our business operations and/or competitive position.



## Critical Accounting Policies

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Our significant accounting policies (see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2019 Form 10-K) are fundamental to understanding our results of operations and financial condition because they require that we use estimates and assumptions that may affect the value of our assets or liabilities and financial results. Five of these policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. These policies govern:

- the allowance for credit losses;
- the valuation of residential MSRs;
- the fair value of financial instruments;
- income taxes; and
- liability for contingent litigation losses.

Management and the Board's Audit Committee have reviewed and approved these critical accounting policies. These policies are described further in the "Financial Review – Critical Accounting Policies" section and Note 1 (Summary of Significant Accounting Policies) to Financial Statements in our 2019 Form 10-K. In connection with our adoption of CECL on January 1, 2020, we have updated our critical accounting policy for the allowance for credit losses.

### Allowance for Credit Losses

We maintain an allowance for credit losses (ACL) for loans, which is management's estimate of the expected credit losses in the loan portfolio and unfunded credit commitments, at the balance sheet date, excluding loans and unfunded credit commitments carried at fair value or held for sale. Additionally, we maintain an allowance for credit losses for debt securities classified as either held-to-maturity (HTM) or available-for-sale (AFS), other financial assets measured at amortized cost, net investments in leases, and other off-balance sheet credit exposures. In connection with our adoption of CECL, we updated our approach for estimating expected credit losses, which includes new areas for management judgment, described more fully below, and updated our accounting policies. For more information, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

For loans and HTM debt securities, the ACL is measured based on the remaining contractual term of the financial asset (including off-balance sheet credit exposures) adjusted, as appropriate, for prepayments and permitted extension options using historical experience, current conditions, and forecasted information. For AFS debt securities, the ACL is measured using a discounted cash flow approach and is limited to the difference between the fair value of the security and its amortized cost.

Changes in the ACL and, therefore, in the related provision for credit losses can materially affect net income. In applying the judgment and review required to determine the ACL, management considerations include the evaluation of past events, historical experience, changes in economic forecasts and conditions, customer behavior, collateral values, and the length of the initial loss forecast period, and other influences. From time to time, changes in economic factors or assumptions, business strategy, products or product mix, or debt security investment strategy, may result in a corresponding increase or decrease in our ACL. While our methodology attributes portions of the ACL to specific financial asset classes (loan and debt security portfolios)

or loan portfolio segments (commercial and consumer), the entire ACL is available to absorb credit losses of the company.

Judgment is specifically applied in:

- *Economic assumptions and the length of the initial loss forecast period.* Forecasted economic variables, such as gross domestic product (GDP), unemployment rate or collateral asset prices, are used to estimate expected credit losses. While many of these economic variables are evaluated at the macro-economy level, some economic variables may be forecasted at more granular levels, for example, using the metro statistical area (MSA) level for unemployment rates, home prices and commercial real estate prices. Quarterly, we assess the length of the initial loss forecast period and have currently set the period to one year. Management exercises judgment when assigning weight to the three economic scenarios that are used to estimate future credit losses. The three scenarios include a most likely expectation of economic variables referred to as the base case scenario, as well as an optimistic (upside) scenario and a pessimistic (downside) scenario.
- *Reversion of losses beyond the initial forecast period.* We use a reversion approach to connect the losses estimated for our initial loss forecast period to the period of our historical loss forecast based on economic conditions at the measurement date. Our reversion methodology considers the type of portfolio, point in the credit cycle, expected length of recessions and recoveries, as well as other relevant factors. The length of reversion period varies by asset type – one year for shorter contractual term loans such as commercial loans and two years for longer contractual term loans such as real estate 1-4 family mortgage loans. We assess the reversion approach on a quarterly basis and the length of the reversion period by asset type annually.
- *Historical loss expectations.* At the end of the reversion period, we incorporate the changes in economic variables observed during representative historical time periods that include both recessions and expansions. This analysis is used to compute average losses for any given portfolio and its associated credit characteristics. Annually, we assess the historical time periods and ensure the average loss estimates are representative of our historical loss experience.
- *Credit risk ratings applied to individual commercial loans, unfunded credit commitments, and debt securities.* Individually assessed credit risk ratings are considered key credit variables in our modeled approaches to help assess probability of default and loss given default. Borrower quality ratings are aligned to the borrower's financial strength and contribute to forecasted probability of default curves. Collateral quality ratings combined with forecasted collateral prices (as applicable) contribute to the forecasted severity of loss in the event of default. These credit risk ratings are reviewed by experienced senior credit officers and subjected to reviews by an internal team of credit risk specialists.
- *Usage of credit loss estimation models.* We use internally developed models that incorporate credit attributes and economic variables to generate estimates of credit losses. Management uses a combination of judgement and quantitative analytics in the determination of segmentation, modeling approach, and variables that are leveraged in the models. These models are validated in accordance with the Company's policies by an internal model validation group. We routinely assess our model performance and apply

adjustments when necessary to improve the accuracy of loss estimation. We also assess our models for limitations against the company-wide risk inventory to help ensure that we appropriately capture known and emerging risks in our estimate of expected credit losses and apply overlays as needed.

- *Valuation of collateral.* The current fair value of collateral is utilized to assess the expected credit losses when a financial asset is considered to be collateral dependent. We apply judgment when valuing the collateral either through appraisals, evaluation of the cash flows of the property, or other quantitative techniques. Decreases in collateral valuations support incremental charge-downs and increases in collateral valuation are included in the allowance for credit losses as a negative allowance when the financial asset has been previously written-down below current recovery value.
- *Contractual term considerations.* The remaining contractual term of a loan is adjusted for expected prepayments and certain expected extensions, renewals, or modifications. We extend the contractual term when we are not able to unconditionally cancel contractual renewals or extension options. We also incorporate into our allowance for credit losses any scenarios where we reasonably expect to provide an extension through a TDR.
- *Qualitative factors which may not be adequately captured in the loss models.* These amounts represent management's judgment of risks inherent in the processes and assumptions used in establishing the ACL. We also consider economic environmental factors, modeling assumptions and performance, process risk, and other subjective factors, including industry trends and emerging risk assessments.

**Sensitivity** The ACL for loans is sensitive to changes in key assumptions which requires significant judgment to be used by management. Future amounts of the ACL for loans will be based on a variety of factors, including loan balance changes, portfolio credit quality, and general economic conditions. General economic conditions are forecasted using economic variables, which could have varying impacts on different financial assets or portfolios. Additionally, throughout numerous credit cycles, there are observed changes in economic variables such as the unemployment rate, GDP and real estate prices which may not move in a correlated manner as variables may move in opposite directions or differ across portfolios or geography.

In our sensitivity analysis, we applied 50% weight to both the base case scenario and the downside scenario to reflect the potential for further economic deterioration from a COVID-19 resurgence. The outcomes of both scenarios were influenced by the duration, severity, and timing of changes in economic variables within those scenarios. The result of the sensitivity analysis would have increased the ACL for loans by approximately \$5.0 billion at June 30, 2020.

This hypothetical increase in our ACL for loans represents changes to our quantitative estimate and does not incorporate the impact of management judgment for qualitative factors applied in the current ACL for loans, which may have a positive or negative effect on the results. Also, if this hypothetical result were to actually materialize, the increase in our ACL for loans may be recognized over time if actual loss expectations exceed our historical loss experience.

This sensitivity analysis does not represent management's view of expected credit losses at the balance sheet date. The sensitivity analysis excludes the ACL for debt securities given its size relative to the overall ACL. Management believes that the estimate for the ACL for loans was appropriate at the balance sheet date. Because significant judgment is used, it is possible that others performing similar analyses could reach different conclusions.

## Current Accounting Developments

Table 42 provides the significant accounting updates applicable to us that have been issued by the Financial Accounting Standards Board (FASB) but are not yet effective.

**Table 42: Current Accounting Developments – Issued Standards**

Description	Effective date and financial statement impact
<b>ASU 2018-12 – Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts and subsequent related updates</b>	
<p>The Update requires all features in long-duration insurance contracts that meet the definition of a market risk benefit to be measured at fair value through earnings with changes in fair value attributable to our own credit risk recognized in other comprehensive income. Currently, two measurement models exist for these features, fair value and insurance accrual. The Update requires the use of a standardized discount rate and routine updates for insurance assumptions used in valuing the liability for future policy benefits for traditional long-duration contracts. The Update also simplifies the amortization of deferred acquisition costs.</p>	<p>The guidance becomes effective on January 1, 2022. Certain of our variable annuity reinsurance products meet the definition of market risk benefits and will require the associated insurance related reserves for these products to be measured at fair value as of the earliest period presented, with the cumulative effect on fair value for changes attributable to our own credit risk recognized in the beginning balance of accumulated other comprehensive income. The cumulative effect of the difference between fair value and carrying value, excluding the effect of our own credit, will be recognized in the opening balance of retained earnings. As of June 30, 2020, we held \$1.1 billion in insurance-related reserves of which \$568 million was in scope of the Update. A total of \$509 million was associated with products that meet the definition of market risk benefits, and of this amount, \$52 million was measured at fair value under current accounting standards. The market risk benefits are largely indexed to U.S. equity and fixed income markets. Upon adoption, we may incur periodic earnings volatility from changes in the fair value of market risk benefits generally due to the long duration of these contracts. We plan to economically hedge this volatility, where feasible. The ultimate impact of these changes will depend on the composition of our market risk benefits portfolio at the date of adoption. Changes in the accounting for the liability of future policy benefits for traditional long-duration contracts and deferred acquisition costs will be applied to all outstanding long-duration contracts on the basis of their existing carrying amounts at the beginning of the earliest period presented, and are not expected to be material.</p>

The following Updates are applicable to us but are not expected to have a material impact on our consolidated financial statements:

- ASU 2020-01 – Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): *Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the FASB Emerging Issues Task Force)*
- ASU 2019-12 – Income Taxes (Topic 740): *Simplifying the Accounting for Income Taxes*

## Forward-Looking Statements

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This document contains forward-looking statements. In addition, we may make forward-looking statements in our other documents filed or furnished with the Securities and Exchange Commission (SEC), and our management may make forward-looking statements orally to analysts, investors, representatives of the media and others. Forward-looking statements can be identified by words such as “anticipates,” “intends,” “plans,” “seeks,” “believes,” “estimates,” “expects,” “target,” “projects,” “outlook,” “forecast,” “will,” “may,” “could,” “should,” “can” and similar references to future periods. In particular, forward-looking statements include, but are not limited to, statements we make about: (i) the future operating or financial performance of the Company, including our outlook for future growth; (ii) our noninterest expense and efficiency ratio; (iii) future credit quality and performance, including our expectations regarding future loan losses, our allowance for credit losses, and the economic scenarios considered to develop the allowance; (iv) our expectations regarding net interest income and net interest margin; (v) loan growth or the reduction or mitigation of risk in our loan portfolios; (vi) future capital or liquidity levels, ratios or targets; (vii) the performance of our mortgage business and any related exposures; (viii) the expected outcome and impact of legal, regulatory and legislative developments, as well as our expectations regarding compliance therewith; (ix) future common stock dividends, common share repurchases and other uses of capital; (x) our targeted range for return on assets, return on equity, and return on tangible common equity; (xi) expectations regarding our effective income tax rate; (xii) the outcome of contingencies, such as legal proceedings; and (xiii) the Company’s plans, objectives and strategies.

Forward-looking statements are not based on historical facts but instead represent our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you, therefore, against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. While there is no assurance that any list of risks and uncertainties or risk factors is complete, important factors that could cause actual results to differ materially from those in the forward-looking statements include the following, without limitation:

- current and future economic and market conditions, including the effects of declines in housing prices, high unemployment rates, U.S. fiscal debt, budget and tax matters, geopolitical matters, and any slowdown in global economic growth;
- the effect of the COVID-19 pandemic, including on our credit quality and business operations, as well as its impact on general economic and financial market conditions;
- our capital and liquidity requirements (including under regulatory capital standards, such as the Basel III capital standards) and our ability to generate capital internally or raise capital on favorable terms;
- financial services reform and other current, pending or future legislation or regulation that could have a negative effect on our revenue and businesses, including the Dodd-Frank Act and other legislation and regulation relating to bank products and services;
- developments in our mortgage banking business, including the extent of the success of our mortgage loan modification efforts, the amount of mortgage loan repurchase demands that we receive, any negative effects relating to our mortgage servicing, loan modification or foreclosure practices, and the effects of regulatory or judicial requirements or guidance impacting our mortgage banking business and any changes in industry standards;
- our ability to realize any efficiency ratio or expense target as part of our expense management initiatives, including as a result of business and economic cyclicality, seasonality, changes in our business composition and operating environment, growth in our businesses and/or acquisitions, and unexpected expenses relating to, among other things, litigation and regulatory matters;
- the effect of the current interest rate environment or changes in interest rates or in the level or composition of our assets or liabilities on our net interest income, net interest margin and our mortgage originations, mortgage servicing rights and mortgage loans held for sale;
- significant turbulence or a disruption in the capital or financial markets, which could result in, among other things, reduced investor demand for mortgage loans, a reduction in the availability of funding or increased funding costs, and declines in asset values and/or recognition of impairments of securities held in our debt securities and equity securities portfolios;
- the effect of a fall in stock market prices on our investment banking business and our fee income from our brokerage, asset and wealth management businesses;
- negative effects from the retail banking sales practices matter and from other instances where customers may have experienced financial harm, including on our legal, operational and compliance costs, our ability to engage in certain business activities or offer certain products or services, our ability to keep and attract customers, our ability to attract and retain qualified team members, and our reputation;
- resolution of regulatory matters, litigation, or other legal actions, which may result in, among other things, additional costs, fines, penalties, restrictions on our business activities, reputational harm, or other adverse consequences;
- a failure in or breach of our operational or security systems or infrastructure, or those of our third-party vendors or other service providers, including as a result of cyber attacks;
- the effect of changes in the level of checking or savings account deposits on our funding costs and net interest margin;
- fiscal and monetary policies of the Federal Reserve Board;
- changes to U.S. tax guidance and regulations, as well as the effect of discrete items on our effective income tax rate;
- our ability to develop and execute effective business plans and strategies; and
- the other risk factors and uncertainties described under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019, as supplemented by the “Risk Factors” section in this Report.

In addition to the above factors, we also caution that the amount and timing of any future common stock dividends or repurchases will depend on the earnings, cash requirements and financial condition of the Company, market conditions, capital

## Forward-Looking Statements (*continued*)

requirements (including under Basel capital standards), common stock issuance requirements, applicable law and regulations (including federal securities laws and federal banking regulations), and other factors deemed relevant by the Company's Board of Directors, and may be subject to regulatory approval or conditions.

For more information about factors that could cause actual results to differ materially from our expectations, refer to our reports filed with the Securities and Exchange Commission, including the discussion under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, as supplemented by the "Risk Factors" section in this Report, as filed with the Securities and Exchange Commission and available on its website at [www.sec.gov](http://www.sec.gov)<sup>1</sup>.

Any forward-looking statement made by us speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

Forward-looking Non-GAAP Financial Measures. From time to time management may discuss forward-looking non-GAAP financial measures, such as forward-looking estimates or targets for return on average tangible common equity. We are unable to provide a reconciliation of forward-looking non-GAAP financial measures to their most directly comparable GAAP financial measures because we are unable to provide, without unreasonable effort, a meaningful or accurate calculation or estimation of amounts that would be necessary for the reconciliation due to the complexity and inherent difficulty in forecasting and quantifying future amounts or when they may occur. Such unavailable information could be significant to future results.

<sup>1</sup>We do not control this website. Wells Fargo has provided this link for your convenience, but does not endorse and is not responsible for the content, links, privacy policy, or security policy of this website.

## Risk Factors

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An investment in the Company involves risk, including the possibility that the value of the investment could fall substantially and that dividends or other distributions on the investment could be reduced or eliminated. For a discussion of risk factors that could adversely affect our financial results and condition, and the value of, and return on, an investment in the Company, we refer you to the “Risk Factors” section in our 2019 Form 10-K.

The following risk factor supplements the “Risk Factors” section in our 2019 Form 10-K.

**The COVID-19 pandemic has adversely impacted our business and financial results, and the ultimate impact will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities in response to the pandemic.** The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, lowered equity market valuations, created significant volatility and disruption in financial markets, and increased unemployment levels. In addition, the pandemic has resulted in temporary closures of many businesses and the institution of social distancing and sheltering in place requirements in many states and communities. As a result, the demand for our products and services may continue to be significantly impacted, which could adversely affect our revenue. Furthermore, the pandemic could continue to result in the recognition of credit losses in our loan portfolios and increases in our allowance for credit losses, particularly if businesses remain closed, the impact on the global economy worsens, or more customers draw on their lines of credit or seek additional loans to help finance their businesses. Similarly, because of changing economic and market conditions affecting issuers, we may be required to recognize further impairments on the securities we hold, as well as reductions in other comprehensive income. Moreover, the persistence of adverse economic conditions and reduced revenue may adversely affect the fair value of our operating segments and underlying reporting units which may result in goodwill impairment. Our business operations may be further disrupted if significant portions of our workforce are unable to work effectively, including because of illness, quarantines, government actions, or other restrictions in connection with the pandemic, and we have already temporarily closed certain of our branches and offices.

Moreover, the pandemic has created additional operational and compliance risks, including the need to quickly implement and execute new programs and procedures for the products and services we offer our customers, provide enhanced safety measures for our employees and customers, comply with rapidly changing regulatory requirements, address any increased risk of fraudulent activity, and protect the integrity and functionality of our systems and networks as a larger number of our employees work remotely. The pandemic could also result in or contribute to additional downgrades to our credit ratings or credit outlook. In response to the pandemic, we have suspended residential property foreclosure sales and evictions, and are offering fee waivers, payment deferrals, and other expanded assistance for credit card, automobile, mortgage, small business, personal and commercial lending customers, and future governmental actions may require these and other types of customer-related responses. In addition, we have reduced our common stock dividend and temporarily suspended share repurchases, and we could take, or be required to take, other capital actions in the future. The extent to which the COVID-19 pandemic impacts our business, results of operations, and financial condition, as well as our regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic.

## Controls and Procedures

### Disclosure Controls and Procedures

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The Company's management evaluated the effectiveness, as of June 30, 2020, of the Company's disclosure controls and procedures. The Company's chief executive officer and chief financial officer participated in the evaluation. Based on this evaluation, the Company's chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2020.

### Internal Control Over Financial Reporting

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Internal control over financial reporting is defined in Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles (GAAP) and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. No change occurred during second quarter 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## Wells Fargo &amp; Company and Subsidiaries

**Consolidated Statement of Income (Unaudited)**

(in millions, except per share amounts)	Quarter ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
<b>Interest income</b>				
Debt securities	\$ 2,946	3,781	\$ 6,418	7,722
Mortgage loans held for sale	230	195	427	347
Loans held for sale	7	20	19	44
Loans	8,448	11,316	18,513	22,670
Equity securities	116	236	322	446
Other interest income	54	1,438	829	2,760
Total interest income	11,801	16,986	26,528	33,989
<b>Interest expense</b>				
Deposits	585	2,213	2,327	4,239
Short-term borrowings	(17)	646	274	1,242
Long-term debt	1,237	1,900	2,477	3,827
Other interest expense	116	132	258	275
Total interest expense	1,921	4,891	5,336	9,583
<b>Net interest income</b>				
	9,880	12,095	21,192	24,406
Provision (reversal of provision) for credit losses:				
Debt securities (1)	(31)	—	141	—
Loans	9,565	503	13,398	1,348
Net interest income after provision for credit losses	346	11,592	7,653	23,058
<b>Noninterest income</b>				
Service charges on deposit accounts	930	1,206	2,139	2,300
Trust and investment fees	3,351	3,568	6,925	6,941
Card fees	797	1,025	1,689	1,969
Other fees	578	800	1,210	1,570
Mortgage banking	317	758	696	1,466
Net gains from trading activities	807	229	871	586
Net gains on debt securities	212	20	449	145
Net gains (losses) from equity securities	533	622	(868)	1,436
Lease income	334	424	686	867
Other (2)	97	837	564	1,507
Total noninterest income	7,956	9,489	14,361	18,787
<b>Noninterest expense</b>				
Personnel (2)	8,911	8,474	17,225	17,682
Technology and equipment (2)	562	641	1,268	1,335
Occupancy	871	719	1,586	1,436
Core deposit and other intangibles	22	27	45	55
FDIC and other deposit assessments	165	144	283	303
Other (2)	4,020	3,444	7,192	6,554
Total noninterest expense	14,551	13,449	27,599	27,365
<b>Income (loss) before income tax expense (benefit)</b>				
	(6,249)	7,632	(5,585)	14,480
Income tax expense (benefit)				
	(3,917)	1,294	(3,758)	2,175
<b>Net income (loss) before noncontrolling interests</b>				
	(2,332)	6,338	(1,827)	12,305
Less: Net income (loss) from noncontrolling interests				
	47	132	(101)	239
<b>Wells Fargo net income (loss)</b>				
	\$ (2,379)	6,206	\$ (1,726)	12,066
Less: Preferred stock dividends and other				
	315	358	926	711
<b>Wells Fargo net income (loss) applicable to common stock</b>				
	\$ (2,694)	5,848	\$ (2,652)	11,355
<b>Per share information</b>				
Earnings (loss) per common share	\$ (0.66)	1.31	\$ (0.65)	2.52
Diluted earnings (loss) per common share (3)	(0.66)	1.30	(0.65)	2.50
<b>Average common shares outstanding</b>				
	4,105.5	4,469.4	4,105.2	4,510.2
<b>Diluted average common shares outstanding (3)</b>				
	4,105.5	4,495.0	4,105.2	4,540.1

- (1) Prior to our adoption of Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments* (CECL), on January 1, 2020, provision for credit losses from debt securities was not applicable and is therefore presented as \$0 for both the second quarter and first half of 2019. For more information, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.
- (2) In second quarter 2020, insurance income was reclassified to other noninterest income, personnel-related expenses were combined into a single line item, and expenses for cloud computing services were reclassified from contract services expense (within other noninterest expense) to technology and equipment expense. Prior period balances have been revised to conform with the current period presentation.
- (3) In second quarter 2020, diluted earnings per common share equaled earnings per common share because our securities convertible into common shares had an anti-dilutive effect.

The accompanying notes are an integral part of these statements.



Wells Fargo & Company and Subsidiaries

**Consolidated Statement of Comprehensive Income (Unaudited)**

(in millions)	Quarter ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Wells Fargo net income (loss)	\$ (2,379)	6,206	(1,726)	12,066
Other comprehensive income (loss), before tax:				
Debt securities:				
Net unrealized gains arising during the period	1,596	1,709	1,486	4,540
Reclassification of net (gains) losses to net income	(90)	39	(262)	(42)
Derivative and hedging activities:				
Net unrealized gains (losses) arising during the period	(52)	57	72	22
Reclassification of net losses to net income	55	79	113	158
Defined benefit plans adjustments:				
Net actuarial and prior service losses arising during the period	(674)	—	(671)	(4)
Amortization of net actuarial loss, settlements and other to net income	101	33	137	68
Foreign currency translation adjustments:				
Net unrealized gains (losses) arising during the period	51	14	(144)	56
<b>Other comprehensive income, before tax</b>	<b>987</b>	<b>1,931</b>	<b>731</b>	<b>4,798</b>
Income tax expense related to other comprehensive income	(221)	(473)	(219)	(1,167)
<b>Other comprehensive income, net of tax</b>	<b>766</b>	<b>1,458</b>	<b>512</b>	<b>3,631</b>
Less: Other comprehensive loss from noncontrolling interests	—	—	(1)	—
<b>Wells Fargo other comprehensive income, net of tax</b>	<b>766</b>	<b>1,458</b>	<b>513</b>	<b>3,631</b>
<b>Wells Fargo comprehensive income (loss)</b>	<b>(1,613)</b>	<b>7,664</b>	<b>(1,213)</b>	<b>15,697</b>
Comprehensive income (loss) from noncontrolling interests	47	132	(102)	239
<b>Total comprehensive income (loss)</b>	<b>\$ (1,566)</b>	<b>7,796</b>	<b>(1,315)</b>	<b>15,936</b>

The accompanying notes are an integral part of these statements.

## Wells Fargo &amp; Company and Subsidiaries

**Consolidated Balance Sheet**

(in millions, except shares)	Jun 30, 2020	Dec 31, 2019
<b>Assets</b>	<b>(Unaudited)</b>	
Cash and due from banks	\$ 24,704	21,757
Interest-earning deposits with banks	237,799	119,493
Total cash, cash equivalents, and restricted cash	262,503	141,250
Federal funds sold and securities purchased under resale agreements	79,289	102,140
Debt securities:		
Trading, at fair value	74,679	79,733
Available-for-sale, at fair value (includes amortized cost of \$224,467 and \$260,060, net of allowance for credit losses of \$114 and \$0) (1)	228,899	263,459
Held-to-maturity, at amortized cost, net of allowance for credit losses of \$20 and \$0 (fair value \$176,882 and \$156,860) (1)	169,002	153,933
Mortgage loans held for sale (includes \$18,644 and \$16,606 carried at fair value) (2)	32,355	23,342
Loans held for sale (includes \$1,201 and \$972 carried at fair value) (2)	1,339	977
Loans (includes \$152 and \$171 carried at fair value) (2)	935,155	962,265
Allowance for loan losses	(18,926)	(9,551)
Net loans	916,229	952,714
Mortgage servicing rights:		
Measured at fair value	6,819	11,517
Amortized	1,361	1,430
Premises and equipment, net	9,025	9,309
Goodwill	26,385	26,390
Derivative assets	22,776	14,203
Equity securities (includes \$27,339 and \$41,936 carried at fair value) (2)	52,494	68,241
Other assets	85,611	78,917
Total assets (3)	\$ 1,968,766	1,927,555
<b>Liabilities</b>		
Noninterest-bearing deposits	\$ 432,857	344,496
Interest-bearing deposits	977,854	978,130
Total deposits	1,410,711	1,322,626
Short-term borrowings	60,485	104,512
Derivative liabilities	11,368	9,079
Accrued expenses and other liabilities	75,159	75,163
Long-term debt	230,921	228,191
Total liabilities (4)	1,788,644	1,739,571
<b>Equity</b>		
Wells Fargo stockholders' equity:		
Preferred stock	21,098	21,549
Common stock – \$1-2/3 par value, authorized 9,000,000,000 shares; issued 5,481,811,474 shares	9,136	9,136
Additional paid-in capital	59,923	61,049
Retained earnings	159,952	166,697
Cumulative other comprehensive income (loss)	(798)	(1,311)
Treasury stock – 1,362,252,882 shares and 1,347,385,537 shares	(69,050)	(68,831)
Unearned ESOP shares	(875)	(1,143)
Total Wells Fargo stockholders' equity	179,386	187,146
Noncontrolling interests	736	838
Total equity	180,122	187,984
Total liabilities and equity	\$ 1,968,766	1,927,555

- (1) Prior to our adoption of CECL on January 1, 2020, the allowance for credit losses (ACL) related to available-for-sale (AFS) and held-to-maturity (HTM) debt securities was not applicable and is therefore presented as \$0 at December 31, 2019. For more information, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.
- (2) Parenthetical amounts represent assets and liabilities that we are required to carry at fair value or for which we have elected the fair value option.
- (3) Our consolidated assets at June 30, 2020, and December 31, 2019, include the following assets of certain variable interest entities (VIEs) that can only be used to settle the liabilities of those VIEs: Cash and due from banks, \$26 million and \$16 million; Interest-earning deposits with banks, \$0 million and \$284 million; Debt securities, \$555 million and \$540 million; Net loans, \$11.6 billion and \$13.2 billion; Derivative assets, \$1 million and \$1 million; Equity securities, \$71 million and \$118 million; Other assets, \$215 million and \$239 million; and Total assets, \$12.4 billion and \$14.4 billion, respectively.
- (4) Our consolidated liabilities at June 30, 2020, and December 31, 2019, include the following VIE liabilities for which the VIE creditors do not have recourse to Wells Fargo: Short-term borrowings, \$300 million and \$401 million; Derivative liabilities, \$1 million and \$3 million; Accrued expenses and other liabilities, \$212 million and \$235 million; Long-term debt, \$225 million and \$587 million; and Total liabilities, \$738 million and \$1.2 billion, respectively.

The accompanying notes are an integral part of these statements.

**Consolidated Statement of Changes in Equity (Unaudited)**

(in millions, except shares)	Preferred stock		Common stock	
	Shares	Amount	Shares	Amount
<b>Balance March 31, 2020</b>	<b>5,743,949</b>	<b>\$ 21,347</b>	<b>4,096,410,304</b>	<b>\$ 9,136</b>
<b>Net income (loss)</b>				
<b>Other comprehensive income (loss), net of tax</b>				
<b>Noncontrolling interests</b>				
<b>Common stock issued</b>			<b>13,460,720</b>	
<b>Common stock repurchased</b>			<b>(45,866)</b>	
<b>Preferred stock released by ESOP</b>				
<b>Preferred stock converted to common shares</b>	<b>(249,176)</b>	<b>(249)</b>	<b>9,733,434</b>	
<b>Common stock dividends</b>				
<b>Preferred stock dividends</b>				
<b>Stock incentive compensation expense</b>				
<b>Net change in deferred compensation and related plans</b>				
<b>Net change</b>	<b>(249,176)</b>	<b>(249)</b>	<b>23,148,288</b>	<b>—</b>
<b>Balance June 30, 2020</b>	<b>5,494,773</b>	<b>\$ 21,098</b>	<b>4,119,558,592</b>	<b>\$ 9,136</b>
Balance March 31, 2019	9,377,211	\$ 23,214	4,511,947,830	\$ 9,136
Net income				
Other comprehensive income (loss), net of tax				
Noncontrolling interests				
Common stock issued			8,491,923	
Common stock repurchased			(104,852,744)	
Preferred stock released by ESOP				
Preferred stock converted to common shares	(193,042)	(193)	4,004,188	
Common stock dividends				
Preferred stock dividends				
Stock incentive compensation expense				
Net change in deferred compensation and related plans				
Net change	(193,042)	(193)	(92,356,633)	—
Balance June 30, 2019	9,184,169	\$ 23,021	4,419,591,197	\$ 9,136

Wells Fargo stockholders' equity							
Additional paid-in capital	Retained earnings	Cumulative other comprehensive income	Treasury stock	Unearned ESOP shares	Total Wells Fargo stockholders' equity	Noncontrolling interests	Total equity
<b>59,849</b>	<b>165,308</b>	<b>(1,564)</b>	<b>(70,215)</b>	<b>(1,143)</b>	<b>182,718</b>	<b>612</b>	<b>183,330</b>
	<b>(2,379)</b>				<b>(2,379)</b>	<b>47</b>	<b>(2,332)</b>
		<b>766</b>			<b>766</b>	<b>—</b>	<b>766</b>
					<b>—</b>	<b>77</b>	<b>77</b>
<b>224</b>	<b>(549)</b>		<b>692</b>		<b>367</b>		<b>367</b>
			<b>(2)</b>		<b>(2)</b>		<b>(2)</b>
<b>—</b>	<b>—</b>				<b>—</b>		<b>—</b>
<b>—</b>				<b>—</b>	<b>—</b>		<b>—</b>
<b>(19)</b>				<b>268</b>	<b>249</b>		<b>249</b>
<b>(243)</b>			<b>492</b>		<b>—</b>		<b>—</b>
					<b>—</b>		<b>—</b>
<b>20</b>	<b>(2,113)</b>				<b>(2,093)</b>		<b>(2,093)</b>
<b>—</b>	<b>(315)</b>				<b>(315)</b>		<b>(315)</b>
<b>120</b>					<b>120</b>		<b>120</b>
<b>(28)</b>			<b>(17)</b>		<b>(45)</b>		<b>(45)</b>
<b>74</b>	<b>(5,356)</b>	<b>766</b>	<b>1,165</b>	<b>268</b>	<b>(3,332)</b>	<b>124</b>	<b>(3,208)</b>
<b>59,923</b>	<b>159,952</b>	<b>(798)</b>	<b>(69,050)</b>	<b>(875)</b>	<b>179,386</b>	<b>736</b>	<b>180,122</b>
60,409	160,776	(3,682)	(50,519)	(1,502)	197,832	901	198,733
	6,206				6,206	132	6,338
		1,458			1,458	—	1,458
					<b>—</b>	<b>(38)</b>	<b>(38)</b>
(2)	(38)		439		399		399
			(4,898)		(4,898)		(4,898)
					<b>—</b>		<b>—</b>
<b>—</b>				<b>—</b>	<b>—</b>		<b>—</b>
(17)				210	193		193
(15)			208		<b>—</b>		<b>—</b>
<b>—</b>					<b>—</b>		<b>—</b>
20	(2,035)				(2,015)		(2,015)
	(358)				(358)		(358)
247					247		247
(17)			(5)		(22)		(22)
216	3,775	1,458	(4,256)	210	1,210	94	1,304
60,625	164,551	(2,224)	(54,775)	(1,292)	199,042	995	200,037

**Consolidated Statement of Changes in Equity (Unaudited)**

(in millions, except shares)	Preferred stock		Common stock	
	Shares	Amount	Shares	Amount
<b>Balance December 31, 2019</b>	<b>7,492,169</b>	<b>\$ 21,549</b>	<b>4,134,425,937</b>	<b>\$ 9,136</b>
<b>Cumulative effect from change in accounting policies (1)</b>				
<b>Balance January 1, 2020</b>	<b>7,492,169</b>	<b>\$ 21,549</b>	<b>4,134,425,937</b>	<b>\$ 9,136</b>
<b>Net income (loss)</b>				
<b>Other comprehensive income (loss), net of tax</b>				
<b>Noncontrolling interests</b>				
<b>Common stock issued</b>			<b>50,812,607</b>	
<b>Common stock repurchased</b>			<b>(75,413,386)</b>	
<b>Preferred stock redeemed</b>	<b>(1,828,720)</b>	<b>(2,215)</b>		
<b>Preferred stock released by ESOP</b>				
<b>Preferred stock converted to common shares</b>	<b>(249,176)</b>	<b>(249)</b>	<b>9,733,434</b>	
<b>Preferred stock issued</b>	<b>80,500</b>	<b>2,013</b>		
<b>Common stock dividends</b>				
<b>Preferred stock dividends</b>				
<b>Stock incentive compensation expense</b>				
<b>Net change in deferred compensation and related plans</b>				
<b>Net change</b>	<b>(1,997,396)</b>	<b>(451)</b>	<b>(14,867,345)</b>	<b>—</b>
<b>Balance June 30, 2020</b>	<b>5,494,773</b>	<b>\$ 21,098</b>	<b>4,119,558,592</b>	<b>\$ 9,136</b>
Balance December 31, 2018	9,377,216	\$ 23,214	4,581,253,608	\$ 9,136
<b>Cumulative effect from change in accounting policies (2)</b>				
<b>Balance January 1, 2019</b>	<b>9,377,216</b>	<b>\$ 23,214</b>	<b>4,581,253,608</b>	<b>\$ 9,136</b>
<b>Net income</b>				
<b>Other comprehensive income (loss), net of tax</b>				
<b>Noncontrolling interests</b>				
<b>Common stock issued</b>			<b>36,549,824</b>	
<b>Common stock repurchased</b>			<b>(202,216,454)</b>	
<b>Preferred stock redeemed</b>	<b>—</b>	<b>—</b>		
<b>Preferred stock released by ESOP</b>				
<b>Preferred stock converted to common shares</b>	<b>(193,047)</b>	<b>(193)</b>	<b>4,004,219</b>	
<b>Preferred stock issued</b>				
<b>Common stock dividends</b>				
<b>Preferred stock dividends</b>				
<b>Stock incentive compensation expense</b>				
<b>Net change in deferred compensation and related plans</b>				
<b>Net change</b>	<b>(193,047)</b>	<b>(193)</b>	<b>(161,662,411)</b>	<b>—</b>
<b>Balance June 30, 2019</b>	<b>9,184,169</b>	<b>\$ 23,021</b>	<b>4,419,591,197</b>	<b>\$ 9,136</b>

(1) We adopted CECL effective January 1, 2020. For more information, see Note 1 (Summary of Significant Accounting Policies) to Financial Statements in this Report.

(2) Effective January 1, 2019, we adopted ASU 2016-02 – Leases (Topic 842) and subsequent related Updates, ASU 2017-08 – Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): *Premium Amortization on Purchased Callable Debt Securities*.

Six months ended June 30,

Wells Fargo stockholders' equity							
Additional paid-in capital	Retained earnings	Cumulative other comprehensive income	Treasury stock	Unearned ESOP shares	Total Wells Fargo stockholders' equity	Noncontrolling interests	Total equity
<b>61,049</b>	<b>166,697</b>	<b>(1,311)</b>	<b>(68,831)</b>	<b>(1,143)</b>	<b>187,146</b>	<b>838</b>	<b>187,984</b>
	<b>991</b>	<b>—</b>			<b>991</b>		<b>991</b>
<b>61,049</b>	<b>167,688</b>	<b>(1,311)</b>	<b>(68,831)</b>	<b>(1,143)</b>	<b>188,137</b>	<b>838</b>	<b>188,975</b>
	<b>(1,726)</b>				<b>(1,726)</b>	<b>(101)</b>	<b>(1,827)</b>
		<b>513</b>			<b>513</b>	<b>(1)</b>	<b>512</b>
					<b>—</b>	<b>—</b>	<b>—</b>
<b>207</b>	<b>(857)</b>		<b>2,694</b>		<b>2,044</b>		<b>2,044</b>
			<b>(3,409)</b>		<b>(3,409)</b>		<b>(3,409)</b>
<b>17</b>	<b>(272)</b>				<b>(2,470)</b>		<b>(2,470)</b>
<b>—</b>				<b>—</b>	<b>—</b>		<b>—</b>
<b>(19)</b>				<b>268</b>	<b>249</b>		<b>249</b>
<b>(243)</b>			<b>492</b>		<b>—</b>		<b>—</b>
<b>(45)</b>					<b>1,968</b>		<b>1,968</b>
<b>38</b>	<b>(4,227)</b>				<b>(4,189)</b>		<b>(4,189)</b>
	<b>(654)</b>				<b>(654)</b>		<b>(654)</b>
<b>301</b>					<b>301</b>		<b>301</b>
<b>(1,382)</b>			<b>4</b>		<b>(1,378)</b>		<b>(1,378)</b>
<b>(1,126)</b>	<b>(7,736)</b>	<b>513</b>	<b>(219)</b>	<b>268</b>	<b>(8,751)</b>	<b>(102)</b>	<b>(8,853)</b>
<b>59,923</b>	<b>159,952</b>	<b>(798)</b>	<b>(69,050)</b>	<b>(875)</b>	<b>179,386</b>	<b>736</b>	<b>180,122</b>
60,685	158,163	(6,336)	(47,194)	(1,502)	196,166	900	197,066
	(492)	481			(11)		(11)
60,685	157,671	(5,855)	(47,194)	(1,502)	196,155	900	197,055
	12,066				12,066	239	12,305
		3,631			3,631	—	3,631
					<b>—</b>	<b>(144)</b>	<b>(144)</b>
(2)	(367)		1,907		1,538		1,538
			(9,718)		(9,718)		(9,718)
					<b>—</b>	<b>—</b>	<b>—</b>
<b>—</b>				<b>—</b>	<b>—</b>		<b>—</b>
(17)				210	193		193
(15)			208		<b>—</b>		<b>—</b>
					<b>—</b>	<b>—</b>	<b>—</b>
39	(4,108)				(4,069)		(4,069)
	(711)				(711)		(711)
791					791		791
(856)			22		(834)		(834)
(60)	6,880	3,631	(7,581)	210	2,887	95	2,982
60,625	164,551	(2,224)	(54,775)	(1,292)	199,042	995	200,037

## Wells Fargo &amp; Company and Subsidiaries

**Consolidated Statement of Cash Flows (Unaudited)**

(in millions)	Six months ended June 30,	
	2020	2019
<b>Cash flows from operating activities:</b>		
Net income (loss) before noncontrolling interests	\$ (1,827)	12,305
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	13,539	1,348
Changes in fair value of MSRs, MLHFS and LHFS carried at fair value	4,481	2,408
Depreciation, amortization and accretion	4,062	3,100
Other net (gains) losses	7,146	(1,360)
Stock-based compensation	953	1,388
Originations and purchases of mortgage loans held for sale	(82,713)	(63,836)
Proceeds from sales of and paydowns on mortgage loans held for sale	68,614	39,741
Net change in:		
Debt and equity securities, held for trading	36,459	14,777
Loans held for sale	(242)	619
Deferred income taxes	(1,358)	(821)
Derivative assets and liabilities	(6,825)	(2,461)
Other assets	(5,910)	7,194
Other accrued expenses and liabilities	(2,987)	(7,120)
Net cash provided by operating activities	33,392	7,282
<b>Cash flows from investing activities:</b>		
Net change in:		
Federal funds sold and securities purchased under resale agreements	22,851	(31,912)
Available-for-sale debt securities:		
Proceeds from sales	29,524	6,682
Prepayments and maturities	35,340	17,657
Purchases	(28,310)	(18,306)
Held-to-maturity debt securities:		
Paydowns and maturities	11,566	5,145
Purchases	(25,376)	(154)
Equity securities, not held for trading:		
Proceeds from sales and capital returns	5,584	2,320
Purchases	(5,587)	(2,426)
Loans:		
Loans originated by banking subsidiaries, net of principal collected	8,871	(7,008)
Proceeds from sales (including participations) of loans held for investment	5,325	8,196
Purchases (including participations) of loans	(775)	(1,001)
Principal collected on nonbank entities' loans	5,505	1,770
Loans originated by nonbank entities	(5,856)	(2,604)
Proceeds from sales of foreclosed assets and short sales	753	1,405
Other, net	(31)	512
Net cash provided (used) by investing activities	59,384	(19,724)
<b>Cash flows from financing activities:</b>		
Net change in:		
Deposits	88,085	1,938
Short-term borrowings	(44,027)	9,557
Long-term debt:		
Proceeds from issuance	37,664	33,091
Repayment	(44,574)	(26,357)
Preferred stock:		
Proceeds from issuance	1,968	—
Redeemed	(2,470)	—
Cash dividends paid	(654)	(711)
Common stock:		
Proceeds from issuance	454	242
Stock tendered for payment of withholding taxes	(320)	(272)
Repurchased	(3,409)	(9,718)
Cash dividends paid	(4,055)	(3,954)
Net change in noncontrolling interests	(31)	(124)
Other, net	(154)	(110)
Net cash provided by financing activities	28,477	3,582
<b>Net change in cash, cash equivalents, and restricted cash</b>	<b>121,253</b>	<b>(8,860)</b>
Cash, cash equivalents, and restricted cash at beginning of period	141,250	173,287
<b>Cash, cash equivalents, and restricted cash at end of period</b>	<b>\$ 262,503</b>	<b>164,427</b>
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 5,545	9,354
Cash paid for income taxes	2,254	2,516

The accompanying notes are an integral part of these statements. See Note 1 (Summary of Significant Accounting Policies) for noncash activities.

## Note 1: Summary of Significant Accounting Policies

Wells Fargo & Company is a diversified financial services company. We provide banking, trust and investments, mortgage banking, investment banking, retail banking, brokerage, and consumer and commercial finance through banking locations, the internet and other distribution channels to consumers, businesses and institutions in all 50 states, the District of Columbia, and in foreign countries. When we refer to “Wells Fargo,” “the Company,” “we,” “our” or “us,” we mean Wells Fargo & Company and Subsidiaries (consolidated). Wells Fargo & Company (the Parent) is a financial holding company and a bank holding company. We also hold a majority interest in a real estate investment trust, which has publicly traded preferred stock outstanding.

Our accounting and reporting policies conform with U.S. generally accepted accounting principles (GAAP) and practices in the financial services industry. For discussion of our significant accounting policies, see Note 1 (Summary of Significant Accounting Policies) in our Annual Report on Form 10-K for the year ended December 31, 2019 (2019 Form 10-K).

To prepare the financial statements in conformity with GAAP, management must make estimates based on assumptions about future economic and market conditions (for example, unemployment, market liquidity, real estate prices, etc.) that affect the reported amounts of assets and liabilities at the date of the financial statements, income and expenses during the reporting period and the related disclosures. Although our estimates contemplate current conditions and how we expect them to change in the future, it is reasonably possible that actual conditions could be worse than anticipated in those estimates, which could materially affect our results of operations and financial condition. Management has made significant estimates in several areas, including:

- allowance for credit losses (Note 6 (Loans and Related Allowance for Credit Losses));
- valuations of residential mortgage servicing rights (MSRs) (Note 10 (Securitizations and Variable Interest Entities) and Note 11 (Mortgage Banking Activities));
- valuations of financial instruments (Note 15 (Derivatives) and Note 16 (Fair Values of Assets and Liabilities));
- liabilities for contingent litigation losses (Note 14 (Legal Actions)); and
- income taxes.

Actual results could differ from those estimates.

These unaudited interim financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed in this Form 10-Q. The results of operations in the interim financial statements do not necessarily indicate the results that may be expected for the full year. The interim financial information should be read in conjunction with our 2019 Form 10-K.

### Accounting Standards Adopted in 2020

In 2020, we adopted the following new accounting guidance:

- Accounting Standards Update (ASU or Update) 2020-04 – Reference Rate Reform (Topic 848): *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*

- ASU 2019-04 – Codification Improvements to Topic 326, *Financial Instruments – Credit Losses*, Topic 815, *Derivatives and Hedging*, and Topic 825, *Financial Instruments*. This Update includes guidance on recoveries of financial assets, which is included in the discussion for ASU 2016-13 below.
- ASU 2018-17 – Consolidation (Topic 810): *Targeted Improvements to Related Party Guidance for Variable Interest Entities*
- ASU 2018-15 – Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): *Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the Financial Accounting Standards Board (FASB) Emerging Issues Task Force)*
- ASU 2018-13 – Fair Value Measurement (Topic 820): *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*.
- ASU 2017-04 – Intangibles – Goodwill and Other (Topic 350): *Simplifying the Test for Goodwill Impairment*
- ASU 2016-13 – Financial Instruments – Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments* and related subsequent Updates

**ASU 2020-04** provides optional, temporary relief to ease the burden of accounting for reference rate reform activities that affect contractual modifications of floating rate financial instruments indexed to interbank offering rates (IBORs) and hedge accounting relationships. Modifications of qualifying contracts are accounted for as the continuation of an existing contract rather than as a new contract. Modifications of qualifying hedging relationships will not require discontinuation of the existing hedge accounting relationships. The application of the relief for qualifying existing hedging relationships may be made on a hedge-by-hedge basis and across multiple reporting periods.

We adopted ASU 2020-04 on April 1, 2020, and the guidance will be followed until the Update terminates on December 31, 2022. This guidance is applied on a prospective basis. The Update did not have a material impact on our consolidated financial statements in second quarter 2020.

**ASU 2018-17** updates the guidance used by decision-makers of VIEs. Indirect interests held through related parties in common control arrangements will be considered on a proportional basis for determining whether fees paid to decision-makers and service providers are variable interests. This is consistent with how indirect interests held through related parties under common control are considered for determining whether a reporting entity must consolidate a VIE. The Update did not have a material impact on our consolidated financial statements.

**ASU 2018-15** clarifies the accounting for implementation costs related to a cloud computing arrangement that is a service contract and enhances disclosures around implementation costs for internal-use software and cloud computing arrangements. The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use



## Note 1: Summary of Significant Accounting Policies (continued)

software (and hosting arrangements that include an internal-use software license). It also requires the expense related to the capitalized implementation costs be presented in the same line item in the statement of income as the fees associated with the hosting element of the arrangement and capitalized implementation costs be presented in the balance sheet in the same line item that a prepayment for the fees of the associated hosting arrangement are presented. The Update did not have a material impact on our consolidated financial statements.

**ASU 2018-13** clarifies, eliminates and adds certain fair value measurement disclosure requirements for assets and liabilities, which affects our disclosures in Note 16 (Fair Values of Assets and Liabilities). Although the ASU became effective on January 1, 2020, it permitted early adoption of individual requirements without causing others to be early adopted and, as such, we partially adopted the Update during third quarter 2018 and the remainder of the requirements in first quarter 2020. The Update did not have a material impact on our consolidated financial statements.

**ASU 2017-04** simplifies the goodwill impairment test by eliminating the requirement to assign the fair value of a reporting unit to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination. The Update requires that a goodwill impairment loss is recognized if the fair value of the reporting unit is less than the carrying amount, including goodwill. The goodwill impairment loss is limited to the amount of goodwill allocated to the reporting unit. The guidance did not change the qualitative assessment of goodwill. This guidance is applied on a prospective basis, and accordingly, the Update did not have a material impact on our consolidated financial statements.

**ASU 2016-13** changes the accounting for the measurement of credit losses on loans and debt securities. For loans and held-to-maturity (HTM) debt securities, the Update requires a current expected credit loss (CECL) measurement to estimate the allowance for credit losses (ACL) for the remaining contractual term, adjusted for prepayments, of the financial asset (including off-balance sheet credit exposures) using historical experience, current conditions, and reasonable and supportable forecasts. Also, the Update eliminates the existing guidance for purchased credit-impaired (PCI) loans, but requires an allowance for purchased financial assets with more than an insignificant deterioration of credit since origination. In addition, the Update modifies the other-than-temporary impairment (OTTI) model for available-for-sale (AFS) debt securities to require an allowance for credit impairment instead of a direct write-down, which allows for reversal of credit impairments in future periods based on improvements in credit. Upon adoption, we recognized an overall decrease in our ACL of approximately \$1.3 billion (pre-tax) as a cumulative effect adjustment from a change in accounting policies, which increased our retained earnings and regulatory capital amounts and ratios. Loans previously classified as PCI were automatically transitioned to purchased credit-deteriorated (PCD) classification. We recognized an ACL for these new PCD loans and made a corresponding adjustment to the loan balance, with no impact to net income or transition adjustment to retained earnings. For more information on the impact of CECL by type of financial asset, see Table 1.1 below.

**Table 1.1: ASU 2016-13 Adoption Impact to Allowance for Credit Losses (1)**

(in billions)	Dec 31, 2019			ASU 2016-13 Adoption Impact	Jan 1, 2020	
	Balance Outstanding	ACL Balance	Coverage		ACL Balance	Coverage
Total commercial (2)	\$ 515.7	6.2	1.2%	\$ (2.9)	3.4	0.7%
Real estate 1-4 family mortgage (3)	323.4	0.9	0.3	—	0.9	0.3
Credit card (4)	41.0	2.3	5.5	0.7	2.9	7.1
Automobile (4)	47.9	0.5	1.0	0.3	0.7	1.5
Other revolving credit and installment (4)	34.3	0.6	1.6	0.6	1.2	3.5
Total consumer	446.5	4.2	0.9	1.5	5.7	1.3
Total loans	962.3	10.5	1.1	(1.3)	9.1	0.9
Available-for-sale and held-to-maturity debt securities and other assets (5)	420.0	0.1	NM	—	0.1	NM
Total	\$ 1,382.3	10.6	NM	\$ (1.3)	9.3	NM

NM – Not meaningful

(1) Amounts presented in this table may not equal the sum of its components due to rounding.

(2) Decrease reflecting shorter contractual maturities given limitation to contractual terms.

(3) Impact reflects an increase due to longer contractual terms, offset by expectation of recoveries in collateral value on mortgage loans previously written down significantly below current recovery value.

(4) Increase due to longer contractual terms or indeterminate maturities.

(5) Excludes other financial assets in the scope of CECL that do not have an allowance for credit losses based on the nature of the asset.

The adoption of ASU 2016-13 did not result in a change to accounting policies, except as noted herein. Our accounting policy for the ACL was updated and is now inclusive of loans, debt securities and other financing receivables. Other than the ACL and the elimination of PCI loans, there were no changes to accounting policies for loans as described in the 2019 Form 10-K. For debt securities, other than the policies with respect to the ACL, all of the current accounting policies, including those that changed as a

result of CECL adoption, are included below under Debt Securities.

## Debt Securities

Our investments in debt securities that are not held for trading purposes are classified as either debt securities available-for-sale (AFS) or held-to-maturity (HTM).

Investments in debt securities for which the Company does not have the positive intent and ability to hold to maturity are classified as AFS. AFS debt securities are measured at fair value, with unrealized gains and losses reported in cumulative other comprehensive income (OCI), net of the allowance for credit losses and applicable income taxes. Investments in debt securities for which the Company has the positive intent and ability to hold to maturity are classified as HTM. HTM debt securities are measured at amortized cost, net of allowance for credit losses.

**INTEREST INCOME AND GAIN/LOSS RECOGNITION** Unamortized premiums and discounts are recognized in interest income over the contractual life of the security using the effective interest method, except for purchased callable debt securities carried at a premium. For purchased callable debt securities carried at a premium, the premium is amortized into interest income to the earliest call date using the effective interest method. As principal repayments are received on securities (e.g., mortgage-backed securities (MBS)), a proportionate amount of the related premium or discount is recognized in income so that the effective interest rate on the remaining portion of the security continues unchanged.

We recognize realized gains and losses on the sale of debt securities in net gains (losses) on debt securities within noninterest income using the specific identification method.

**IMPAIRMENT AND CREDIT LOSSES** Unrealized losses of AFS debt securities are driven by a number of factors, including changes in interest rates and credit spreads which impact most types of debt securities with additional considerations for certain types of debt securities:

- Debt securities of U.S. Treasury and federal agencies, including federal agency MBS, are not impacted by credit movements given the explicit or implicit guarantees provided by the U.S. government.
- Debt securities of U.S. states and political subdivisions are most impacted by changes in the relationship between municipal and term funding credit curves rather than by changes in the credit quality of the underlying securities.
- Structured securities, such as MBS and collateralized loan obligations (CLO), are also impacted by changes in projected collateral losses of assets underlying the security.

For debt securities where fair value is less than amortized cost basis, we recognize impairment in earnings if we have the intent to sell the security or if it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. Impairment is recognized equal to the entire difference between the amortized cost basis and the fair value of the security and is classified as net gains (losses) from debt securities within noninterest income. Following the recognition of impairment, the security's new amortized cost basis is the previous basis less impairment.

For debt securities where fair value is less than amortized cost basis where we did not recognize impairment in earnings, we set up an allowance for credit losses as of the balance sheet date. See "Allowance for Credit Losses" section in this Note.

**TRANSFERS BETWEEN CATEGORIES OF DEBT SECURITIES** AFS debt securities transferred to the HTM classification are recorded at fair value and the unrealized gains or losses resulting from the transfer of these securities continue to be reported in cumulative

OCI. The cumulative OCI balance is amortized into earnings over the same period as the unamortized premiums and discounts using the effective interest method. Any allowance for credit losses previously recorded under the AFS model on securities transferred to HTM is reversed and an allowance for credit losses is subsequently recorded under the HTM debt security model.

**NONACCRUAL AND PAST DUE, AND CHARGE-OFF POLICIES** We generally place debt securities on nonaccrual status using factors similar to those described for loans. When we place a debt security on nonaccrual status, we reverse the accrued unpaid interest receivable against interest income and suspend the amortization of premiums and accretion of discounts. If the ultimate collectability of the principal is in doubt on a nonaccrual debt security, any cash collected is first applied to reduce the security's amortized cost basis to zero, followed by recovery of amounts previously charged off, and subsequently to interest income. Generally, we return a debt security to accrual status when all delinquent interest and principal become current under the contractual terms of the security and collectability of remaining principal and interest is no longer doubtful.

Our debt securities are considered past due when contractually required principal or interest payments have not been made on the due dates.

Our charge-off policy for debt securities are similar to those described for loans. Subsequent to charge-off, the debt security will be designated as nonaccrual and follow the process described above for any cash received.

## Allowance for Credit Losses

The ACL is management's estimate of the current expected credit losses in the loan portfolio and unfunded credit commitments, at the balance sheet date, excluding loans and unfunded credit commitments carried at fair value or held for sale. Additionally, we maintain an ACL on AFS and HTM debt securities, other financing receivables measured at amortized cost, and other off-balance sheet credit exposures. While we attribute portions of the allowance to specific financial asset classes (loan and debt security portfolios), loan portfolio segments (commercial and consumer) or major security type, the entire ACL is available to absorb credit losses of the Company.

Our ACL process involves procedures to appropriately consider the unique risk characteristics of our financial asset classes, portfolio segments, and major security types. For each loan portfolio segment and each major HTM debt security type, losses are estimated collectively for groups of loans or securities with similar risk characteristics. For loans and securities that do not share similar risk characteristics with other financial assets, the losses are estimated individually, which primarily includes our impaired large commercial loans and non-accruing HTM debt securities. For AFS debt securities, losses are estimated at the tax-lot level.

Our ACL amounts are influenced by a variety of factors, including changes in loan and debt security volumes, portfolio credit quality, and general economic conditions. General economic conditions are forecasted using economic variables which will create volatility as those variables change over time. See Table 1.2 for key economic variables used for our loan portfolios.

## Note 1: Summary of Significant Accounting Policies (continued)

**Table 1.2: Key Economic Variables**

Loan Portfolio	Key economic variables
Total commercial	<ul style="list-style-type: none"> <li>Gross domestic product</li> <li>Commercial real estate asset prices, where applicable</li> <li>Unemployment rate</li> <li>Corporate investment-grade bond spreads</li> </ul>
Real estate 1-4 family mortgage	<ul style="list-style-type: none"> <li>Home price index</li> <li>Unemployment rate</li> </ul>
Other consumer (including credit card, automobile, and other revolving credit and installment)	<ul style="list-style-type: none"> <li>Unemployment rate</li> </ul>

Our approach for estimating expected life-time credit losses for loans and debt securities includes the following key components:

- An initial loss forecast period of one year for all portfolio segments and classes of financing receivables and off-balance-sheet credit exposures. This period reflects management's expectation of losses based on forward-looking economic scenarios over that time.
- A historical loss forecast period covering the remaining contractual term, adjusted for expected prepayments and certain expected extensions, renewals, or modifications, by portfolio segment and class of financing receivables based on the changes in key historical economic variables during representative historical expansionary and recessionary periods.
- A reversion period of up to two years to connect the losses estimated for our initial loss forecast period to the period of our historical loss forecast based on economic conditions at the measurement date. Our reversion methodology considers the type of portfolio, point in the credit cycle, expected length of recessions and recoveries, as well as other relevant factors.
- Utilization of discounted cash flow (DCF) methods to measure credit impairment for loans modified in a troubled debt restructuring, unless they are collateral dependent and measured at the fair value of the collateral. The DCF methods obtain estimated life-time credit losses using the initial and historical mean loss forecast periods described above.
- For AFS debt securities and certain beneficial interests classified as HTM, we utilize the DCF methods to measure the ACL, which incorporate expected credit losses using the conceptual components described above. The ACL on AFS debt securities is subject to a limitation based on the fair value of the debt securities (fair value floor).

The ACL for financial assets held at amortized cost and AFS debt securities will be reversible with immediate recognition of recovery in earnings if credit improves. The ACL for financial assets held at amortized cost is a valuation account that is deducted from, or added to, the amortized cost basis of the financial assets to present the net amount expected to be collected, which can include a negative allowance limited to the cumulative amounts previously charged off. For financial assets with an ACL estimated using DCF methods, changes in the ACL due to the passage of time are recorded in interest income. The ACL for AFS debt securities reflects the amount of unrealized loss related to expected credit losses, limited by the amount that fair value is less than the amortized cost basis, and cannot have an associated negative allowance.

For certain financial assets, such as residential real estate loans guaranteed by the Government National Mortgage Association (GNMA), an agency of the federal government, U. S. Treasury and Agency mortgage backed debt securities, as well as certain sovereign debt securities, the Company has not

recognized an ACL as our expectation of nonpayment of the amortized cost basis, based on historical losses, adjusted for current conditions and reasonable and supportable forecasts, is zero.

A financial asset is collateral-dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the sale or operation of the collateral. When a collateral-dependent financial asset is probable of foreclosure, we will measure the ACL based on the fair value of the collateral. If we intend to sell the underlying collateral, we will measure the ACL based on the collateral's net realizable value (fair value of collateral, less estimated costs to sell). In most situations, based on our charge-off policies, we will immediately write-down the financial asset to the fair value of the collateral or net realizable value. For consumer loans, collateral-dependent financial assets may have collateral in the form of residential real estate, automobiles or other personal assets. For commercial loans, collateral-dependent financial assets may have collateral in the form of commercial real estate or other business assets.

We do not generally record an ACL for accrued interest receivables because uncollectible accrued interest is reversed through interest income in a timely manner in line with our non-accrual and past due policies for loans and debt securities. For consumer credit card and certain consumer lines of credit, we include an ACL for accrued interest and fees since these loans are not placed on nonaccrual status and written off until the loan is 180 days past due. Accrued interest receivables are included in other assets, except for certain revolving loans, such as credit card loans.

### COMMERCIAL LOAN PORTFOLIO SEGMENT ACL METHODOLOGY

Generally, commercial loans, which include net investments in lease financing, are assessed for estimated losses by grading each loan using various risk factors as identified through periodic reviews. Our estimation approach for the commercial portfolio reflects the estimated probability of default in accordance with the borrower's financial strength and the severity of loss in the event of default, considering the quality of any underlying collateral. Probability of default and severity at the time of default are statistically derived through historical observations of default and losses after default within each credit risk rating. These estimates are adjusted as appropriate based on additional analysis of long-term average loss experience compared with previously forecasted losses, external loss data or other risks identified from current economic conditions and credit quality trends. The estimated probability of default and severity at the time of default are applied to loan equivalent exposures to estimate losses for unfunded credit commitments.

**CONSUMER LOAN PORTFOLIO SEGMENT ACL METHODOLOGY** For consumer loans, we determine the allowance at the individual loan level. When developing historical loss experience, we pool loans, generally by product types with similar risk characteristics, such as residential real estate mortgages and credit cards. As

appropriate and to achieve greater accuracy, we may further stratify selected portfolios by sub-product, origination channel, vintage, loss type, geographic location and other predictive characteristics. We use pooled loan data such as historic delinquency and default and loss severity in the development of our consumer loan models, in addition to home price trends, unemployment trends, and other economic variables that may influence the frequency and severity of losses in the consumer portfolio.

**AFS PORTFOLIO ACL METHODOLOGY** We develop our ACL estimate for AFS debt securities by utilizing a security-level multi-scenario, probability-weighted discounted cash flow model based on a combination of past events, current conditions, as well as reasonable and supportable forecasts. The projected cash flows are discounted at the security's effective interest rate, except for certain variable rate securities which are discounted using projections of future changes in interest rates, prepayable securities which are adjusted for estimated prepayments, and securities part of a fair value hedge which use hedge-adjusted assumptions. The ACL on an AFS debt security is limited to the difference between its amortized cost basis and fair value (fair value floor) and reversals of the allowance are permitted up to the amount previously recorded.

**HTM PORTFOLIO ACL METHODOLOGY** For most HTM debt securities, the ACL is measured using an expected loss model, similar to the methodology used for loans. Unlike AFS debt securities, the ACL on an HTM debt security is not limited to the fair value floor.

Certain beneficial interests categorized as HTM debt securities utilize a similar discounted cash flow model as described for AFS debt securities, without the limitation of the fair value floor.

**OTHER QUALITATIVE FACTORS** The ACL includes amounts for qualitative factors which may not be adequately reflected in our loss models. These amounts represent management's judgment of risks in the processes and assumptions used in establishing the ACL. Generally, these amounts are established at a granular level below our loan portfolio segments. We also consider economic environmental factors, modeling assumptions and performance, process risk, and other subjective factors, including industry trends and emerging risk assessments.

**OFF-BALANCE SHEET CREDIT EXPOSURES** Our off-balance sheet credit exposures include unfunded loan commitments (generally in the form of revolving lines of credit), financial guarantees not accounted for as insurance contracts or derivatives, including standby letters of credit, and other similar instruments. For off-balance sheet credit exposures, we recognize an ACL associated with the unfunded amounts. We do not recognize an ACL for commitments that are unconditionally cancelable at our discretion. Additionally, we recognize an ACL for financial guarantees that create off-balance sheet credit exposure, such as loans sold with credit recourse and factoring guarantees. ACL for off-balance sheet credit exposures are reported as a liability in accrued expenses and other liabilities on our consolidated balance sheet.

**OTHER FINANCIAL ASSETS** Other financial assets are evaluated for expected credit losses. These other financial assets include accounts receivable for fees, receivables from government-sponsored entities, such as Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage

Corporation (FHLMC), and GNMA, and other accounts receivable from high-credit quality counterparties, such as central clearing counterparties. Many of these financial assets are generally not expected to have an ACL as there is a zero loss expectation (for example, government guarantee) or no historical credit losses. Some financial assets, such as loans to employees, maintain an ACL that is presented on a net basis with the related amortized cost amounts in other assets on our consolidated balance sheet. Given the nature of these financial assets, provision for credit losses is not recognized separately from the regular income or expense associated with these financial assets.

Securities purchased under resale agreements are generally over-collateralized by securities or cash and are generally short-term in nature. We have elected the practical expedient for these financial assets given collateral maintenance provisions. These provisions require that we monitor the collateral value and customers are required to replenish collateral, if needed. Accordingly, we generally do not maintain an ACL for these financial assets.

**PURCHASED CREDIT DETERIORATED FINANCIAL ASSETS** Financial assets acquired that are of poor credit quality and with more than an insignificant evidence of credit deterioration since their origination or issuance are PCD assets. PCD assets are recorded at their purchase price plus an ACL estimated at the time of acquisition. Under this approach, there is no provision for credit losses recognized at acquisition; rather, there is a gross-up of the purchase price of the financial asset for the estimate of expected credit losses and a corresponding ACL recorded. Changes in estimates of expected credit losses after acquisition are recognized as provision for credit losses (or reversal of provision for credit losses) in subsequent periods. In general, interest income recognition for PCD financial assets is consistent with interest income recognition for the similar non-PCD financial asset.

### **Troubled Debt Restructuring and Other Relief Related to COVID-19**

On March 25, 2020, the U.S. Senate approved the *Coronavirus, Aid, Relief, and Economic Security Act* (the CARES Act) providing optional, temporary relief from accounting for certain loan modifications as troubled debt restructurings (TDRs). Under the CARES Act, TDR relief is available to banks for loan modifications related to the adverse effects of Coronavirus Disease 2019 (COVID-19) (COVID-related modifications) granted to borrowers that are current as of December 31, 2019. TDR relief applies to COVID-related modifications made from March 1, 2020, until the earlier of December 31, 2020, or 60 days following the termination of the national emergency declared by the President of the United States. In first quarter 2020, we elected to apply the TDR relief provided by the CARES Act.

On April 7, 2020, federal banking regulators issued the *Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised)* (the Interagency Statement). The guidance in the Interagency Statement provides additional TDR relief as it clarifies that it is not necessary to consider the impact of the COVID-19 pandemic on the financial condition of a borrower in connection with a short-term (e.g., six months or less) COVID-related modification provided the borrower is current at the date the modification program is implemented.

For COVID-related modifications in the form of payment deferrals, delinquency status will not advance and loans that were accruing at the time the relief is provided will generally not be placed on nonaccrual status during the deferral period. COVID-

## Note 1: Summary of Significant Accounting Policies (continued)

related modifications that do not meet the provisions of the CARES Act or the Interagency Statement will be assessed for TDR classification.

On April 10, 2020, the FASB Staff issued *Accounting for Lease Concessions Related to the Effects of the COVID-19 Pandemic*, a question and answer guide. The guide provided an election for leases accounted for under Accounting Standards Codification (ASC) 842, *Leases*, that were modified due to COVID-19 and met certain criteria in order to not require a new lease classification test upon modification. In second quarter 2020, we elected to apply the lease modification relief provided by the guide.

### Share Repurchases

During the first quarter of 2020 and 2019, we repurchased shares of our common stock under Rule 10b5-1 repurchase plans. On March 15, 2020, we, along with the other members of the Financial Services Forum, suspended our share repurchase activities for the remainder of the first quarter and for second quarter 2020. On June 25, 2020, the Board of Governors of the Federal Reserve System (FRB) announced that it was prohibiting large bank holding companies (BHCs) subject to the FRB's capital

plan rule, including Wells Fargo, from making any capital distribution (excluding any capital distribution arising from the issuance of a capital instrument eligible for inclusion in the numerator of a regulatory capital ratio), unless otherwise approved by the FRB. Through the end of third quarter 2020, the FRB is authorizing each BHC to (i) make share repurchases relating to issuances of common stock related to employee stock ownership plans; (ii) provided that the BHC does not increase the amount of its common stock dividends, pay common stock dividends that do not exceed an amount equal to the average of the BHC's net income for the four preceding calendar quarters, unless otherwise specified by the FRB; and (iii) make scheduled payments on additional tier 1 and tier 2 capital instruments. These provisions may be extended by the FRB quarter-by-quarter. For more information about share repurchases, see Note 1 (Summary of Significant Accounting Policies) in our 2019 Form 10-K.

### Supplemental Cash Flow Information

Significant noncash activities are presented in Table 1.3.

**Table 1.3: Supplemental Cash Flow Information**

(in millions)	Six months ended June 30,	
	2020	2019
Trading debt securities retained from securitization of mortgage loans held for sale (MLHFS)	\$ 16,953	19,131
Transfers from loans to MLHFS	12,430	4,419
Transfers from available-for-sale debt securities to held-to-maturity debt securities	—	6,071
Operating lease ROU assets acquired with operating lease liabilities (1)	345	5,302

(1) Includes amounts attributable to new leases and changes from modified leases. The six months ended June 30, 2019, balance also includes \$4.9 billion from adoption of ASU 2016-02 – Leases (Topic 842).

### Subsequent Events

We have evaluated the effects of events that have occurred subsequent to June 30, 2020, and there have been no material

events that would require recognition in our second quarter 2020 consolidated financial statements or disclosure in the Notes to the consolidated financial statements.

## Note 2: Business Combinations

There were no acquisitions during the first half of 2020. As of June 30, 2020, we had no pending acquisitions.

## Note 3: Cash, Loan and Dividend Restrictions

Cash and cash equivalents may be restricted as to usage or withdrawal. Federal Reserve Board (FRB) regulations require that each of our subsidiary banks maintain reserve balances on deposit with the Federal Reserve Banks. Table 3.1 provides a summary of restrictions on cash equivalents in addition to the FRB reserve cash balance requirements.

**Table 3.1: Nature of Restrictions on Cash Equivalents**

(in millions)	Jun 30, 2020	Dec 31, 2019
Required reserve balance for the FRB (1)	\$ —	11,374
Reserve balance for non-U.S. central banks	200	460
Segregated for benefit of brokerage customers under federal and other brokerage regulations	703	733
Related to consolidated variable interest entities (VIEs) that can only be used to settle liabilities of VIEs	26	300

(1) Effective March 26, 2020, the FRB reduced reserve requirement ratios to 0%. The amount for December 31, 2019 represents an average for the year ended December 31, 2019.

Federal laws and regulations limit the dividends that a national bank may pay. Our national bank subsidiaries could have declared additional dividends of \$1.0 billion at June 30, 2020, without obtaining prior regulatory approval. We have elected to retain higher capital at our national bank subsidiaries in order to meet internal capital policy minimums and regulatory requirements. Our nonbank subsidiaries are also limited by certain federal and state statutory provisions and regulations covering the amount of dividends that may be paid in any given year. In addition, under a Support Agreement dated June 28, 2017, as amended and restated on June 26, 2019, among Wells Fargo & Company, the parent holding company (the "Parent"), WFC Holdings, LLC, an intermediate holding company and subsidiary of the Parent (the "IHC"), Wells Fargo Bank, N.A., Wells Fargo Securities, LLC, Wells Fargo Clearing Services, LLC, and certain other direct and indirect subsidiaries of the Parent designated as material entities for resolution planning purposes or identified as related support entities in our resolution plan, the IHC may be restricted from making dividend payments to the Parent if certain liquidity and/or capital metrics fall below defined triggers or if the Parent's board of directors authorizes it to file a case under the U.S. Bankruptcy Code. Based on retained earnings at June 30, 2020, our nonbank subsidiaries could have declared additional dividends of \$26.5 billion at June 30, 2020, without obtaining prior regulatory approval. For additional information see Note 3 (Cash, Loan and Dividend Restrictions) in our 2019 Form 10-K.

The FRB's Capital Plan Rule (codified at 12 CFR 225.8 of Regulation Y) establishes capital planning and other requirements that govern capital distributions including dividends by certain large bank holding companies. The FRB has also published guidance regarding its supervisory expectations for capital planning, including capital policies regarding the process relating to common stock dividend and repurchase decisions in the FRB's SR Letter 15-18. The Parent's ability to make certain capital distributions is subject to review by the FRB as part of the Parent's capital plan in connection with the FRB's annual Comprehensive Capital Analysis and Review (CCAR). Once the FRB's stress capital buffer requirement becomes effective on October 1, 2020, the Parent's ability to take certain capital actions will be subject to the Parent meeting or exceeding certain regulatory capital minimums, which include the stress capital buffer established by the FRB as part of the FRB's annual supervisory stress test and related CCAR.

On July 28, 2020, the Company reduced its third quarter 2020 common stock dividend to \$0.10 per share.

On June 25, 2020, the FRB announced that it is requiring large BHCs, including Wells Fargo, to update and resubmit their capital plans within 45 days after the FRB provides updated scenarios. Requiring resubmission will prohibit each BHC from making any capital distribution (excluding any capital distribution arising from the issuance of a capital instrument eligible for inclusion in the numerator of a regulatory capital ratio), unless otherwise approved by the FRB. Through the end of third quarter 2020, the FRB is authorizing each BHC to (i) make share repurchases relating to issuances of common stock related to employee stock ownership plans; (ii) provided that the BHC does not increase the amount of its common stock dividends, pay common stock dividends that do not exceed an amount equal to the average of the BHC's net income for the four preceding calendar quarters, unless otherwise specified by the FRB; and (iii) make scheduled payments on additional tier 1 and tier 2 capital instruments. These provisions may be extended by the FRB quarter-by-quarter.

## Note 4: Trading Activities

Table 4.1 presents a summary of our trading assets and liabilities measured at fair value through earnings.

**Table 4.1: Trading Assets and Liabilities**

(in millions)	Jun 30, 2020	Dec 31, 2019
<b>Trading assets:</b>		
Debt securities	\$ 74,679	79,733
Equity securities	12,591	27,440
Loans held for sale	1,201	972
Gross trading derivative assets	60,644	34,825
Netting (1)	(39,885)	(21,463)
Total trading derivative assets	20,759	13,362
Total trading assets	109,230	121,507
<b>Trading liabilities:</b>		
Short sale	20,213	17,430
Gross trading derivative liabilities	54,985	33,861
Netting (1)	(44,901)	(26,074)
Total trading derivative liabilities	10,084	7,787
Total trading liabilities	\$ 30,297	25,217

(1) Represents balance sheet netting for trading derivative asset and liability balances, and trading portfolio level counterparty valuation adjustments.

Table 4.2 provides a summary of the net interest income earned from trading securities, and net gains and losses due to the realized and unrealized gains and losses from trading activities.

Net interest income also includes dividend income on trading securities and dividend expense on trading securities we have sold, but not yet purchased.

**Table 4.2: Net Interest Income and Net Gains (Losses) on Trading Activities**

(in millions)	Quarter ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
<b>Interest income:</b>				
Debt securities	\$ 659	740	\$ 1,425	1,533
Equity securities	68	143	205	258
Loans held for sale	6	20	18	43
Total interest income	733	903	1,648	1,834
Less: Interest expense	116	127	257	263
Net interest income	617	776	1,391	1,571
<b>Net gains (losses) from trading activities (1):</b>				
Debt securities	329	401	2,684	1,089
Equity securities	2,329	1,236	(2,072)	3,303
Loans held for sale	24	(4)	12	10
Derivatives (2)	(1,875)	(1,404)	247	(3,816)
Total net gains from trading activities	807	229	871	586
Total trading-related net interest and noninterest income	\$ 1,424	1,005	\$ 2,262	2,157

(1) Represents realized gains (losses) from our trading activities and unrealized gains (losses) due to changes in fair value of our trading positions.

(2) Excludes economic hedging of mortgage banking and asset/liability management activities, for which hedge results (realized and unrealized) are reported with the respective hedged activities.

## Note 5: Available-for-Sale and Held-to-Maturity Debt Securities

Table 5.1 provides the amortized cost, net of the allowance for credit losses, and fair value by major categories of available-for-sale debt securities, which are carried at fair value, and held-to-maturity debt securities, which are carried at amortized cost, net of allowance for credit losses. The net unrealized gains (losses) for available-for-sale debt securities are reported as a component of cumulative OCI, net of the allowance for credit losses and applicable income taxes. Information on debt securities held for trading is included in Note 4 (Trading Activities).

Outstanding balances exclude accrued interest receivable on available-for-sale and held-to-maturity debt securities which are included in other assets. During the first half of 2020, we reversed accrued interest receivable on our available-for-sale and held-to-maturity debt securities by reversing interest income of \$6 million. See Note 9 (Other Assets) for additional information on accrued interest receivable.

**Table 5.1: Available-for-Sale and Held-to-Maturity Debt Securities Outstanding**

(in millions)	Amortized cost, net (1)	Gross unrealized gains	Gross unrealized losses	Fair value
<b>June 30, 2020</b>				
<b>Available-for-sale debt securities:</b>				
Securities of U.S. Treasury and federal agencies	\$ 7,923	69	(9)	7,983
Securities of U.S. states and political subdivisions (2)	33,259	200	(448)	33,011
<b>Mortgage-backed securities:</b>				
Federal agencies	139,326	5,533	(24)	144,835
Residential	542	2	(3)	541
Commercial	3,663	9	(113)	3,559
<b>Total mortgage-backed securities</b>	<b>143,531</b>	<b>5,544</b>	<b>(140)</b>	<b>148,935</b>
Corporate debt securities	4,972	95	(92)	4,975
Collateralized loan obligations	25,727	1	(729)	24,999
Other	9,055	69	(128)	8,996
<b>Total available-for-sale debt securities</b>	<b>224,467</b>	<b>5,978</b>	<b>(1,546)</b>	<b>228,899</b>
<b>Held-to-maturity debt securities:</b>				
Securities of U.S. Treasury and federal agencies	48,578	1,972	(47)	50,503
Securities of U.S. states and political subdivisions	14,277	622	(7)	14,892
Federal agency and other mortgage-backed securities (3)	106,133	5,350	(10)	111,473
Other debt securities	14	—	—	14
<b>Total held-to-maturity debt securities</b>	<b>169,002</b>	<b>7,944</b>	<b>(64)</b>	<b>176,882</b>
<b>Total (4)</b>	<b>\$ 393,469</b>	<b>13,922</b>	<b>(1,610)</b>	<b>405,781</b>
<b>December 31, 2019</b>				
<b>Available-for-sale debt securities:</b>				
Securities of U.S. Treasury and federal agencies	\$ 14,948	13	(1)	14,960
Securities of U.S. states and political subdivisions (2)	39,381	992	(36)	40,337
<b>Mortgage-backed securities:</b>				
Federal agencies	160,318	2,299	(164)	162,453
Residential	814	14	(1)	827
Commercial	3,899	41	(6)	3,934
<b>Total mortgage-backed securities</b>	<b>165,031</b>	<b>2,354</b>	<b>(171)</b>	<b>167,214</b>
Corporate debt securities	6,343	252	(32)	6,563
Collateralized loan obligations	29,153	25	(123)	29,055
Other	5,204	150	(24)	5,330
<b>Total available-for-sale debt securities</b>	<b>260,060</b>	<b>3,786</b>	<b>(387)</b>	<b>263,459</b>
<b>Held-to-maturity debt securities:</b>				
Securities of U.S. Treasury and federal agencies	45,541	617	(19)	46,139
Securities of U.S. states and political subdivisions	13,486	286	(13)	13,759
Federal agency and other mortgage-backed securities (3)	94,869	2,093	(37)	96,925
Other debt securities	37	—	—	37
<b>Total held-to-maturity debt securities</b>	<b>153,933</b>	<b>2,996</b>	<b>(69)</b>	<b>156,860</b>
<b>Total (4)</b>	<b>\$ 413,993</b>	<b>6,782</b>	<b>(456)</b>	<b>420,319</b>

- Represents amortized cost of the securities, net of the allowance for credit losses of \$114 million related to available-for-sale debt securities and \$20 million related to held-to-maturity debt securities at June 30, 2020. Prior to our adoption of CECL on January 1, 2020, the allowance for credit losses related to available-for-sale and held-to-maturity debt securities was not applicable and is therefore presented as \$0 at December 31, 2019. For more information, see Note 1 (Summary of Significant Accounting Policies).
- Includes investments in tax-exempt preferred debt securities issued by investment funds or trusts that predominantly invest in tax-exempt municipal securities. The amortized cost net of allowance for credit losses and fair value of these types of securities was \$5.8 billion at both June 30, 2020, and December 31, 2019.
- Predominantly consists of federal agency mortgage-backed securities at both June 30, 2020 and December 31, 2019.
- We held available-for-sale and held-to-maturity debt securities from Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) that each exceeded 10% of stockholders' equity, with an amortized cost of \$93.6 billion and \$80.1 billion and a fair value of \$98.1 billion and \$83.8 billion at June 30, 2020 and an amortized cost of \$98.5 billion and \$84.1 billion and a fair value of \$100.3 billion and \$85.5 billion at December 31, 2019, respectively.



## Note 5: Available-for-Sale and Held-to-Maturity Debt Securities (continued)

Table 5.2 details the breakout of purchases of and transfers to held-to-maturity debt securities by major category of security.

**Table 5.2: Held-to-Maturity Debt Securities Purchases and Transfers**

(in millions)	Quarter ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
<b>Purchases of held-to-maturity debt securities:</b>				
Securities of U.S. Treasury and federal agencies	\$ —	—	\$ 3,016	—
Securities of U.S. states and political subdivisions	15	243	881	243
Federal agency and other mortgage-backed securities	6,970	37	22,895	53
Total purchases of held-to-maturity debt securities	6,985	280	26,792	296
<b>Transfers from available-for-sale debt securities to held-to-maturity debt securities:</b>				
Securities of U.S. states and political subdivisions	—	1,558	—	1,558
Federal agency and other mortgage-backed securities	—	2,106	—	4,513
Total transfers from available-for-sale debt securities to held-to-maturity debt securities	\$ —	3,664	\$ —	6,071

Table 5.3 shows the composition of interest income, provision for credit losses, and gross realized gains and losses from sales and impairment write-downs included in earnings related to available-for-sale and held-to-maturity debt securities (pre-tax).

**Table 5.3: Income Statement Impacts for Available-for-Sale and Held-to-Maturity Debt Securities**

(in millions)	Quarter ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
<b>Interest income:</b>				
Available-for-sale	\$ 1,349	2,110	\$ 3,075	4,311
Held-to-maturity	938	931	1,918	1,878
Total interest income (1)	2,287	3,041	4,993	6,189
<b>Provision (reversal of provision) for credit losses (2):</b>				
Available-for-sale	(40)	—	128	—
Held-to-maturity	9	—	13	—
Total provision (reversal of provision) for credit losses	(31)	—	141	—
<b>Realized gains and losses (3):</b>				
Gross realized gains	248	29	504	202
Gross realized losses	(36)	(2)	(40)	(5)
Impairment write-downs included in earnings:				
Credit-related (4)	—	(7)	—	(23)
Intent-to-sell	—	—	(15)	(29)
Total impairment write-downs included in earnings	—	(7)	(15)	(52)
Net realized gains	\$ 212	20	\$ 449	145

(1) Total interest income from debt securities excludes interest income from trading debt securities, which is disclosed in Note 4 (Trading Activities).

(2) Prior to our adoption of CECL on January 1, 2020, the provision for credit losses from debt securities was not applicable and is therefore presented as \$0 for the prior period. For more information, see Note 1 (Summary of Significant Accounting Policies).

(3) Realized gains and losses relate to available-for-sale debt securities. There were no realized gains or losses from held-to-maturity debt securities in all periods presented.

(4) For the second quarter and first half of 2020, credit-related impairment recognized in earnings is classified as provision for credit losses due to our adoption of CECL on January 1, 2020. For more information, see Note 1 (Summary of Significant Accounting Policies).

### Credit Quality

We monitor credit quality of debt securities by evaluating various attributes and utilize such information in our evaluation of the appropriateness of the allowance for credit losses. The credit quality indicators that we most closely monitor include credit ratings and delinquency status and are based on information as of our financial statement date.

**CREDIT RATINGS** Credit ratings express opinions about the credit quality of a debt security. We determine the credit rating of a security according to the lowest credit rating made available by national recognized statistical rating organizations (NRSRO). Debt securities rated investment grade, that is those with ratings

similar to BBB-/Baa3 or above, as defined by NRSRO, are generally considered by the rating agencies and market participants to be low credit risk. Conversely, debt securities rated below investment grade, labeled as “speculative grade” by the rating agencies, are considered to be distinctively higher credit risk than investment grade debt securities.

For debt securities not rated by the NRSRO, we determine an internal credit grade of the debt securities (used for credit risk management purposes) equivalent to the credit ratings assigned by major credit agencies. The fair value of available-for-sale debt securities categorized as investment grade based on internal credit grades was \$1.3 billion at June 30, 2020, and \$2.2 billion at December 31, 2019. Held-to-maturity debt securities

categorized as investment grade based on internal credit grades are not significant. If an internal credit grade was not assigned, we categorized the debt security as non-investment grade.

Table 5.4 shows the percentage of fair value of available-for-sale debt securities and amortized cost of held-to-maturity debt

securities determined by those rated investment grade, inclusive of those based on internal credit grades.

**Table 5.4: Investment Grade Debt Securities**

(\$ in millions)	Available-for-Sale		Held-to-Maturity	
	Fair value	% investment grade	Amortized cost	% investment grade
<b>June 30, 2020</b>				
<b>Total portfolio</b>	<b>\$ 228,899</b>	<b>99%</b>	<b>169,022</b>	<b>99%</b>
<b>Breakdown by category:</b>				
<b>Securities of U.S. Treasury and federal agencies (1)</b>	<b>\$ 152,818</b>	<b>100%</b>	<b>153,863</b>	<b>100%</b>
<b>Securities of U.S. states and political subdivisions</b>	<b>33,011</b>	<b>99</b>	<b>14,286</b>	<b>100</b>
<b>Collateralized loan obligations</b>	<b>24,999</b>	<b>100</b>	<b>N/A</b>	<b>N/A</b>
<b>All other debt securities (2)</b>	<b>18,071</b>	<b>87</b>	<b>873</b>	<b>6</b>
<b>December 31, 2019</b>				
<b>Total portfolio</b>	<b>\$ 263,459</b>	<b>99%</b>	<b>153,933</b>	<b>99%</b>
<b>Breakdown by category:</b>				
<b>Securities of U.S. Treasury and federal agencies (1)</b>	<b>\$ 177,413</b>	<b>100%</b>	<b>139,619</b>	<b>100%</b>
<b>Securities of U.S. states and political subdivisions</b>	<b>40,337</b>	<b>99</b>	<b>13,486</b>	<b>100</b>
<b>Collateralized loan obligations</b>	<b>29,055</b>	<b>100</b>	<b>N/A</b>	<b>N/A</b>
<b>All other debt securities (2)</b>	<b>16,654</b>	<b>82</b>	<b>828</b>	<b>4</b>

(1) Includes federal agency mortgage-backed securities.

(2) Includes non-agency mortgage-backed, corporate, and all other debt securities.

**DELINQUENCY STATUS AND NONACCRUAL DEBT SECURITIES** Debt security issuers that are delinquent in payment of amounts due under contractual debt agreements have a higher probability of recognition of credit losses. As such, as part of our monitoring of the credit quality of the debt security portfolio, we consider whether debt securities we own are past due in payment of principal or interest payments and whether any securities have been placed into nonaccrual status.

We had no debt securities that were past due and still accruing at June 30, 2020 or December 31, 2019. The fair value of available-for-sale debt securities in nonaccrual status was \$153 million and \$110 million as of June 30, 2020, and

December 31, 2019, respectively. There were no held-to-maturity debt securities in nonaccrual status as of June 30, 2020, or December 31, 2019. Purchased debt securities with credit deterioration (PCD) are not considered to be in nonaccrual status, as payments from issuers of these securities remain current.

Table 5.5 presents detail of available-for-sale debt securities purchased with credit deterioration during the period. There were no available-for-sale debt securities purchased with credit deterioration during second quarter 2020. There were no held-to-maturity debt securities purchased with credit deterioration during the second quarter and first half of 2020. The amounts presented are as of the date of the PCD assets were purchased.

**Table 5.5: Debt Securities Purchased with Credit Deterioration**

(in millions)	Six months ended June 30, 2020	
<b>Available-for-sale debt securities purchased with credit deterioration (PCD):</b>		
Par value	\$	164
Allowance for credit losses at acquisition		(11)
Discount (or premiums) attributable to other factors		3
Purchase price of available-for-sale debt securities purchased with credit deterioration	\$	156

## Note 5: Available-for-Sale and Held-to-Maturity Debt Securities (continued)

### Unrealized Losses of Available-for-Sale Debt Securities

Table 5.6 shows the gross unrealized losses and fair value of available-for-sale debt securities by length of time those individual securities in each category have been in a continuous loss position. Debt securities on which we have recorded credit impairment are categorized as being “less than 12 months” or

“12 months or more” in a continuous loss position based on the point in time that the fair value declined to below the (1) for the current period presented, amortized cost basis net of allowance for credit losses, or the (2) for the prior period presented, amortized cost basis.

**Table 5.6: Gross Unrealized Losses and Fair Value – Available-for-Sale Debt Securities**

(in millions)	Less than 12 months		12 months or more		Total	
	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value
<b>June 30, 2020</b>						
<b>Available-for-sale debt securities:</b>						
Securities of U.S. Treasury and federal agencies	\$ (9)	608	—	—	(9)	608
Securities of U.S. states and political subdivisions	(372)	17,219	(76)	2,539	(448)	19,758
<b>Mortgage-backed securities:</b>						
Federal agencies	(22)	4,129	(2)	512	(24)	4,641
Residential	(2)	302	(1)	58	(3)	360
Commercial	(84)	2,895	(29)	343	(113)	3,238
<b>Total mortgage-backed securities</b>	<b>(108)</b>	<b>7,326</b>	<b>(32)</b>	<b>913</b>	<b>(140)</b>	<b>8,239</b>
Corporate debt securities	(79)	1,308	(13)	93	(92)	1,401
Collateralized loan obligations	(478)	18,215	(251)	6,640	(729)	24,855
Other	(82)	4,185	(46)	905	(128)	5,090
<b>Total available-for-sale debt securities</b>	<b>\$ (1,128)</b>	<b>48,861</b>	<b>(418)</b>	<b>11,090</b>	<b>(1,546)</b>	<b>59,951</b>
<b>December 31, 2019</b>						
<b>Available-for-sale debt securities:</b>						
Securities of U.S. Treasury and federal agencies	\$ —	—	(1)	2,423	(1)	2,423
Securities of U.S. states and political subdivisions	(10)	2,776	(26)	2,418	(36)	5,194
<b>Mortgage-backed securities:</b>						
Federal agencies	(50)	16,807	(114)	10,641	(164)	27,448
Residential	(1)	149	—	—	(1)	149
Commercial	(3)	998	(3)	244	(6)	1,242
<b>Total mortgage-backed securities</b>	<b>(54)</b>	<b>17,954</b>	<b>(117)</b>	<b>10,885</b>	<b>(171)</b>	<b>28,839</b>
Corporate debt securities	(9)	303	(23)	216	(32)	519
Collateralized loan obligations	(13)	5,001	(110)	16,789	(123)	21,790
Other	(12)	1,656	(12)	492	(24)	2,148
<b>Total available-for-sale debt securities</b>	<b>\$ (98)</b>	<b>27,690</b>	<b>(289)</b>	<b>33,223</b>	<b>(387)</b>	<b>60,913</b>

We have assessed each debt security with gross unrealized losses included in the previous table for credit impairment. As part of that assessment we evaluated and concluded that we do not intend to sell any of the debt securities, and that it is more likely than not that we will not be required to sell, prior to recovery of the amortized cost basis. We evaluate, where necessary, whether credit impairment exists by comparing the present value of the expected cash flows to the debt securities’ amortized cost basis. In prior periods, credit impairment was recorded as a write-down to the amortized cost basis of the security. In the current period, credit impairment is recorded as an allowance for credit losses.

For descriptions of the factors we consider when analyzing debt securities for impairment as well as methodology and significant inputs used to measure credit losses, see Note 1 (Summary of Significant Accounting Policies).

## Allowance for Credit Losses for Debt Securities

Table 5.7 presents the allowance for credit losses on available-for-sale and held-to-maturity debt securities.

**Table 5.7: Allowance for Credit Losses for Debt Securities**

(in millions)	Quarter ended June 30, 2020		Six months ended June 30, 2020	
	Available-for-Sale	Held-to-Maturity	Available-for-Sale	Held-to-Maturity
<b>Balance, beginning of period (1)</b>	\$ 161	11	\$ —	—
Cumulative effect from change in accounting policies (2)	—	—	24	7
Balance, beginning of period, adjusted	161	11	24	7
Provision (reversal of provision) for credit losses	(40)	9	128	13
Securities purchased with credit deterioration	—	—	11	—
Reduction due to sales	(8)	—	(8)	—
Reduction due to intent to sell	—	—	(11)	—
Charge-offs	(1)	—	(33)	—
Interest income (3)	2	—	3	—
<b>Balance, end of period (4)</b>	\$ 114	20	\$ 114	20

(1) Prior to our adoption of CECL on January 1, 2020, the allowance for credit losses related to available-for-sale and held-to-maturity debt securities was not applicable and is therefore presented as \$0 at December 31, 2019. For more information, see Note 1 (Summary of Significant Accounting Policies).

(2) Represents the impact of adoption of CECL on January 1, 2020. For more information, see Note 1 (Summary of Significant Accounting Policies).

(3) Certain debt securities with an allowance for credit losses calculated by discounting expected cash flows using the securities' effective interest rate over its remaining life, recognize changes in the allowance for credit losses attributable to the passage of time as interest income.

(4) The allowance for credit losses for debt securities largely relates to corporate debt securities as of June 30, 2020.

## Note 5: Available-for-Sale and Held-to-Maturity Debt Securities (continued)

### Contractual Maturities

Table 5.8 shows the remaining contractual maturities, amortized cost net of allowance for credit losses, fair value and weighted-average effective yields of available-for-sale debt securities. The remaining contractual principal maturities for MBS do not consider prepayments. Remaining expected maturities will differ from contractual maturities because borrowers may have the right to prepay obligations before the underlying mortgages mature.

**Table 5.8: Contractual Maturities – Available-for-Sale Debt Securities**

By remaining contractual maturity (\$ in millions)	Total	Within one year	After one year through five years	After five years through ten years	After ten years
June 30, 2020					
Available-for-sale debt securities (1):					
Securities of U.S. Treasury and federal agencies					
Amortized cost, net	\$ 7,923	3,671	1,280	10	2,962
Fair value	7,983	3,672	1,283	11	3,017
Weighted average yield	1.84%	2.66	0.27	2.34	1.49
Securities of U.S. states and political subdivisions					
Amortized cost, net	33,259	2,687	3,094	3,990	23,488
Fair value	33,011	2,687	3,134	3,996	23,194
Weighted average yield	2.37	1.17	2.00	1.51	2.70
Mortgage-backed securities:					
Federal agencies					
Amortized cost, net	139,326	2	119	2,418	136,787
Fair value	144,835	2	125	2,505	142,203
Weighted average yield	3.18	2.09	3.18	2.38	3.20
Residential					
Amortized cost, net	542	—	—	—	542
Fair value	541	—	—	—	541
Weighted average yield	2.26	—	—	—	2.26
Commercial					
Amortized cost, net	3,663	—	33	194	3,436
Fair value	3,559	—	30	193	3,336
Weighted average yield	2.20	—	2.49	2.50	2.18
Total mortgage-backed securities					
Amortized cost, net	143,531	2	152	2,612	140,765
Fair value	148,935	2	155	2,698	146,080
Weighted average yield	3.16	2.09	3.03	2.39	3.17
Corporate debt securities					
Amortized cost, net	4,972	260	1,579	2,332	801
Fair value	4,975	262	1,585	2,360	768
Weighted average yield	4.86	6.17	4.79	4.92	4.40
Collateralized loan obligations					
Amortized cost, net	25,727	—	193	11,565	13,969
Fair value	24,999	—	191	11,291	13,517
Weighted average yield	2.44	—	2.85	2.56	2.34
Other					
Amortized cost, net	9,055	4,690	476	1,116	2,773
Fair value	8,996	4,682	462	1,098	2,754
Weighted average yield	0.89	(0.14)	2.51	1.34	2.18
Total available-for-sale debt securities					
Amortized cost, net	\$ 224,467	11,310	6,774	21,625	184,758
Fair value	228,899	11,305	6,810	21,454	189,330
Weighted average yield	2.86%	1.23	2.43	2.54	3.01

(1) Weighted-average yields displayed by maturity bucket are weighted based on amortized cost without effect for any related hedging derivatives and are shown pre-tax.

Table 5.9 shows the remaining contractual maturities, amortized cost net of allowance for credit losses, fair value, and weighted-average effective yields of held-to-maturity debt securities.

**Table 5.9: Contractual Maturities – Held-to-Maturity Debt Securities**

By remaining contractual maturity (\$ in millions)	Total	Within one year	After one year through five years	After five years through ten years	After ten years
June 30, 2020					
Held-to-maturity debt securities (1):					
Securities of U.S. Treasury and federal agencies					
Amortized cost, net	\$ 48,578	21,011	23,787	—	3,780
Fair value	50,503	21,349	25,164	—	3,990
Weighted average yield	2.14%	2.21	2.18	—	1.56
Securities of U.S. states and political subdivisions					
Amortized cost, net	14,277	143	640	1,864	11,630
Fair value	14,892	145	669	1,960	12,118
Weighted average yield	2.71	1.61	2.43	2.88	2.72
Federal agency and other mortgage-backed securities					
Amortized cost, net	106,133	—	15	703	105,415
Fair value	111,473	—	13	755	110,705
Weighted average yield	2.90	—	1.52	1.41	2.91
Other debt securities					
Amortized cost, net	14	—	—	14	—
Fair value	14	—	—	14	—
Weighted average yield	2.40	—	—	2.40	—
<b>Total held-to-maturity debt securities</b>					
Amortized cost, net	\$ 169,002	21,154	24,442	2,581	120,825
Fair value	176,882	21,494	25,846	2,729	126,813
Weighted average yield	2.66%	2.20	2.19	2.47	2.85

(1) Weighted-average yields displayed by maturity bucket are weighted based on amortized cost and are shown pre-tax.

## Note 6: Loans and Related Allowance for Credit Losses

Table 6.1 presents total loans outstanding by portfolio segment and class of financing receivable. Outstanding balances include unearned income, net deferred loan fees or costs, and unamortized discounts and premiums. These amounts were less than 1% of our total loans outstanding at June 30, 2020, and December 31, 2019.

Outstanding balances exclude accrued interest receivable on loans, except for certain revolving loans, such as credit card loans.

During the first half of 2020, we reversed accrued interest receivable by reversing interest income of \$21 million for our commercial portfolio segment and \$114 million for our consumer portfolio segment. See Note 9 (Other Assets) for additional information on accrued interest receivable.

**Table 6.1: Loans Outstanding**

(in millions)	Jun 30, 2020	Dec 31, 2019
<b>Commercial:</b>		
Commercial and industrial	\$ 350,116	354,125
Real estate mortgage	123,967	121,824
Real estate construction	21,694	19,939
Lease financing	17,410	19,831
Total commercial	513,187	515,719
<b>Consumer:</b>		
Real estate 1-4 family first mortgage	277,945	293,847
Real estate 1-4 family junior lien mortgage	26,839	29,509
Credit card	36,018	41,013
Automobile	48,808	47,873
Other revolving credit and installment	32,358	34,304
Total consumer	421,968	446,546
Total loans	\$ 935,155	962,265

Our non-U.S. loans are reported by respective class of financing receivable in the table above. Substantially all of our non-U.S. loan portfolio is commercial loans. Table 6.2 presents total non-U.S. commercial loans outstanding by class of financing receivable.

**Table 6.2: Non-U.S. Commercial Loans Outstanding**

(in millions)	Jun 30, 2020	Dec 31, 2019
<b>Non-U.S. Commercial Loans</b>		
Commercial and industrial	\$ 67,015	70,494
Real estate mortgage	6,460	7,004
Real estate construction	1,697	1,434
Lease financing	1,146	1,220
Total non-U.S. commercial loans	\$ 76,318	80,152

## Loan Purchases, Sales, and Transfers

Table 6.3 summarizes the proceeds paid or received for purchases and sales of loans and transfers from loans held for investment to mortgages/loans held for sale. The table excludes loans for which we have elected the fair value option and government insured/guaranteed real estate 1-4 family first mortgage loans because

their loan activity normally does not impact the ACL. In the first half of 2020, we sold \$1.2 billion of 1-4 family first mortgage loans for a gain of \$724 million, which is included in other noninterest income on our consolidated income statement. These whole loans were designated as MLHFS in 2019.

**Table 6.3: Loan Purchases, Sales, and Transfers**

(in millions)	2020			2019		
	Commercial	Consumer	Total	Commercial	Consumer	Total
<b>Quarter ended June 30,</b>						
Purchases	\$ 332	2	334	670	5	675
Sales	(1,957)	(1)	(1,958)	(535)	(153)	(688)
Transfers (to) from MLHFS/LHFS	(8)	(10,379)	(10,387)	(89)	(1,852)	(1,941)
<b>Six months ended June 30,</b>						
Purchases	\$ 673	3	676	999	8	1,007
Sales	(2,770)	(27)	(2,797)	(956)	(332)	(1,288)
Transfers (to) from MLHFS/LHFS	69	(10,377)	(10,308)	(92)	(1,852)	(1,944)

## Commitments to Lend

A commitment to lend is a legally binding agreement to lend funds to a customer, usually at a stated interest rate, if funded, and for specific purposes and time periods. We generally require a fee to extend such commitments. Certain commitments are subject to loan agreements with covenants regarding the financial performance of the customer or borrowing base formulas on an ongoing basis that must be met before we are required to fund the commitment. We may reduce or cancel consumer commitments, including home equity lines and credit card lines, in accordance with the contracts and applicable law.

We may, as a representative for other lenders, advance funds or provide for the issuance of letters of credit under syndicated loan or letter of credit agreements. Any advances are generally repaid in less than a week and would normally require default of both the customer and another lender to expose us to loss. The unfunded amount of these temporary advance arrangements totaled approximately \$77.8 billion at June 30, 2020.

We issue commercial letters of credit to assist customers in purchasing goods or services, typically for international trade. At June 30, 2020, and December 31, 2019, we had \$922.6 million and \$862 million, respectively, of outstanding issued commercial letters of credit. We also originate multipurpose lending commitments under which borrowers have the option to draw on the facility for different purposes in one of several forms, including a standby letter of credit. See Note 13 (Guarantees, Pledged Assets and Collateral, and Other Commitments) for additional information on standby letters of credit.

When we make commitments, we are exposed to credit risk. The maximum credit risk for these commitments will generally be lower than the contractual amount because a significant portion of these commitments are not funded. We manage the potential risk in commitments to lend by limiting the total amount of commitments, both by individual customer and in total, by monitoring the size and maturity structure of these commitments and by applying the same credit standards for these commitments as for all of our credit activities.

For loans and commitments to lend, we generally require collateral or a guarantee. We may require various types of collateral, including commercial and consumer real estate, automobiles, other short-term liquid assets such as accounts receivable or inventory and long-lived assets, such as equipment and other business assets. Collateral requirements for each loan or commitment may vary based on the loan product and our assessment of a customer's credit risk according to the specific credit underwriting, including credit terms and structure.

The contractual amount of our unfunded credit commitments, including unissued standby and commercial letters of credit, is summarized by portfolio segment and class of financing receivable in Table 6.4. The table excludes the issued standby and commercial letters of credit and temporary advance arrangements described above.

**Table 6.4: Unfunded Credit Commitments**

(in millions)	Jun 30, 2020	Dec 31, 2019
<b>Commercial:</b>		
Commercial and industrial	\$ 348,870	346,991
Real estate mortgage	8,394	8,206
Real estate construction	17,316	17,729
<b>Total commercial</b>	<b>374,580</b>	<b>372,926</b>
<b>Consumer:</b>		
Real estate 1-4 family first mortgage	32,845	34,391
Real estate 1-4 family junior lien mortgage	35,932	36,916
Credit card	121,237	114,933
Other revolving credit and installment	23,357	25,898
<b>Total consumer</b>	<b>213,371</b>	<b>212,138</b>
<b>Total unfunded credit commitments</b>	<b>\$ 587,951</b>	<b>585,064</b>



## Note 6: Loans and Related Allowance for Credit Losses (continued)

### Allowance for Credit Losses for Loans

Table 6.5 presents the allowance for credit losses for loans, which consists of the allowance for loan losses and the allowance for unfunded credit commitments. On January 1, 2020, we adopted CECL. Additional information on our adoption of CECL is included in Note 1 (Summary of Significant Accounting Policies). In second quarter 2020, ACL for loans increased \$8.4 billion driven by

current and forecasted economic conditions due to the COVID-19 pandemic. These expected impacts were most significantly affected by anticipated changes to economic variables, as well as higher expected losses in the commercial real estate and consumer real estate mortgage loan portfolios and expected impacts of lower oil prices and deteriorating credit trends on the oil and gas portfolio.

**Table 6.5: Allowance for Credit Losses for Loans**

(in millions)	Quarter ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
<b>Balance, beginning of period</b>	<b>\$ 12,022</b>	10,821	<b>10,456</b>	10,707
Cumulative effect from change in accounting policies (1)	—	—	<b>(1,337)</b>	—
Allowance for purchased credit-deteriorated (PCD) loans (2)	—	—	<b>8</b>	—
Balance, beginning of period, adjusted	<b>12,022</b>	10,821	<b>9,127</b>	10,707
Provision for credit losses	<b>9,565</b>	503	<b>13,398</b>	1,348
Interest income on certain loans (3)	<b>(38)</b>	(39)	<b>(76)</b>	(78)
Loan charge-offs:				
Commercial:				
Commercial and industrial	<b>(556)</b>	(205)	<b>(933)</b>	(381)
Real estate mortgage	<b>(72)</b>	(14)	<b>(75)</b>	(26)
Real estate construction	—	—	—	(1)
Lease financing	<b>(19)</b>	(12)	<b>(32)</b>	(23)
Total commercial	<b>(647)</b>	(231)	<b>(1,040)</b>	(431)
Consumer:				
Real estate 1-4 family first mortgage	<b>(20)</b>	(27)	<b>(43)</b>	(70)
Real estate 1-4 family junior lien mortgage	<b>(18)</b>	(29)	<b>(48)</b>	(63)
Credit card	<b>(415)</b>	(437)	<b>(886)</b>	(874)
Automobile	<b>(158)</b>	(142)	<b>(314)</b>	(329)
Other revolving credit and installment	<b>(113)</b>	(167)	<b>(278)</b>	(329)
Total consumer	<b>(724)</b>	(802)	<b>(1,569)</b>	(1,665)
Total loan charge-offs	<b>(1,371)</b>	(1,033)	<b>(2,609)</b>	(2,096)
Loan recoveries:				
Commercial:				
Commercial and industrial	<b>35</b>	46	<b>79</b>	89
Real estate mortgage	<b>5</b>	10	<b>10</b>	16
Real estate construction	<b>1</b>	2	<b>17</b>	5
Lease financing	<b>4</b>	8	<b>8</b>	11
Total commercial	<b>45</b>	66	<b>114</b>	121
Consumer:				
Real estate 1-4 family first mortgage	<b>18</b>	57	<b>44</b>	112
Real estate 1-4 family junior lien mortgage	<b>30</b>	48	<b>65</b>	91
Credit card	<b>88</b>	88	<b>182</b>	173
Automobile	<b>52</b>	90	<b>126</b>	186
Other revolving credit and installment	<b>25</b>	31	<b>56</b>	65
Total consumer	<b>213</b>	314	<b>473</b>	627
Total loan recoveries	<b>258</b>	380	<b>587</b>	748
Net loan charge-offs	<b>(1,113)</b>	(653)	<b>(2,022)</b>	(1,348)
Other	—	(29)	<b>9</b>	(26)
<b>Balance, end of period</b>	<b>\$ 20,436</b>	10,603	<b>20,436</b>	10,603
Components:				
Allowance for loan losses	<b>\$ 18,926</b>	9,692	<b>18,926</b>	9,692
Allowance for unfunded credit commitments	<b>1,510</b>	911	<b>1,510</b>	911
Allowance for credit losses for loans	<b>\$ 20,436</b>	10,603	<b>20,436</b>	10,603
Net loan charge-offs (annualized) as a percentage of average total loans	<b>0.46%</b>	0.28	<b>0.42</b>	0.29
Allowance for loan losses as a percentage of total loans	<b>2.02</b>	1.02	<b>2.02</b>	1.02
Allowance for credit losses for loans as a percentage of total loans	<b>2.19</b>	1.12	<b>2.19</b>	1.12

(1) Represents the overall decrease in our allowance for credit losses for loans as a result of our adoption of CECL on January 1, 2020.

(2) Represents the allowance estimated for PCI loans that automatically became PCD loans with the adoption of CECL. For more information, see Note 1 (Summary of Significant Accounting Policies).

(3) Loans with an allowance measured by discounting expected cash flows using the loan's effective interest rate over the remaining life of the loan recognize changes in allowance attributable to the passage of time as interest income.

Table 6.6 summarizes the activity in the allowance for credit losses for loans by our commercial and consumer portfolio segments.

**Table 6.6: Allowance for Credit Losses for Loans Activity by Portfolio Segment**

(in millions)	2020			2019		
	Commercial	Consumer	Total	Commercial	Consumer	Total
<b>Quarter ended June 30,</b>						
Balance, beginning of period	\$ 5,279	6,743	12,022	6,428	4,393	10,821
Provision for credit losses	6,999	2,566	9,565	46	457	503
Interest income on certain loans (1)	(12)	(26)	(38)	(14)	(25)	(39)
Loan charge-offs	(647)	(724)	(1,371)	(231)	(802)	(1,033)
Loan recoveries	45	213	258	66	314	380
Net loan charge-offs	(602)	(511)	(1,113)	(165)	(488)	(653)
Other	5	(5)	—	3	(32)	(29)
<b>Balance, end of period</b>	<b>\$ 11,669</b>	<b>8,767</b>	<b>20,436</b>	<b>6,298</b>	<b>4,305</b>	<b>10,603</b>
<b>Six months ended June 30,</b>						
Balance, beginning of period	\$ 6,245	4,211	10,456	6,417	4,290	10,707
Cumulative effect from change in accounting policies (1)	(2,861)	1,524	(1,337)	—	—	—
Allowance for purchased credit-deteriorated (PCD) loans (2)	—	8	8	—	—	—
Balance, beginning of period, adjusted	3,384	5,743	9,127	6,417	4,290	10,707
Provision for credit losses	9,239	4,159	13,398	210	1,138	1,348
Interest income on certain loans (3)	(26)	(50)	(76)	(25)	(53)	(78)
Loan charge-offs	(1,040)	(1,569)	(2,609)	(431)	(1,665)	(2,096)
Loan recoveries	114	473	587	121	627	748
Net loan charge-offs	(926)	(1,096)	(2,022)	(310)	(1,038)	(1,348)
Other	(2)	11	9	6	(32)	(26)
<b>Balance, end of period</b>	<b>\$ 11,669</b>	<b>8,767</b>	<b>20,436</b>	<b>6,298</b>	<b>4,305</b>	<b>10,603</b>

(1) Represents the overall decrease in our allowance for credit losses for loans as a result of our adoption of CECL on January 1, 2020.

(2) Represents the allowance estimated for PCI loans that automatically became PCD loans with the adoption of CECL. For more information, see Note 1 (Summary of Significant Accounting Policies).

(3) Loans with an allowance measured by discounting expected cash flows using the loan's effective interest rate over the remaining life of the loan recognize changes in allowance attributable to the passage of time as interest income.

Table 6.7 disaggregates our allowance for credit losses for loans and recorded investment in loans by impairment methodology. This information is no longer relevant after

December 31, 2019, given our adoption of CECL on January 1, 2020, which has a single impairment methodology.

**Table 6.7: Allowance for Credit Losses for Loans by Impairment Methodology**

(in millions)	Allowance for credit losses for loans			Recorded investment in loans		
	Commercial	Consumer	Total	Commercial	Consumer	Total
<b>December 31, 2019</b>						
Collectively evaluated (1)	\$ 5,778	3,364	9,142	512,586	436,081	948,667
Individually evaluated (2)	467	847	1,314	3,133	9,897	13,030
PCI (3)	—	—	—	—	568	568
<b>Total</b>	<b>\$ 6,245</b>	<b>4,211</b>	<b>10,456</b>	<b>515,719</b>	<b>446,546</b>	<b>962,265</b>

(1) Represents non-impaired loans evaluated collectively for impairment.

(2) Represents impaired loans evaluated individually for impairment.

(3) Represents the allowance for loan losses and related loan carrying value for PCI loans.

## Note 6: Loans and Related Allowance for Credit Losses (continued)

### Credit Quality

We monitor credit quality by evaluating various attributes and utilize such information in our evaluation of the appropriateness of the allowance for credit losses. The following sections provide the credit quality indicators we most closely monitor. The credit quality indicators are generally based on information as of our financial statement date, with the exception of updated Fair Isaac Corporation (FICO) scores and updated loan-to-value (LTV)/combined LTV (CLTV). We obtain FICO scores at loan origination and the scores are generally updated at least quarterly, except in limited circumstances, including compliance with the Fair Credit Reporting Act (FCRA). Generally, the LTV and CLTV indicators are updated in the second month of each quarter, with updates no older than March 31, 2020. Amounts disclosed in the credit quality tables that follow are not comparative between reported periods due to our adoption of CECL on January 1, 2020. For more information, see Note 1 (Summary of Significant Accounting Policies).

**COMMERCIAL CREDIT QUALITY INDICATORS** We manage a consistent process for assessing commercial loan credit quality. Generally, commercial loans are subject to individual risk assessment using our internal borrower and collateral quality ratings, which is our primary credit quality indicator. Our ratings are aligned to federal banking regulators' definitions of pass and criticized categories with the criticized category including special mention, substandard, doubtful, and loss categories.

Table 6.8 provides a breakdown of outstanding commercial loans by risk category. In connection with our adoption of CECL, credit quality information is provided with the year of origination for term loans. Revolving loans may convert to term loans as a result of a contractual provision in the original loan agreement or if modified in a TDR. At June 30, 2020, we had \$475.0 billion and \$38.2 billion of pass and criticized loans respectively.

**Table 6.8: Commercial Loans Categories by Risk Categories and Vintage (1)**

(in millions)	Term loans by origination year						Revolving loans	Revolving loans converted to term loans	Total
	2020	2019	2018	2017	2016	Prior			
<b>June 30, 2020</b>									
<b>Commercial and industrial</b>									
Pass	\$ 46,042	46,198	20,195	10,082	6,048	6,347	189,019	215	324,146
Criticized	1,461	1,886	2,170	1,367	592	510	17,863	121	25,970
<b>Total commercial and industrial</b>	<b>47,503</b>	<b>48,084</b>	<b>22,365</b>	<b>11,449</b>	<b>6,640</b>	<b>6,857</b>	<b>206,882</b>	<b>336</b>	<b>350,116</b>
<b>Real estate mortgage</b>									
Pass	12,781	29,006	21,842	13,270	13,973	18,728	5,134	104	114,838
Criticized	789	1,609	1,440	1,306	1,217	2,358	410	—	9,129
<b>Total real estate mortgage</b>	<b>13,570</b>	<b>30,615</b>	<b>23,282</b>	<b>14,576</b>	<b>15,190</b>	<b>21,086</b>	<b>5,544</b>	<b>104</b>	<b>123,967</b>
<b>Real estate construction</b>									
Pass	2,970	6,823	5,319	2,432	879	396	1,592	8	20,419
Criticized	26	329	500	144	265	10	1	—	1,275
<b>Total real estate construction</b>	<b>2,996</b>	<b>7,152</b>	<b>5,819</b>	<b>2,576</b>	<b>1,144</b>	<b>406</b>	<b>1,593</b>	<b>8</b>	<b>21,694</b>
<b>Lease financing</b>									
Pass	2,068	4,626	2,786	2,063	1,595	2,480	—	—	15,618
Criticized	178	562	485	264	174	129	—	—	1,792
<b>Total lease financing</b>	<b>2,246</b>	<b>5,188</b>	<b>3,271</b>	<b>2,327</b>	<b>1,769</b>	<b>2,609</b>	<b>—</b>	<b>—</b>	<b>17,410</b>
<b>Total commercial loans</b>	<b>\$ 66,315</b>	<b>91,039</b>	<b>54,737</b>	<b>30,928</b>	<b>24,743</b>	<b>30,958</b>	<b>214,019</b>	<b>448</b>	<b>513,187</b>
<div style="display: flex; justify-content: space-between; width: 100%;"> <span>Commercial and industrial</span> <span>Real estate mortgage</span> <span>Real estate construction</span> <span>Lease financing</span> <span>Total</span> </div>									
December 31, 2019									
By risk category:									
Pass					\$ 338,740	118,054	19,752	18,655	495,201
Criticized					15,385	3,770	187	1,176	20,518
<b>Total commercial loans</b>					<b>\$ 354,125</b>	<b>121,824</b>	<b>19,939</b>	<b>19,831</b>	<b>515,719</b>

(1) Disclosure is not comparative due to our adoption of CECL on January 1, 2020. For more information, see Note 1 (Summary of Significant Accounting Policies).

Table 6.9 provides past due information for commercial loans, which we monitor as part of our credit risk management practices; however, delinquency is not a primary credit quality indicator for commercial loans. Payment deferral activities instituted in response to the COVID-19 pandemic may delay recognition of delinquencies for customers who otherwise would have moved into past due status.

**Table 6.9: Commercial Loan Categories by Delinquency Status**

(in millions)	Commercial and industrial	Real estate mortgage	Real estate construction	Lease financing	Total
<b>June 30, 2020</b>					
<b>By delinquency status:</b>					
<b>Current-29 days past due (DPD) and still accruing</b>	<b>\$ 346,680</b>	<b>122,136</b>	<b>21,580</b>	<b>17,045</b>	<b>507,441</b>
<b>30-89 DPD and still accruing</b>	<b>439</b>	<b>570</b>	<b>80</b>	<b>227</b>	<b>1,316</b>
<b>90+ DPD and still accruing</b>	<b>101</b>	<b>44</b>	<b>—</b>	<b>—</b>	<b>145</b>
<b>Nonaccrual loans</b>	<b>2,896</b>	<b>1,217</b>	<b>34</b>	<b>138</b>	<b>4,285</b>
<b>Total commercial loans</b>	<b>\$ 350,116</b>	<b>123,967</b>	<b>21,694</b>	<b>17,410</b>	<b>513,187</b>
December 31, 2019					
<b>By delinquency status:</b>					
Current-29 DPD and still accruing	\$ 352,110	120,967	19,845	19,484	512,406
30-89 DPD and still accruing	423	253	53	252	981
90+ DPD and still accruing	47	31	—	—	78
Nonaccrual loans	1,545	573	41	95	2,254
<b>Total commercial loans</b>	<b>\$ 354,125</b>	<b>121,824</b>	<b>19,939</b>	<b>19,831</b>	<b>515,719</b>

**CONSUMER CREDIT QUALITY INDICATORS** We have various classes of consumer loans that present unique credit risks. Loan delinquency, FICO credit scores and LTV for 1-4 family mortgage loans are the primary credit quality indicators that we monitor and utilize in our evaluation of the appropriateness of the allowance for credit losses for the consumer portfolio segment.

Many of our loss estimation techniques used for the allowance for credit losses rely on delinquency-based models; therefore, delinquency is an important indicator of credit quality and the establishment of our allowance for credit losses. Table 6.10 provides the outstanding balances of our consumer portfolio by delinquency status. Payment deferral activities instituted in response to the COVID-19 pandemic may delay recognition of delinquencies for customers who otherwise would have moved into past due status.

In connection with our adoption of CECL, credit quality information is provided with the year of origination for term loans. Revolving loans may convert to term loans as a result of a contractual provision in the original loan agreement or if modified in a TDR. The revolving loans converted to term loans in the credit card loan category represent credit card loans with modified terms that require payment over a specific term.

**Note 6: Loans and Related Allowance for Credit Losses (continued)**

**Table 6.10: Consumer Loan Categories by Delinquency Status and Vintage (1)**

(in millions)	Term loans by origination year						Revolving loans	Revolving loans converted to term loans	Total
	2020	2019	2018	2017	2016	Prior			
<b>June 30, 2020</b>									
<b>Real estate 1-4 family first mortgage</b>									
<b>By delinquency status:</b>									
Current-29 DPD	\$ 30,155	54,199	21,265	32,823	38,466	76,491	7,644	1,994	263,037
30-59 DPD	25	37	30	26	60	771	23	39	1,011
60-89 DPD	1	2	6	8	14	370	14	25	440
90-119 DPD	—	—	1	4	6	166	8	15	200
120-179 DPD	—	—	—	2	3	127	9	20	161
180+ DPD	—	—	3	6	9	482	9	125	634
Government insured/guaranteed loans (2)	5	73	206	334	669	11,175	—	—	12,462
<b>Total real estate 1-4 family first mortgage</b>	<b>30,186</b>	<b>54,311</b>	<b>21,511</b>	<b>33,203</b>	<b>39,227</b>	<b>89,582</b>	<b>7,707</b>	<b>2,218</b>	<b>277,945</b>
<b>Real estate 1-4 family junior mortgage</b>									
<b>By delinquency status:</b>									
Current-29 DPD	12	39	47	42	36	1,382	18,052	6,730	26,340
30-59 DPD	1	1	—	—	—	26	47	79	154
60-89 DPD	—	2	2	4	2	13	23	49	95
90-119 DPD	—	—	—	—	—	8	12	30	50
120-179 DPD	—	—	—	—	—	4	10	34	48
180+ DPD	1	—	—	1	1	14	13	122	152
<b>Total real estate 1-4 family junior mortgage</b>	<b>14</b>	<b>42</b>	<b>49</b>	<b>47</b>	<b>39</b>	<b>1,447</b>	<b>18,157</b>	<b>7,044</b>	<b>26,839</b>
<b>Credit cards</b>									
<b>By delinquency status:</b>									
Current-29 DPD	—	—	—	—	—	—	35,008	253	35,261
30-59 DPD	—	—	—	—	—	—	180	11	191
60-89 DPD	—	—	—	—	—	—	137	10	147
90-119 DPD	—	—	—	—	—	—	127	10	137
120-179 DPD	—	—	—	—	—	—	267	8	275
180+ DPD	—	—	—	—	—	—	6	1	7
<b>Total credit cards</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>35,725</b>	<b>293</b>	<b>36,018</b>
<b>Automobile</b>									
<b>By delinquency status:</b>									
Current-29 DPD	11,407	17,980	8,151	4,802	4,051	1,538	—	—	47,929
30-59 DPD	30	171	122	92	136	76	—	—	627
60-89 DPD	8	46	37	28	43	25	—	—	187
90-119 DPD	3	19	12	10	13	8	—	—	65
120-179 DPD	—	—	—	—	—	—	—	—	—
180+ DPD	—	—	—	—	—	—	—	—	—
<b>Total automobile</b>	<b>11,448</b>	<b>18,216</b>	<b>8,322</b>	<b>4,932</b>	<b>4,243</b>	<b>1,647</b>	<b>—</b>	<b>—</b>	<b>48,808</b>
<b>Other revolving credit and installment</b>									
<b>By delinquency status:</b>									
Current-29 DPD	1,386	3,262	1,980	1,343	1,195	5,383	17,293	179	32,021
30-59 DPD	2	8	11	13	11	60	16	4	125
60-89 DPD	1	6	7	8	9	60	9	6	106
90-119 DPD	—	4	5	4	5	31	8	2	59
120-179 DPD	—	1	1	2	3	12	13	3	35
180+ DPD	—	—	—	—	—	1	2	9	12
<b>Total other revolving credit and installment</b>	<b>1,389</b>	<b>3,281</b>	<b>2,004</b>	<b>1,370</b>	<b>1,223</b>	<b>5,547</b>	<b>17,341</b>	<b>203</b>	<b>32,358</b>
<b>Total consumer loans</b>	<b>\$ 43,037</b>	<b>75,850</b>	<b>31,886</b>	<b>39,552</b>	<b>44,732</b>	<b>98,223</b>	<b>78,930</b>	<b>9,758</b>	<b>421,968</b>

(continued on following page)

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	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Credit card	Automobile	Other revolving credit and installment	Total
December 31, 2019						
By delinquency status:						
Current-29 DPD	\$ 279,722	28,870	39,935	46,650	33,981	429,158
30-59 DPD	1,136	216	311	882	140	2,685
60-89 DPD	404	115	221	263	81	1,084
90-119 DPD	197	69	202	77	74	619
120-179 DPD	160	71	343	1	18	593
180+ DPD	503	155	1	—	10	669
Government insured/guaranteed loans (2)	11,170	—	—	—	—	11,170
Total consumer loans (excluding PCI)	293,292	29,496	41,013	47,873	34,304	445,978
Total consumer PCI loans (carrying value) (3)	555	13	—	—	—	568
Total consumer loans	\$ 293,847	29,509	41,013	47,873	34,304	446,546

(1) Disclosure is not comparative due to our adoption of CECL on January 1, 2020. For more information, see Note 1 (Summary of Significant Accounting Policies).

(2) Represents loans whose repayments are predominantly insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA). Loans insured/guaranteed by the FHA/VA and 90+ DPD totaled \$8.9 billion at June 30, 2020, compared with \$6.4 billion at December 31, 2019.

(3) 26% of the adjusted unpaid principal balance for consumer PCI loans was 30+ DPD at December 31, 2019.

Of the \$1.8 billion of consumer loans not government insured/guaranteed that are 90 days or more past due at June 30, 2020, \$672 million was accruing, compared with \$1.9 billion past due and \$855 million accruing at December 31, 2019.

Table 6.11 provides a breakdown of our consumer portfolio by FICO. Substantially all of the scored consumer portfolio has an updated FICO of 680 and above, reflecting a strong current borrower credit profile. FICO is not available for certain loan types, or may not be required if we deem it unnecessary due to strong collateral and other borrower attributes. Loans not requiring a FICO score totaled \$9.5 billion and \$9.1 billion at June 30, 2020, and December 31, 2019, respectively. Substantially all loans not requiring a FICO score are securities-based loans originated through retail brokerage.

**Note 6: Loans and Related Allowance for Credit Losses (continued)**

**Table 6.11: Consumer Loan Categories by FICO and Vintage (1)**

(in millions)	Term loans by origination year						Revolving loans	Revolving loans converted to term loans	Total
	2020	2019	2018	2017	2016	Prior			
<b>June 30, 2020</b>									
<b>By FICO:</b>									
<b>Real estate 1-4 family first mortgage</b>									
800+	\$ 15,684	35,804	14,694	24,108	28,853	46,203	3,855	531	169,732
760-799	10,373	12,379	3,925	5,095	5,444	11,147	1,424	280	50,067
720-759	3,008	4,014	1,587	2,231	2,550	7,491	944	272	22,097
680-719	827	1,312	667	884	1,025	4,888	602	249	10,454
640-679	163	350	236	298	325	2,655	270	176	4,473
600-639	40	77	47	64	99	1,555	144	103	2,129
< 600	9	33	50	62	88	2,315	200	215	2,972
No FICO available	77	269	99	127	174	2,153	268	392	3,559
Government insured/guaranteed loans (2)	5	73	206	334	669	11,175	—	—	12,462
<b>Total real estate 1-4 family first mortgage</b>	<b>30,186</b>	<b>54,311</b>	<b>21,511</b>	<b>33,203</b>	<b>39,227</b>	<b>89,582</b>	<b>7,707</b>	<b>2,218</b>	<b>277,945</b>
<b>Real estate 1-4 family junior lien mortgage</b>									
800+	—	—	—	—	—	350	9,233	1,984	11,567
760-799	—	—	—	—	—	206	3,308	1,117	4,631
720-759	—	—	—	—	—	251	2,407	1,182	3,840
680-719	—	—	—	—	—	226	1,485	1,016	2,727
640-679	—	—	—	—	—	125	620	568	1,313
600-639	—	—	—	—	—	76	289	342	707
< 600	—	—	—	—	—	111	336	538	985
No FICO available	14	42	49	47	39	102	479	297	1,069
<b>Total real estate 1-4 family junior lien mortgage</b>	<b>14</b>	<b>42</b>	<b>49</b>	<b>47</b>	<b>39</b>	<b>1,447</b>	<b>18,157</b>	<b>7,044</b>	<b>26,839</b>
<b>Credit card</b>									
800+	—	—	—	—	—	—	3,778	1	3,779
760-799	—	—	—	—	—	—	5,103	7	5,110
720-759	—	—	—	—	—	—	7,650	25	7,675
680-719	—	—	—	—	—	—	8,786	54	8,840
640-679	—	—	—	—	—	—	5,588	60	5,648
600-639	—	—	—	—	—	—	2,281	48	2,329
< 600	—	—	—	—	—	—	2,533	97	2,630
No FICO available	—	—	—	—	—	—	6	1	7
<b>Total credit card</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>35,725</b>	<b>293</b>	<b>36,018</b>
<b>Automobile</b>									
800+	1,639	3,112	1,547	1,002	716	256	—	—	8,272
760-799	1,697	3,185	1,414	787	550	191	—	—	7,824
720-759	1,890	3,086	1,403	801	613	224	—	—	8,017
680-719	2,150	3,133	1,388	762	622	230	—	—	8,285
640-679	2,032	2,502	1,005	549	498	194	—	—	6,780
600-639	1,269	1,521	612	361	389	161	—	—	4,313
< 600	770	1,647	946	655	830	373	—	—	5,221
No FICO available	1	30	7	15	25	18	—	—	96
<b>Total automobile</b>	<b>11,448</b>	<b>18,216</b>	<b>8,322</b>	<b>4,932</b>	<b>4,243</b>	<b>1,647</b>	<b>—</b>	<b>—</b>	<b>48,808</b>
<b>Other revolving credit and installment</b>									
800+	464	1,027	612	452	456	2,129	2,723	30	7,893
760-799	365	752	400	260	242	1,094	1,212	18	4,343
720-759	257	592	346	217	199	888	1,001	27	3,527
680-719	144	407	265	166	149	650	877	30	2,688
640-679	52	186	136	89	82	362	445	22	1,374
600-639	14	56	49	35	36	172	178	15	555
< 600	7	48	56	42	42	182	190	25	592
No FICO available	86	213	140	109	17	70	1,205	36	1,876
FICO not required	—	—	—	—	—	—	9,510	—	9,510
<b>Total other revolving credit and installment</b>	<b>1,389</b>	<b>3,281</b>	<b>2,004</b>	<b>1,370</b>	<b>1,223</b>	<b>5,547</b>	<b>17,341</b>	<b>203</b>	<b>32,358</b>
<b>Total consumer loans</b>	<b>\$ 43,037</b>	<b>75,850</b>	<b>31,886</b>	<b>39,552</b>	<b>44,732</b>	<b>98,223</b>	<b>78,930</b>	<b>9,758</b>	<b>421,968</b>

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	Real estate 1-4 family first mortgage	Real estate 1-4 family junior lien mortgage	Credit card	Automobile	Other revolving credit and installment	Total
December 31, 2019						
By FICO:						
800+	\$ 165,460	11,851	4,037	7,900	7,585	196,833
760-799	61,559	5,483	5,648	7,624	4,915	85,229
720-759	27,879	4,407	8,376	7,839	4,097	52,598
680-719	12,844	3,192	9,732	7,871	3,212	36,851
640-679	5,068	1,499	6,626	6,324	1,730	21,247
600-639	2,392	782	2,853	4,230	670	10,927
< 600	3,264	1,164	3,373	6,041	704	14,546
No FICO available	3,656	1,118	368	44	2,316	7,502
FICO not required	—	—	—	—	9,075	9,075
Government insured/guaranteed loans (2)	11,170	—	—	—	—	11,170
Total consumer loans (excluding PCI)	293,292	29,496	41,013	47,873	34,304	445,978
Total consumer PCI loans (carrying value) (3)	555	13	—	—	—	568
Total consumer loans	\$ 293,847	29,509	41,013	47,873	34,304	446,546

(1) Disclosure is not comparative due to our adoption of CECL on January 1, 2020. For more information, see Note 1 (Summary of Significant Accounting Policies).

(2) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA.

(3) 41% of the adjusted unpaid principal balance for consumer PCI loans had FICO scores less than 680 and 19% where no FICO was available to us at December 31, 2019.

LTV refers to the ratio comparing the loan's unpaid principal balance to the property's collateral value. CLTV refers to the combination of first mortgage and junior lien mortgage (including unused line amounts for credit line products) ratios. LTVs and CLTVs are updated quarterly using a cascade approach which first uses values provided by automated valuation models (AVMs) for the property. If an AVM is not available, then the value is estimated using the original appraised value adjusted by the change in Home Price Index (HPI) for the property location. If an HPI is not available, the original appraised value is used. The HPI value is normally the only method considered for high value properties, generally with an original value of \$1 million or more, as the AVM values have proven less accurate for these properties.

Table 6.12 shows the most updated LTV and CLTV distribution of the real estate 1-4 family first and junior lien mortgage loan portfolios. We consider the trends in residential real estate markets as we monitor credit risk and establish our allowance for credit losses. In the event of a default, any loss should be limited to the portion of the loan amount in excess of the net realizable value of the underlying real estate collateral value. Certain loans do not have an LTV or CLTV due to industry data availability and portfolios acquired from or serviced by other institutions.



**Note 6: Loans and Related Allowance for Credit Losses (continued)**
**Table 6.12: Consumer Loan Categories by LTV/CLTV and Vintage (1)**

(in millions)	Term loans by origination year						Revolving loans	Revolving loans converted to term loans	Total
	2020	2019	2018	2017	2016	Prior			
<b>June 30, 2020</b>									
<b>Real estate 1-4 family first mortgage</b>									
<b>By LTV/CLTV:</b>									
0-60%	\$ 9,292	16,664	7,380	14,769	22,978	62,108	5,289	1,632	140,112
60.01-80%	19,968	31,417	11,884	16,671	14,609	14,001	1,587	382	110,519
80.01-100%	851	5,908	1,861	1,245	787	1,605	544	141	12,942
100.01-120% (2)	2	98	83	75	57	281	165	36	797
> 120% (2)	—	55	25	28	31	124	66	13	342
No LTV/CLTV available	68	96	72	81	96	288	56	14	771
Government insured/guaranteed loans (3)	5	73	206	334	669	11,175	—	—	12,462
<b>Total real estate 1-4 family first mortgage</b>	<b>30,186</b>	<b>54,311</b>	<b>21,511</b>	<b>33,203</b>	<b>39,227</b>	<b>89,582</b>	<b>7,707</b>	<b>2,218</b>	<b>277,945</b>
<b>Real estate 1-4 family junior lien mortgage</b>									
<b>By LTV/CLTV:</b>									
0-60%	—	—	—	—	—	603	9,127	3,921	13,651
60.01-80%	—	—	—	—	—	409	6,279	1,887	8,575
80.01-100%	—	—	—	—	—	260	1,996	878	3,134
100.01-120% (2)	—	—	—	—	—	90	525	240	855
> 120% (2)	—	—	—	—	—	29	205	74	308
No LTV/CLTV available	14	42	49	47	39	56	25	44	316
<b>Total real estate 1-4 family junior lien mortgage</b>	<b>14</b>	<b>42</b>	<b>49</b>	<b>47</b>	<b>39</b>	<b>1,447</b>	<b>18,157</b>	<b>7,044</b>	<b>26,839</b>
<b>Total</b>	<b>\$ 30,200</b>	<b>54,353</b>	<b>21,560</b>	<b>33,250</b>	<b>39,266</b>	<b>91,029</b>	<b>25,864</b>	<b>9,262</b>	<b>304,784</b>
							Real estate 1-4 family first mortgage by LTV	Real estate 1-4 family junior lien mortgage by CLTV	Total
December 31, 2019									
<b>By LTV/CLTV:</b>									
0-60%							\$ 151,478	14,603	166,081
60.01-80%							114,795	9,663	124,458
80.01-100%							13,867	3,574	17,441
100.01-120% (2)							860	978	1,838
> 120% (2)							338	336	674
No LTV/CLTV available							784	342	1,126
Government insured/guaranteed loans (3)							11,170	—	11,170
<b>Total consumer loans (excluding PCI)</b>							<b>293,292</b>	<b>29,496</b>	<b>322,788</b>
<b>Total consumer PCI loans (carrying value) (4)</b>							<b>555</b>	<b>13</b>	<b>568</b>
<b>Total consumer loans</b>							<b>\$ 293,847</b>	<b>29,509</b>	<b>323,356</b>

(1) Disclosure is not comparative due to our adoption of CECL on January 1, 2020. For more information, see Note 1 (Summary of Significant Accounting Policies).

(2) Reflects total loan balances with LTV/CLTV amounts in excess of 100%. In the event of default, the loss content would generally be limited to only the amount in excess of 100% LTV/CLTV.

(3) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA.

(4) 9% of the adjusted unpaid principal balance for consumer PCI loans have LTV/CLTV amounts greater than 80% at December 31, 2019.

**NONACCRUAL LOANS** Table 6.13 provides loans on nonaccrual status. In connection with our adoption of CECL, nonaccrual loans may have an allowance for credit losses or a negative allowance for credit losses from expected recoveries of amounts previously

written off. Payment deferral activities instituted in response to the COVID-19 pandemic may delay recognition of delinquencies for customers who otherwise would have moved into nonaccrual status.

**Table 6.13: Nonaccrual Loans (1)**

(in millions)	Amortized cost		Six months ended June 30, 2020
	Nonaccrual loans	Nonaccrual loans without related allowance for credit losses (2)	Recognized interest income
<b>June 30, 2020</b>			
<b>Commercial:</b>			
<b>Commercial and industrial</b>	<b>\$ 2,896</b>	<b>661</b>	<b>30</b>
<b>Real estate mortgage</b>	<b>1,217</b>	<b>71</b>	<b>17</b>
<b>Real estate construction</b>	<b>34</b>	<b>2</b>	<b>5</b>
<b>Lease financing</b>	<b>138</b>	<b>8</b>	<b>—</b>
<b>Total commercial</b>	<b>4,285</b>	<b>742</b>	<b>52</b>
<b>Consumer:</b>			
<b>Real estate 1-4 family first mortgage</b>	<b>2,393</b>	<b>1,330</b>	<b>81</b>
<b>Real estate 1-4 family junior lien mortgage</b>	<b>753</b>	<b>424</b>	<b>28</b>
<b>Automobile</b>	<b>129</b>	<b>—</b>	<b>7</b>
<b>Other revolving credit and installment</b>	<b>45</b>	<b>—</b>	<b>1</b>
<b>Total consumer</b>	<b>3,320</b>	<b>1,754</b>	<b>117</b>
<b>Total nonaccrual loans</b>	<b>\$ 7,605</b>	<b>2,496</b>	<b>169</b>
December 31, 2019			
<b>Commercial:</b>			
Commercial and industrial	\$ 1,545		
Real estate mortgage	573		
Real estate construction	41		
Lease financing	95		
<b>Total commercial</b>	<b>2,254</b>		
<b>Consumer:</b>			
Real estate 1-4 family first mortgage	2,150		
Real estate 1-4 family junior lien mortgage	796		
Automobile	106		
Other revolving credit and installment	40		
<b>Total consumer</b>	<b>3,092</b>		
<b>Total nonaccrual loans (excluding PCI)</b>	<b>\$ 5,346</b>		

(1) Disclosure is not comparative due to our adoption of CECL on January 1, 2020. For more information, see Note 1 (Summary of Significant Accounting Policies).

(2) Nonaccrual loans may not have an allowance for credit losses if the loss expectations are zero given solid collateral value.

**LOANS IN PROCESS OF FORECLOSURE** Our recorded investment in consumer mortgage loans collateralized by residential real estate property that are in process of foreclosure was \$2.5 billion and \$3.5 billion at June 30, 2020, and December 31, 2019, respectively, which included \$2.0 billion and \$2.8 billion, respectively, of loans that are government insured/guaranteed. Under the Consumer Financial Protection Bureau guidelines, we do not commence the foreclosure process on real estate 1-4 family mortgage loans until after the loan is 120 days delinquent. Foreclosure procedures and timelines vary depending on whether the property address resides in a judicial or non-judicial state. Judicial states require the foreclosure to be processed through the state's courts while non-judicial states are processed without court intervention. Foreclosure timelines vary according to state law. In connection with our actions to support customers during the COVID-19 pandemic, we have suspended certain mortgage foreclosure activities.

**Note 6: Loans and Related Allowance for Credit Losses (continued)**

**LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING** Certain loans 90 days or more past due are still accruing, because they are (1) well-secured and in the process of collection or (2) real estate 1-4 family mortgage loans or consumer loans exempt under regulatory rules from being classified as nonaccrual until later delinquency, usually 120 days past due.

Table 6.14 shows loans 90 days or more past due and still accruing by class for loans not government insured/guaranteed.

**Table 6.14: Loans 90 Days or More Past Due and Still Accruing**

(in millions)	Jun 30, 2020	Dec 31, 2019
Total:	\$ 9,739	7,285
Less: FHA insured/VA guaranteed (1)	8,922	6,352
<b>Total, not government insured/guaranteed</b>	<b>\$ 817</b>	<b>933</b>
By segment and class, not government insured/guaranteed:		
Commercial:		
Commercial and industrial	\$ 101	47
Real estate mortgage	44	31
Total commercial	145	78
Consumer:		
Real estate 1-4 family first mortgage	93	112
Real estate 1-4 family junior lien mortgage	19	32
Credit card	418	546
Automobile	54	78
Other revolving credit and installment	88	87
Total consumer	672	855
<b>Total, not government insured/guaranteed</b>	<b>\$ 817</b>	<b>933</b>

(1) Represents loans whose repayments are predominantly insured by the FHA or guaranteed by the VA.

**IMPAIRED LOANS** In connection with our adoption of CECL, we no longer provide information on impaired loans. We have retained impaired loans information for the period ended December 31, 2019. Table 6.15 summarizes key information for impaired loans. Our impaired loans at December 31, 2019, predominantly included loans on nonaccrual status in the commercial portfolio segment and loans modified in a TDR, whether on accrual or nonaccrual status. Impaired loans generally had estimated losses which are included in the allowance for credit losses. We did have impaired loans with no allowance for credit losses when the loss

content has been previously recognized through charge-offs, such as collateral dependent loans, or when loans are currently performing in accordance with their terms and no loss has been estimated. Impaired loans excluded PCI loans and loans that had been fully charged off or otherwise had zero recorded investment. Table 6.15 included trial modifications that totaled \$115 million at December 31, 2019.

For additional information on our legacy impaired loans and allowance for credit losses, see Note 1 (Summary of Significant Accounting Policies) in our 2019 Form 10-K.

**Table 6.15: Impaired Loans Summary**

(in millions)	Unpaid principal balance	Recorded investment		Related allowance for credit losses
		Impaired loans	Impaired loans with related allowance for credit losses	
December 31, 2019				
Commercial:				
Commercial and industrial	\$ 2,792	2,003	1,903	311
Real estate mortgage	1,137	974	803	110
Real estate construction	81	51	41	11
Lease financing	131	105	105	35
Total commercial	4,141	3,133	2,852	467
Consumer:				
Real estate 1-4 family first mortgage	8,107	7,674	4,433	437
Real estate 1-4 family junior lien mortgage	1,586	1,451	925	144
Credit card	520	520	520	209
Automobile	138	81	42	8
Other revolving credit and installment	178	171	155	49
Total consumer (1)	10,529	9,897	6,075	847
Total impaired loans (excluding PCI)	\$ 14,670	13,030	8,927	1,314

(1) Included the recorded investment of \$1.2 billion at December 31, 2019 of government insured/guaranteed loans that are predominantly insured by the FHA or guaranteed by the VA and generally do not have an ACL. Impaired loans may also have limited, if any, ACL when the recorded investment of the loan approximates estimated net realizable value as a result of charge-offs prior to a TDR modification.

**Note 6: Loans and Related Allowance for Credit Losses (continued)**

Table 6.16 provides the average recorded investment in impaired loans and the amount of interest income recognized on impaired loans by portfolio segment and class.

**Table 6.16: Average Recorded Investment in Impaired Loans**

(in millions)	Year ended December 31, 2019	
	Average recorded investment	Recognized interest income
<b>Commercial:</b>		
Commercial and industrial	\$ 2,150	129
Real estate mortgage	1,067	59
Real estate construction	52	6
Lease financing	93	1
Total commercial	3,362	195
<b>Consumer:</b>		
Real estate 1-4 family first mortgage	9,031	506
Real estate 1-4 family junior lien mortgage	1,586	99
Credit card	488	64
Automobile	84	12
Other revolving credit and installment	162	13
Total consumer	11,351	694
Total impaired loans (excluding PCI)	\$ 14,713	889
<b>Interest income:</b>		
Cash basis of accounting	\$	241
Other (1)		648
<b>Total interest income</b>	<b>\$</b>	<b>889</b>

(1) Included interest recognized on accruing TDRs, interest recognized related to certain impaired loans which have an allowance calculated using discounting, and amortization of purchase accounting adjustments related to certain impaired loans.

**TROUBLED DEBT RESTRUCTURINGS (TDRs)** When, for economic or legal reasons related to a borrower's financial difficulties, we grant a concession for other than an insignificant period of time to a borrower that we would not otherwise consider, the related loan is classified as a TDR, the balance of which totaled \$12.0 billion and \$11.8 billion at June 30, 2020, and December 31, 2019, respectively. We do not consider loan resolutions such as foreclosure or short sale to be a TDR. In addition, COVID-related modifications are generally not classified as TDRs due to the relief under the CARES Act and the Interagency Statement. For more information on the TDR relief, see Note 1 (Summary of Significant Accounting Policies).

We may require some consumer borrowers experiencing financial difficulty to make trial payments generally for a period of three to four months, according to the terms of a planned permanent modification, to determine if they can perform according to those terms. These arrangements represent trial modifications, which we classify and account for as TDRs. While loans are in trial payment programs, their original terms are not considered modified and they continue to advance through delinquency status and accrue interest according to their original terms.

Commitments to lend additional funds on loans whose terms have been modified in a TDR amounted to \$442 million and \$500 million at June 30, 2020, and December 31, 2019, respectively.

Table 6.17 summarizes our TDR modifications for the periods presented by primary modification type and includes the financial effects of these modifications. For those loans that modify more than once, the table reflects each modification that

occurred during the period. Loans that both modify and pay off within the period, as well as changes in recorded investment during the period for loans modified in prior periods, are not included in the table.

**Table 6.17: TDR Modifications**

(in millions)	Primary modification type (1)				Financial effects of modifications		
	Principal (2)	Interest rate reduction	Other concessions (3)	Total	Charge-offs (4)	Weighted average interest rate reduction	Recorded investment related to interest rate reduction (5)
<b>Quarter ended June 30, 2020</b>							
<b>Commercial:</b>							
Commercial and industrial	\$ —	17	948	965	38	0.79%	\$ 17
Real estate mortgage	—	5	98	103	—	1.75	5
Real estate construction	—	—	—	—	—	—	—
Lease financing	—	—	1	1	—	—	—
<b>Total commercial</b>	<b>—</b>	<b>22</b>	<b>1,047</b>	<b>1,069</b>	<b>38</b>	<b>1.00</b>	<b>22</b>
<b>Consumer:</b>							
Real estate 1-4 family first mortgage	20	3	279	302	1	1.84	14
Real estate 1-4 family junior lien mortgage	3	2	22	27	—	2.39	3
Credit card	—	62	—	62	—	12.79	62
Automobile	1	2	44	47	28	4.42	2
Other revolving credit and installment	—	3	6	9	—	5.90	3
Trial modifications (6)	—	—	(13)	(13)	—	—	—
<b>Total consumer</b>	<b>24</b>	<b>72</b>	<b>338</b>	<b>434</b>	<b>29</b>	<b>10.09</b>	<b>84</b>
<b>Total</b>	<b>\$ 24</b>	<b>94</b>	<b>1,385</b>	<b>1,503</b>	<b>67</b>	<b>8.17%</b>	<b>\$ 106</b>
<b>Quarter ended June 30, 2019</b>							
<b>Commercial:</b>							
Commercial and industrial	\$ —	34	180	214	26	0.34%	\$ 34
Real estate mortgage	—	24	95	119	—	0.49	24
Real estate construction	13	—	13	26	—	—	—
Lease financing	—	—	—	—	—	—	—
<b>Total commercial</b>	<b>13</b>	<b>58</b>	<b>288</b>	<b>359</b>	<b>26</b>	<b>0.40</b>	<b>58</b>
<b>Consumer:</b>							
Real estate 1-4 family first mortgage	28	2	181	211	—	1.83	19
Real estate 1-4 family junior lien mortgage	1	11	21	33	1	2.39	11
Credit card	—	89	—	89	—	13.35	89
Automobile	2	3	14	19	8	4.13	3
Other revolving credit and installment	—	12	1	13	—	7.67	12
Trial modifications (6)	—	—	5	5	—	—	—
<b>Total consumer</b>	<b>31</b>	<b>117</b>	<b>222</b>	<b>370</b>	<b>9</b>	<b>10.06</b>	<b>134</b>
<b>Total</b>	<b>\$ 44</b>	<b>175</b>	<b>510</b>	<b>729</b>	<b>35</b>	<b>7.17%</b>	<b>\$ 192</b>

(continued on following page)

## Note 6: Loans and Related Allowance for Credit Losses (continued)

(continued from previous page)

(\$ in millions)	Primary modification type (1)				Financial effects of modifications		
	Principal (2)	Interest rate reduction	Other concessions (3)	Total	Charge-offs (4)	Weighted average interest rate reduction	Recorded investment related to interest rate reduction (5)
<b>Six months ended June 30, 2020</b>							
<b>Commercial:</b>							
Commercial and industrial	\$ 18	32	1,262	1,312	82	0.73%	\$ 32
Real estate mortgage	—	18	250	268	—	1.17	18
Real estate construction	—	—	6	6	—	2.49	—
Lease financing	—	—	1	1	—	—	—
<b>Total commercial</b>	<b>18</b>	<b>50</b>	<b>1,519</b>	<b>1,587</b>	<b>82</b>	<b>0.90</b>	<b>50</b>
<b>Consumer:</b>							
Real estate 1-4 family first mortgage	41	6	445	492	1	1.73	31
Real estate 1-4 family junior lien mortgage	4	8	36	48	—	2.38	9
Credit card	—	157	—	157	—	12.51	157
Automobile	3	4	54	61	34	4.56	4
Other revolving credit and installment	—	15	8	23	—	7.71	15
Trial modifications (6)	—	—	(11)	(11)	—	—	—
<b>Total consumer</b>	<b>48</b>	<b>190</b>	<b>532</b>	<b>770</b>	<b>35</b>	<b>10.04</b>	<b>216</b>
<b>Total</b>	<b>\$ 66</b>	<b>240</b>	<b>2,051</b>	<b>2,357</b>	<b>117</b>	<b>8.30%</b>	<b>\$ 266</b>
<b>Six months ended June 30, 2019</b>							
<b>Commercial:</b>							
Commercial and industrial	\$ —	45	734	779	39	0.42%	\$ 45
Real estate mortgage	—	26	168	194	—	0.54	26
Real estate construction	13	—	16	29	—	—	—
Lease financing	—	—	—	—	—	—	—
<b>Total commercial</b>	<b>13</b>	<b>71</b>	<b>918</b>	<b>1,002</b>	<b>39</b>	<b>0.47</b>	<b>71</b>
<b>Consumer:</b>							
Real estate 1-4 family first mortgage	63	5	475	543	1	1.89	38
Real estate 1-4 family junior lien mortgage	3	22	46	71	2	2.34	23
Credit card	—	186	—	186	—	13.27	186
Automobile	4	4	26	34	14	4.55	4
Other revolving credit and installment	—	23	4	27	—	7.63	23
Trial modifications (6)	—	—	5	5	—	—	—
<b>Total consumer</b>	<b>70</b>	<b>240</b>	<b>556</b>	<b>866</b>	<b>17</b>	<b>10.17</b>	<b>274</b>
<b>Total</b>	<b>\$ 83</b>	<b>311</b>	<b>1,474</b>	<b>1,868</b>	<b>56</b>	<b>8.18%</b>	<b>\$ 345</b>

- (1) Amounts represent the recorded investment in loans after recognizing the effects of the TDR, if any. TDRs may have multiple types of concessions, but are presented only once in the first modification type based on the order presented in the table above. The reported amounts include loans remodified of \$221 million and \$323 million for the quarters ended June 30, 2020 and 2019, respectively, and \$484 million and \$683 million for the first half of 2020 and 2019, respectively.
- (2) Principal modifications include principal forgiveness at the time of the modification, contingent principal forgiveness granted over the life of the loan based on borrower performance, and principal that has been legally separated and deferred to the end of the loan, with a zero percent contractual interest rate.
- (3) Other concessions include loans discharged in bankruptcy, loan renewals, term extensions and other interest and noninterest adjustments, but exclude modifications that also forgive principal and/or reduce the contractual interest rate.
- (4) Charge-offs include write-downs of the investment in the loan in the period it is contractually modified. The amount of charge-off will differ from the modification terms if the loan has been charged down prior to the modification based on our policies. In addition, there may be cases where we have a charge-off/down with no legal principal modification. Modifications resulted in deferring or legally forgiving principal (actual or contingent) of \$3 million and \$3 million for the quarters ended June 30, 2020 and 2019, respectively, and \$32 million and \$6 million for the first half of 2020 and 2019, respectively.
- (5) Reflects the effect of reduced interest rates on loans with an interest rate concession as one of its concession types, which includes loans reported as a principal primary modification type that also have an interest rate concession.
- (6) Trial modifications are granted a delay in payments due under the original terms during the trial payment period. However, these loans continue to advance through delinquency status and accrue interest according to their original terms. Any subsequent permanent modification generally includes interest rate related concessions; however, the exact concession type and resulting financial effect are usually not known until the loan is permanently modified. Trial modifications for the period are presented net of previously reported trial modifications that became permanent in the current period.

Table 6.18 summarizes permanent modification TDRs that have defaulted in the current period within 12 months of their permanent modification date. We are reporting these defaulted TDRs based on a payment default definition of 90 days past due for the commercial portfolio segment and 60 days past due for the consumer portfolio segment.

**Table 6.18: Defaulted TDRs**

(in millions)	Recorded investment of defaults			
	Quarter ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
<b>Commercial:</b>				
Commercial and industrial	\$ 37	25	222	48
Real estate mortgage	81	5	102	33
Real estate construction	—	—	—	3
Total commercial	118	30	324	84
<b>Consumer:</b>				
Real estate 1-4 family first mortgage	8	13	18	24
Real estate 1-4 family junior lien mortgage	6	4	8	9
Credit card	19	21	45	42
Automobile	1	4	3	7
Other revolving credit and installment	2	1	3	3
Total consumer	36	43	77	85
Total	\$ 154	73	401	169



## Note 7: Leasing Activity

The information below provides a summary of our leasing activities as a lessor and lessee. See Note 7 (Leasing Activity) in our 2019 Form 10-K for additional information about our leasing activities.

### As a Lessor

Table 7.1 presents the composition of our leasing revenue.

**Table 7.1: Leasing Revenue**

(in millions)	Quarter ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Interest income on lease financing	\$ 196	224	\$ 407	447
Other lease revenues:				
Variable revenues on lease financing	26	26	53	50
Fixed revenues on operating leases	294	357	608	730
Variable revenues on operating leases	11	14	24	32
Other lease-related revenues (1)	3	27	1	55
Lease income	334	424	686	867
Total leasing revenue	\$ 530	648	\$ 1,093	1,314

(1) Predominantly includes net gains (losses) on disposition of assets leased under operating leases or lease financings.

### As a Lessee

Substantially all of our leases are operating leases. Table 7.2 presents balances for our operating leases.

**Table 7.2: Operating Lease Right of Use (ROU) Assets and Lease Liabilities**

(in millions)	Jun 30, 2020	Dec 31, 2019
ROU assets	\$ 4,548	4,724
Lease liabilities	5,125	5,297

Table 7.3 provides the composition of our lease costs, which are predominantly included in occupancy expense.

**Table 7.3: Lease Costs**

(in millions)	Quarter ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Fixed lease expense – operating leases	\$ 292	291	\$ 583	588
Variable lease expense	80	80	146	153
Other (1)	(42)	(9)	(56)	(17)
Total lease costs	\$ 330	362	\$ 673	724

(1) Predominantly includes gains recognized from sale leaseback transactions and sublease rental income.

## Note 8: Equity Securities

Table 8.1 provides a summary of our equity securities by business purpose and accounting method, including equity securities with readily determinable fair values (marketable) and those without readily determinable fair values (nonmarketable).

**Table 8.1: Equity Securities**

(in millions)	Jun 30, 2020	Dec 31, 2019
<b>Held for trading at fair value:</b>		
Marketable equity securities	<b>\$ 12,591</b>	27,440
<b>Not held for trading:</b>		
Fair value:		
Marketable equity securities (1)	<b>6,426</b>	6,481
Nonmarketable equity securities	<b>8,322</b>	8,015
<b>Total equity securities at fair value</b>	<b>14,748</b>	14,496
Equity method:		
Low-income housing tax credit investments	<b>11,294</b>	11,343
Private equity	<b>3,351</b>	3,459
Tax-advantaged renewable energy	<b>3,940</b>	3,811
New market tax credit and other	<b>377</b>	387
<b>Total equity method</b>	<b>18,962</b>	19,000
Other:		
Federal Reserve Bank stock and other at cost (2)	<b>3,794</b>	4,790
Private equity (3)	<b>2,399</b>	2,515
<b>Total equity securities not held for trading</b>	<b>39,903</b>	40,801
<b>Total equity securities</b>	<b>\$ 52,494</b>	68,241

- (1) Includes \$191 million and \$3.8 billion at June 30, 2020, and December 31, 2019, respectively, related to securities held as economic hedges of our deferred compensation plan liabilities. In second quarter 2020, we entered into arrangements to transition our economic hedges of our deferred compensation plan liabilities from equity securities to derivative instruments.
- (2) Includes \$3.8 billion and \$4.8 billion at June 30, 2020, and December 31, 2019, respectively, related to investments in Federal Reserve Bank and Federal Home Loan Bank stock.
- (3) Represents nonmarketable equity securities accounted for under the measurement alternative.

### Equity Securities Held for Trading

Equity securities held for trading purposes are marketable equity securities traded on organized exchanges. These securities are held as part of our customer accommodation trading activities. For more information on these activities, see Note 4 (Trading Activities).

### Equity Securities Not Held for Trading

We also hold equity securities unrelated to trading activities. These securities include private equity and tax credit investments, securities held as economic hedges or to meet regulatory requirements (for example, Federal Reserve Bank and Federal Home Loan Bank stock).

**FAIR VALUE** Marketable equity securities held for purposes other than trading consist of exchange-traded equity funds held to economically hedge obligations related to our deferred compensation plans, as well as other holdings of publicly traded equity securities held for investment purposes. We account for certain nonmarketable equity securities under the fair value method, and substantially all of these securities are economically hedged with equity derivatives.

**EQUITY METHOD** Our equity method investments consist of tax credit and private equity investments, the majority of which are our low-income housing tax credit (LIHTC) investments.

We invest in affordable housing projects that qualify for the LIHTC, which are designed to promote private development of low-income housing. These investments generate a return mostly through realization of federal tax credit and other tax benefits. In the second quarter and first half of 2020, we recognized pre-tax losses of \$340 million and \$679 million, respectively, related to our LIHTC investments, compared with \$298 million and \$571 million, respectively, for the same periods a year ago. These losses were recognized in other noninterest income. We also recognized total tax benefits of \$401 million and \$799 million in the second quarter and first half of 2020, respectively, which included tax credits recorded to income taxes of \$317 million and \$631 million for the same periods, respectively. In the second quarter and first half of 2019, total tax benefits were \$376 million and \$746 million, respectively, which included tax credits of \$303 million and \$605 million for the same periods, respectively. We are periodically required to provide additional financial support during the investment period. A liability is recognized for unfunded commitments that are both legally binding and probable of funding. These commitments are predominantly funded within three years of initial investment. Our liability for these unfunded commitments was \$4.2 billion at June 30, 2020, and \$4.3 billion at December 31, 2019. This liability for unfunded commitments is included in long-term debt.

**OTHER** The remaining portion of our nonmarketable equity securities portfolio consists of securities accounted for using the cost or measurement alternative.

## Note 8: Equity Securities (continued)

### Realized Gains and Losses Not Held for Trading

Table 8.2 provides a summary of the net gains and losses from equity securities not held for trading. Gains and losses for securities held for trading are reported in net gains from trading activities.

**Table 8.2: Net Gains (Losses) from Equity Securities Not Held for Trading**

(in millions)	Quarter ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Net gains (losses) from equity securities carried at fair value:				
Marketable equity securities	\$ 394	264	\$ (409)	641
Nonmarketable equity securities	1,424	732	320	1,668
Total equity securities carried at fair value	1,818	996	(89)	2,309
Net gains (losses) from nonmarketable equity securities not carried at fair value:				
Impairment write-downs	(106)	(31)	(1,041)	(67)
Net unrealized gains related to measurement alternative observable transactions	24	146	246	331
Net realized gains on sale	199	169	199	406
Total nonmarketable equity securities not carried at fair value	117	284	(596)	670
Net gains (losses) from economic hedge derivatives (1)	(1,402)	(658)	(183)	(1,543)
Total net gains (losses) from equity securities not held for trading	\$ 533	622	\$ (868)	1,436

(1) Includes net gains (losses) on derivatives not designated as hedging instruments.

### Measurement Alternative

Table 8.3 provides additional information about the impairment write-downs and observable price adjustments related to

nonmarketable equity securities accounted for under the measurement alternative. Gains and losses related to these adjustments are also included in Table 8.2.

**Table 8.3: Net Gains (Losses) from Measurement Alternative Equity Securities**

(in millions)	Quarter ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Net gains (losses) recognized in earnings during the period:				
Gross unrealized gains due to observable price changes	\$ 24	157	\$ 246	342
Gross unrealized losses due to observable price changes	—	(11)	—	(11)
Impairment write-downs	(58)	(11)	(412)	(33)
Realized net gains from sale	11	102	13	125
Total net gains (losses) recognized during the period	\$ (23)	237	\$ (153)	423

Table 8.4 presents cumulative carrying value adjustments to nonmarketable equity securities accounted for under the measurement alternative that were still held at the end of each reporting period presented.

**Table 8.4: Measurement Alternative Cumulative Gains (Losses)**

(in millions)	Jun 30, 2020	Dec 31, 2019
Cumulative gains (losses):		
Gross unrealized gains due to observable price changes	\$ 1,109	973
Gross unrealized losses due to observable price changes	(43)	(42)
Impairment write-downs	(522)	(134)

## Note 9: Other Assets

Table 9.1 presents the components of other assets.

**Table 9.1: Other Assets**

(in millions)	Jun 30, 2020	Dec 31, 2019
Corporate/bank-owned life insurance	<b>\$ 20,227</b>	20,070
Accounts receivable (1)	<b>31,794</b>	29,137
Interest receivable:		
AFS and HTM debt securities	<b>1,506</b>	1,729
Loans	<b>3,046</b>	3,099
Trading and other	<b>492</b>	758
Customer relationship and other amortized intangibles	<b>375</b>	423
Foreclosed assets:		
Residential real estate:		
Government insured/guaranteed (1)	<b>31</b>	50
Non-government insured/guaranteed	<b>107</b>	172
Other	<b>57</b>	81
Operating lease assets (lessor)	<b>7,930</b>	8,221
Operating lease ROU assets (lessee)	<b>4,548</b>	4,724
Due from customers on acceptances	<b>173</b>	253
Other	<b>15,325</b>	10,200
<b>Total other assets</b>	<b>\$ 85,611</b>	78,917

(1) Certain government-guaranteed residential real estate mortgage loans upon foreclosure are included in Accounts receivable. For more information, see Note 1 (Summary of Significant Accounting Policies) in our 2019 Form 10-K.

## Note 10: Securitizations and Variable Interest Entities

### Involvement with Special Purpose Entities (SPEs)

In the normal course of business, we enter into various types of on- and off-balance sheet transactions with SPEs, which are corporations, trusts, limited liability companies or partnerships that are established for a limited purpose. For further description

of our involvement with SPEs, see Note 10 (Securitizations and Variable Interest Entities) in our 2019 Form 10-K.

Table 10.1 provides the classifications of assets and liabilities in our balance sheet for our transactions with VIEs.

**Table 10.1: Balance Sheet Transactions with VIEs**

(in millions)	VIEs that we do not consolidate	VIEs that we consolidate	Transfers that we account for as secured borrowings	Total
<b>June 30, 2020</b>				
Cash and due from banks	\$ —	26	—	26
Interest-earning deposits with banks	—	—	—	—
<b>Debt securities (1):</b>				
Trading debt securities	1,670	257	—	1,927
Available-for-sale debt securities	1,554	298	—	1,852
Held-to-maturity debt securities	1,156	—	—	1,156
Loans	1,890	11,579	74	13,543
Mortgage servicing rights	7,499	—	—	7,499
Derivative assets	269	1	—	270
Equity securities	11,351	71	—	11,422
Other assets	974	215	—	1,189
<b>Total assets</b>	<b>26,363</b>	<b>12,447</b>	<b>74</b>	<b>38,884</b>
Short-term borrowings	—	501	—	501
Derivative liabilities	2	1	—	3
Accrued expenses and other liabilities	239	212	—	451
Long-term debt	4,201	225	73	4,499
<b>Total liabilities</b>	<b>4,442</b>	<b>939</b>	<b>73</b>	<b>5,454</b>
<b>Noncontrolling interests</b>	<b>—</b>	<b>36</b>	<b>—</b>	<b>36</b>
<b>Net assets</b>	<b>\$ 21,921</b>	<b>11,472</b>	<b>1</b>	<b>33,394</b>
<b>December 31, 2019</b>				
Cash and due from banks	\$ —	16	—	16
Interest-earning deposits with banks	—	284	—	284
<b>Debt securities (1):</b>				
Trading debt securities	792	339	—	1,131
Available-for-sale debt securities	1,696	201	—	1,897
Held-to-maturity debt securities	791	—	—	791
Loans	2,127	13,170	80	15,377
Mortgage servicing rights	11,884	—	—	11,884
Derivative assets	142	1	—	143
Equity securities	11,401	118	—	11,519
Other assets	1,268	239	—	1,507
<b>Total assets</b>	<b>30,101</b>	<b>14,368</b>	<b>80</b>	<b>44,549</b>
Short-term borrowings	—	401	—	401
Derivative liabilities	1	3	—	4
Accrued expenses and other liabilities	189	235	—	424
Long-term debt	4,817	587	79	5,483
<b>Total liabilities</b>	<b>5,007</b>	<b>1,226</b>	<b>79</b>	<b>6,312</b>
<b>Noncontrolling interests</b>	<b>—</b>	<b>43</b>	<b>—</b>	<b>43</b>
<b>Net assets</b>	<b>\$ 25,094</b>	<b>13,099</b>	<b>1</b>	<b>38,194</b>

(1) Excludes certain debt securities related to loans serviced for the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) and Government National Mortgage Association (GNMA).

### Transactions with Unconsolidated VIEs

Our transactions with unconsolidated VIEs include predominantly securitizations of residential and commercial mortgage loans, and investments in tax credit structures. We have various forms of involvement with VIEs, including servicing, holding senior or

subordinated interests, and entering into liquidity arrangements and derivative contracts. Involvements with these unconsolidated VIEs are recorded on our balance sheet in debt and equity securities, loans, MSRs, derivative assets and liabilities, other assets, other liabilities, and long-term debt, as appropriate.

Table 10.2 provides a summary of our exposure to unconsolidated VIEs with which we have significant continuing involvement but for which we are not the primary beneficiary.

We include transactions where we were the sponsor or servicer and also have other significant forms of continuing involvement. Sponsorship includes transactions where we solely or materially participated in the initial design or structuring of the VIE or marketed the transaction to investors. We consider investments in securities, loans, guarantees, liquidity agreements, commitments and certain derivatives to be other forms of

continuing involvement that may be significant. We also include transactions where we transferred assets to a VIE, account for the transfer as a sale, and service the VIE collateral or have other forms of continuing involvement that may be significant (as described above). We exclude certain transactions with unconsolidated VIEs when our continuing involvement is temporary in nature or insignificant in size. We also exclude secured borrowing transactions with unconsolidated VIEs (for information on these transactions, see the Transactions with Consolidated VIEs and Secured Borrowings section in this Note).

**Table 10.2: Unconsolidated VIEs**

(in millions)	Total VIE assets	Carrying value – asset (liability)				
		Debt and equity interests (1)	Servicing assets and advances	Derivatives	Debt, guarantees, and other commitments	Net assets
<b>June 30, 2020</b>						
<b>Residential mortgage loan securitizations:</b>						
Conforming (2)	\$ 1,042,774	1,884	7,291	—	(248)	8,927
Other/nonconforming	5,184	1	34	—	—	35
Commercial mortgage loan securitizations (2)	175,912	2,484	1,148	195	(33)	3,794
Tax credit structures	38,839	13,037	—	—	(4,159)	8,878
Other asset-based finance structures	1,277	167	—	72	—	239
Other	1,146	48	—	—	—	48
<b>Total</b>	<b>\$ 1,265,132</b>	<b>17,621</b>	<b>8,473</b>	<b>267</b>	<b>(4,440)</b>	<b>21,921</b>
<b>Maximum exposure to loss</b>						
		Debt and equity interests (1)	Servicing assets and advances	Derivatives	Debt, guarantees, and other commitments	Total exposure
<b>Residential mortgage loan securitizations:</b>						
Conforming (2)	\$	1,853	7,291	—	1,335	10,479
Other/nonconforming		1	34	—	—	35
Commercial mortgage loan securitizations (2)		2,473	1,148	195	12,108	15,924
Tax credit structures		13,037	—	—	1,327	14,364
Other asset-based finance structures		167	—	76	71	314
Other		48	—	—	157	205
<b>Total</b>	<b>\$</b>	<b>17,579</b>	<b>8,473</b>	<b>271</b>	<b>14,998</b>	<b>41,321</b>
<b>December 31, 2019</b>						
<b>Residential mortgage loan securitizations:</b>						
Conforming (2)	\$ 1,098,103	1,528	11,931	—	(683)	12,776
Other/nonconforming	5,178	6	152	—	—	158
Commercial mortgage loan securitizations (2)	169,736	2,239	1,069	80	(43)	3,345
Tax credit structures	39,091	12,826	—	—	(4,260)	8,566
Other asset-based finance structures	1,355	157	—	61	(20)	198
Other	1,167	51	—	—	—	51
<b>Total</b>	<b>\$ 1,314,630</b>	<b>16,807</b>	<b>13,152</b>	<b>141</b>	<b>(5,006)</b>	<b>25,094</b>
<b>Maximum exposure to loss</b>						
		Debt and equity interests (1)	Servicing assets and advances	Derivatives	Debt, guarantees, and other commitments	Total exposure
<b>Residential mortgage loan securitizations:</b>						
Conforming (2)	\$	972	11,931	—	937	13,840
Other/nonconforming		6	152	—	—	158
Commercial mortgage loan securitizations (2)		2,239	1,069	80	11,667	15,055
Tax credit structures		12,826	—	—	1,701	14,527
Other asset-based finance structures		157	—	63	91	311
Other		51	—	—	157	208
<b>Total</b>	<b>\$</b>	<b>16,251</b>	<b>13,152</b>	<b>143</b>	<b>14,553</b>	<b>44,099</b>

- (1) Includes total equity interests of \$11.4 billion at both June 30, 2020, and December 31, 2019. Also includes debt interests in the form of both loans and securities. Excludes certain debt securities held related to loans serviced for FNMA, FHLMC and GNMA.
- (2) Carrying values include assets and related liabilities of \$42 million and \$556 million at June 30, 2020, and December 31, 2019, respectively, related to certain unexercised unconditional repurchase options. These amounts represent the carrying value of the loans and associated debt that would be payable if the option was exercised to repurchase eligible loans from GNMA residential and multifamily loan securitizations. These amounts are excluded from maximum exposure to loss as we are not obligated to exercise the options.

In Table 10.2, “Total VIE assets” represents the remaining principal balance of assets held by unconsolidated VIEs using the most current information available. For VIEs that obtain exposure to assets synthetically through derivative instruments, the notional amount of the derivative is included in the asset balance.

“Carrying value” is the amount in our consolidated balance sheet related to our involvement with the unconsolidated VIEs. “Maximum exposure to loss” is determined as the carrying value of our investment in the VIEs excluding the unconditional repurchase options that have not been exercised, plus the

## Note 10: Securitizations and Variable Interest Entities (continued)

remaining undrawn liquidity and lending commitments, the notional amount of net written derivative contracts, and generally the notional amount of, or stressed loss estimate for, other commitments and guarantees. It represents estimated loss that would be incurred under severe, hypothetical circumstances, for which we believe the possibility is extremely remote, such as where the value of our interests and any associated collateral declines to zero, without any consideration of recovery or offset from any economic hedges. Accordingly, this disclosure is not an indication of expected loss.

For complete descriptions of our transactions with unconsolidated VIEs with which we have a significant continuing involvement, but we are not the primary beneficiary, see Note 10 (Securitizations and Variable Interest Entities) in our 2019 Form 10-K.

### Loan Sales and Securitization Activity

We periodically transfer consumer and commercial loans and other types of financial assets in securitization and whole loan sale transactions. We typically retain the servicing rights from these sales and may continue to hold other beneficial interests in

the transferred financial assets. We may also provide liquidity to investors in the beneficial interests and credit enhancements. Through these transfers we may be exposed to liability under limited amounts of recourse as well as standard representations and warranties we make to purchasers and issuers.

Table 10.3 presents information about transfers of assets during the period to unconsolidated VIEs or third-party investors for which we recorded the transfers as sales and have continuing involvement with the transferred assets. In connection with these transfers, we recorded servicing assets, securities, and a liability for repurchase losses which reflects management's estimate of probable losses related to various representations and warranties for the loans transferred. Each of these interests are initially measured at fair value. Servicing rights are classified as Level 3 measurements, and generally securities are initially classified as Level 2.

Sales with continuing involvement include securitizations of conforming residential mortgages that are sold to the government-sponsored entities (GSEs) or GNMA. Substantially all transfers to these entities resulted in no gain or loss because the loans were already measured at fair value on a recurring basis.

**Table 10.3: Transfers With Continuing Involvement**

(in millions)	2020		2019	
	Residential mortgages	Commercial mortgages	Residential mortgages	Commercial mortgages
<b>Quarter ended June 30,</b>				
Net gains (losses) on sale	\$ —	64	46	74
Asset balances sold	63,584	2,505	36,672	3,358
Servicing rights recognized	443	48	387	33
Securities recognized (1)	(263)	12	2,482	—
Liability for repurchase losses recognized	4	—	5	—
<b>Six months ended June 30,</b>				
Net gains (losses) on sale	\$ 52	133	60	121
Asset balances sold	111,441	5,233	70,775	6,060
Servicing rights recognized	889	82	707	59
Securities recognized (1)	2,050	74	3,394	—
Liability for repurchase losses recognized	7	—	8	—

(1) Includes securities retained upon initial transfer and subsequent sales during the periods presented, which may result in a net reduction of securities recognized.

Table 10.4 presents the key weighted-average assumptions we used to measure residential MSRMs at the date of securitization.

**Table 10.4: Residential Mortgage Servicing Rights**

	Residential mortgage servicing rights	
	2020	2019
<b>Quarter ended June 30,</b>		
Prepayment speed (1)	15.0%	13.5
Discount rate	7.0	7.5
Cost to service (\$ per loan) (2)	\$ 97	121
<b>Six months ended June 30,</b>		
Prepayment speed (1)	14.0%	13.5
Discount rate	6.8	7.7
Cost to service (\$ per loan) (2)	\$ 94	109

(1) The prepayment speed assumption for residential MSRMs includes a blend of prepayment speeds and default rates. Prepayment speed assumptions are influenced by mortgage interest rate inputs as well as our estimation of drivers of borrower behavior.

(2) Includes costs to service and unreimbursed foreclosure costs, which can vary period to period due to changes in model assumptions and the mix of modified government-guaranteed loans sold to GNMA.

Table 10.5 presents the proceeds related to transfers accounted for as sales in which we have continuing involvement with the transferred financial assets, as well as current period cash flows from continuing involvement with previous transfers accounted for as sales. Cash flows from other interests held predominantly include principal and interest payments received on retained bonds. Repurchases of assets represents cash paid to repurchase loans from investors under representation and warranty obligations or in connection with the exercise of cleanup calls on securitizations. Loss reimbursements is cash paid to reimburse investors for losses on individual loans that are already liquidated. Government insured loans are delinquent loans that we service and have exercised our option to purchase out of GNMA pools. These loans are insured by the FHA or guaranteed by the VA.

**Table 10.5: Cash Inflows (Outflows) From Sales and Securitization Activity**

(in millions)	Mortgage loans	
	2020	2019
<b>Quarter ended June 30,</b>		
Proceeds from securitizations and whole loan sales	\$ 65,009	39,697
Fees from servicing rights retained	663	786
Cash flows from other interests held	192	133
Repurchases of assets/loss reimbursements:		
Non-agency securitizations and whole loan transactions	(1)	(1)
Government insured loans	(3,594)	(1,246)
Agency securitizations	(35)	(27)
Servicing advances, net of recoveries (1)	(93)	54
<b>Six months ended June 30,</b>		
Proceeds from securitizations and whole loan sales	\$ 115,238	76,204
Fees from servicing rights retained	1,419	1,566
Cash flows from other interests held	359	244
Repurchases of assets/loss reimbursements:		
Non-agency securitizations and whole loan transactions	(1)	(1)
Government insured loans	(5,034)	(3,188)
Agency securitizations	(61)	(44)
Servicing advances, net of recoveries (1)	(60)	93

(1) Cash flows from servicing advances includes principal and interest payments to investors required by servicing agreements.



## Note 10: Securitizations and Variable Interest Entities (continued)

### Retained Interests from Unconsolidated VIEs

Table 10.6 provides key economic assumptions and the sensitivity of the current fair value of residential MSR and other interests held related to unconsolidated VIEs to immediate adverse changes in those assumptions. Amounts for residential MSR include purchased servicing rights as well as servicing rights resulting from the transfer of loans. See Note 16 (Fair Values of Assets and Liabilities) for additional information on key economic assumptions for residential MSR. "Other interests held" were obtained when we securitized residential and commercial mortgage loans. Residential mortgage-backed securities retained in securitizations issued through GSEs or GNMA, are excluded

from the table because these securities have a remote risk of credit loss due to the GSE or government guarantee. These securities also have economic characteristics similar to GSE or GNMA mortgage-backed securities that we purchase, which are not included in the table. Subordinated interests include only those bonds whose credit rating was below AAA by a major rating agency at issuance. Senior interests include only those bonds whose credit rating was AAA by a major rating agency at issuance. The information presented excludes trading positions held in inventory.

**Table 10.6: Retained Interests from Unconsolidated VIEs**

(\$ in millions, except cost to service amounts)	Residential mortgage servicing rights	Other interests held	
		Commercial	
		Subordinated bonds	Senior bonds
<b>Fair value of interests held at June 30, 2020</b>	<b>\$ 6,819</b>	<b>982</b>	<b>273</b>
<b>Expected weighted-average life (in years)</b>	<b>3.9</b>	<b>7.0</b>	<b>6.6</b>
<b>Key economic assumptions:</b>			
<b>Prepayment speed assumption</b>	<b>18.5%</b>		
<b>Decrease in fair value from:</b>			
<b>10% adverse change</b>	<b>\$ 470</b>		
<b>25% adverse change</b>	<b>1,089</b>		
<b>Discount rate assumption</b>	<b>6.8%</b>	<b>5.4</b>	<b>1.8</b>
<b>Decrease in fair value from:</b>			
<b>100 basis point increase</b>	<b>\$ 255</b>	<b>57</b>	<b>15</b>
<b>200 basis point increase</b>	<b>490</b>	<b>109</b>	<b>30</b>
<b>Cost to service assumption (\$ per loan)</b>	<b>152</b>		
<b>Decrease in fair value from:</b>			
<b>10% adverse change</b>	<b>234</b>		
<b>25% adverse change</b>	<b>583</b>		
<b>Credit loss assumption</b>		<b>4.5%</b>	<b>—</b>
<b>Decrease in fair value from:</b>			
<b>10% higher losses</b>		<b>\$ 36</b>	<b>—</b>
<b>25% higher losses</b>		<b>40</b>	<b>—</b>
Fair value of interests held at December 31, 2019	\$ 11,517	909	352
Expected weighted-average life (in years)	5.3	7.3	5.5
<b>Key economic assumptions:</b>			
<b>Prepayment speed assumption</b>	<b>11.9%</b>		
<b>Decrease in fair value from:</b>			
<b>10% adverse change</b>	<b>\$ 537</b>		
<b>25% adverse change</b>	<b>1,261</b>		
<b>Discount rate assumption</b>	<b>7.2%</b>	<b>4.0</b>	<b>2.9</b>
<b>Decrease in fair value from:</b>			
<b>100 basis point increase</b>	<b>\$ 464</b>	<b>53</b>	<b>16</b>
<b>200 basis point increase</b>	<b>889</b>	<b>103</b>	<b>32</b>
<b>Cost to service assumption (\$ per loan)</b>	<b>102</b>		
<b>Decrease in fair value from:</b>			
<b>10% adverse change</b>	<b>253</b>		
<b>25% adverse change</b>	<b>632</b>		
<b>Credit loss assumption</b>		<b>3.1%</b>	<b>—</b>
<b>Decrease in fair value from:</b>			
<b>10% higher losses</b>		<b>\$ 1</b>	<b>—</b>
<b>25% higher losses</b>		<b>4</b>	<b>—</b>

In addition to residential MSR included in the previous table, we have a small portfolio of commercial MSR, which are carried at the lower of cost or fair value (LOCOM), with a fair value of

\$1.4 billion and \$1.9 billion at June 30, 2020, and December 31, 2019, respectively. Prepayment assumptions do not significantly impact values of commercial MSR and commercial mortgage

bonds as commercial loans generally include contractual restrictions on prepayment. Servicing costs are not a driver of our MSR value as we are typically primary or master servicer; the higher costs of servicing delinquent and foreclosed loans is generally borne by the special servicer. The primary economic driver impacting the fair value of our commercial MSRs is forward interest rates, which are derived from market observable yield curves used to price capital markets instruments. Market interest rates significantly affect interest earned on custodial deposit balances. The sensitivity of the current fair value of our commercial MSRs to a hypothetical immediate adverse 25% change in the assumption about interest earned on deposit balances at June 30, 2020, and December 31, 2019, would result in a decrease in fair value of \$94 million and \$205 million, respectively. See Note 11 (Mortgage Banking Activities) for further information on our commercial MSRs.

The sensitivities in the preceding paragraph and table are hypothetical and caution should be exercised when relying on this data. Changes in value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in the assumption to the change in value may not be linear. Also, the effect of a variation in a particular assumption on the value of the other interests held is calculated independently

without changing any other assumptions. In reality, changes in one factor may result in changes in others (for example, changes in prepayment speed estimates could result in changes in the credit losses), which might magnify or counteract the sensitivities.

### Off-Balance Sheet Loans

Table 10.7 presents information about the principal balances of off-balance sheet loans that were sold or securitized, including residential mortgage loans sold to FNMA, FHLMC, GNMA and other investors, for which we have some form of continuing involvement (including servicer). Delinquent loans include loans 90 days or more past due and loans in bankruptcy, regardless of delinquency status. In accordance with applicable servicing guidelines, delinquency status continues to advance for loans with COVID-related payment deferrals. For loans sold or securitized where servicing is our only form of continuing involvement, we would only experience a loss if we were required to repurchase a delinquent loan or foreclosed asset due to a breach in representations and warranties associated with our loan sale or servicing contracts.

**Table 10.7: Off-Balance Sheet Loans Sold or Securitized**

(in millions)	Total loans		Delinquent loans and foreclosed assets (1)		Net charge-offs (2)	
	Jun 30, 2020	Dec 31, 2019	Jun 30, 2020	Dec 31, 2019	Six months ended Jun 30,	
					2020	2019
<b>Commercial:</b>						
Real estate mortgage	\$ 114,057	112,507	791	776	83	89
Total commercial	114,057	112,507	791	776	83	89
<b>Consumer:</b>						
Real estate 1-4 family first mortgage	942,481	1,008,446	53,282	6,664	59	110
Real estate 1-4 family junior lien mortgage	11	13	2	2	—	—
Total consumer	942,492	1,008,459	53,284	6,666	59	110
Total off-balance sheet sold or securitized loans (3)	\$ 1,056,549	1,120,966	54,075	7,442	142	199

(1) Includes \$319 million and \$492 million of commercial foreclosed assets and \$294 million and \$356 million of consumer foreclosed assets at June 30, 2020, and December 31, 2019, respectively.

(2) Net charge-offs exclude loans sold to FNMA, FHLMC and GNMA as we do not service or manage the underlying real estate upon foreclosure and, as such, do not have access to net charge-off information.

(3) At June 30, 2020, and December 31, 2019, the table includes total loans of \$1.0 trillion at both dates, delinquent loans of \$51.3 billion and \$5.2 billion, respectively, and foreclosed assets of \$224 million and \$251 million, respectively, for FNMA, FHLMC and GNMA.

## Note 10: Securitizations and Variable Interest Entities (continued)

### Transactions with Consolidated VIEs and Secured Borrowings

Table 10.8 presents a summary of financial assets and liabilities for asset transfers accounted for as secured borrowings and involvements with consolidated VIEs. Carrying values of "Assets" are presented using GAAP measurement methods, which may include fair value, credit impairment or other adjustments, and

therefore in some instances will differ from "Total VIE assets." For VIEs that obtain exposure synthetically through derivative instruments, the notional amount of the derivative is included in "Total VIE assets." On the consolidated balance sheet, we separately disclose the consolidated assets of certain VIEs that can only be used to settle the liabilities of those VIEs.

**Table 10.8: Transactions with Consolidated VIEs and Secured Borrowings**

(in millions)	Total VIE assets	Carrying value			
		Assets	Liabilities	Noncontrolling interests	Net assets
<b>June 30, 2020</b>					
<b>Secured borrowings:</b>					
Residential mortgage securitizations	\$ 74	74	(73)	—	1
<b>Total secured borrowings</b>	<b>74</b>	<b>74</b>	<b>(73)</b>	<b>—</b>	<b>1</b>
<b>Consolidated VIEs:</b>					
Commercial and industrial loans and leases	6,970	5,838	(210)	(12)	5,616
Nonconforming residential mortgage loan securitizations	652	565	(225)	—	340
Commercial real estate loans	5,387	5,387	—	—	5,387
Municipal tender option bond securitizations	501	500	(500)	—	—
Other	157	157	(4)	(24)	129
<b>Total consolidated VIEs</b>	<b>13,667</b>	<b>12,447</b>	<b>(939)</b>	<b>(36)</b>	<b>11,472</b>
<b>Total secured borrowings and consolidated VIEs</b>	<b>\$ 13,741</b>	<b>12,521</b>	<b>(1,012)</b>	<b>(36)</b>	<b>11,473</b>
<b>December 31, 2019</b>					
<b>Secured borrowings:</b>					
Residential mortgage securitizations	\$ 81	80	(79)	—	1
<b>Total secured borrowings</b>	<b>81</b>	<b>80</b>	<b>(79)</b>	<b>—</b>	<b>1</b>
<b>Consolidated VIEs:</b>					
Commercial and industrial loans and leases	8,054	8,042	(529)	(16)	7,497
Nonconforming residential mortgage loan securitizations	935	809	(290)	—	519
Commercial real estate loans	4,836	4,836	—	—	4,836
Municipal tender option bond securitizations	401	402	(401)	—	1
Other	279	279	(6)	(27)	246
<b>Total consolidated VIEs</b>	<b>14,505</b>	<b>14,368</b>	<b>(1,226)</b>	<b>(43)</b>	<b>13,099</b>
<b>Total secured borrowings and consolidated VIEs</b>	<b>\$ 14,586</b>	<b>14,448</b>	<b>(1,305)</b>	<b>(43)</b>	<b>13,100</b>

We have raised financing through the securitization of certain financial assets in transactions with VIEs accounted for as secured borrowings. We also consolidate VIEs where we are the primary beneficiary. In certain transactions, we provide contractual support in the form of limited recourse and liquidity to facilitate the remarketing of short-term securities issued to third-party investors. Other than this limited contractual support, the assets of the VIEs are the sole source of repayment of the securities held by third parties.

For complete descriptions of our accounting for transfers accounted for as secured borrowings and involvement with consolidated VIEs, see Note 10 (Securitizations and Variable Interest Entities) in our 2019 Form 10-K.

### Other Transactions

In addition to the transactions included in the previous tables, we have used wholly-owned trust preferred security VIEs to issue debt securities or preferred equity exclusively to third-party investors. As the sole assets of the VIEs are receivables from us, we do not consolidate the VIEs even though we own all of the voting equity shares of the VIEs, have fully guaranteed the obligations of the VIEs, and may have the right to redeem the third-party securities under certain circumstances. In our

consolidated balance sheet we reported the debt securities issued to the VIEs as long-term junior subordinated debt with a carrying value of \$692 million and \$2.1 billion at June 30, 2020, and December 31, 2019, respectively. During first quarter 2020, we liquidated certain of our trust preferred security VIEs. As part of these liquidations, the preferred securities issued by the trusts were canceled and junior subordinated debentures with a total carrying value of \$1.4 billion were distributed to the preferred security holders. Prior to the liquidations, we held \$10 million of these preferred securities, which were exchanged for junior subordinated debentures upon liquidation and subsequently retired with no impact to earnings. See Note 17 (Preferred Stock) for additional information about trust preferred securities.

Certain money market funds are also excluded from the previous tables because they are exempt from the consolidation analysis. We voluntarily waived a portion of our management fees for these money market funds to maintain a minimum level of daily net investment income. The amount of fees waived was \$22 million and \$33 million in the second quarter and first half of 2020, respectively, compared with \$10 million and \$20 million for the same periods a year ago.

## Note 11: Mortgage Banking Activities

Mortgage banking activities consist of residential and commercial mortgage originations, sales and servicing.

We apply the amortization method to commercial MSR's and the fair value method to residential MSR's. Table 11.1 presents the changes in MSR's measured using the fair value method.

**Table 11.1: Analysis of Changes in Fair Value MSR's**

(in millions)	Quarter ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Fair value, beginning of period	\$ 8,126	13,336	\$ 11,517	14,649
Servicing from securitizations or asset transfers (1)	462	400	923	741
Sales and other (2)	(1)	(1)	(32)	(282)
Net additions	461	399	891	459
Changes in fair value:				
Due to valuation inputs or assumptions:				
Mortgage interest rates (3)	(600)	(1,153)	(3,622)	(2,093)
Servicing and foreclosure costs (4)	(349)	(22)	(422)	(10)
Discount rates	—	(109)	27	(9)
Prepayment estimates and other (5)	(182)	206	(371)	143
Net changes in valuation inputs or assumptions	(1,131)	(1,078)	(4,388)	(1,969)
Changes due to collection/realization of expected cash flows (6)	(637)	(561)	(1,201)	(1,043)
Total changes in fair value	(1,768)	(1,639)	(5,589)	(3,012)
Fair value, end of period	\$ 6,819	12,096	\$ 6,819	12,096

(1) Includes impacts associated with exercising cleanup calls on securitizations and our right to repurchase delinquent loans from GNMA loan securitization pools. MSR's may increase upon repurchase due to servicing liabilities associated with these delinquent GNMA loans.

(2) Includes sales and transfers of MSR's, which can result in an increase in MSR's if related to portfolios with servicing liabilities.

(3) Includes prepayment speed changes as well as other valuation changes due to changes in mortgage interest rates.

(4) Includes costs to service and unreimbursed foreclosure costs.

(5) Represents other changes in valuation model inputs or assumptions including prepayment speed estimation changes that are independent of mortgage interest rate changes.

(6) Represents the reduction in the MSR fair value for the cash flows expected to be collected during the period, net of income accreted due to the passage of time.

Table 11.2 presents the changes in amortized MSR's.

**Table 11.2: Analysis of Changes in Amortized MSR's**

(in millions)	Quarter ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Balance, beginning of period	\$ 1,406	1,427	\$ 1,430	1,443
Purchases	7	16	15	40
Servicing from securitizations or asset transfers	48	33	82	59
Amortization (1)	(100)	(69)	(166)	(135)
Balance, end of period	\$ 1,361	1,407	\$ 1,361	1,407
Fair value of amortized MSR's:				
Beginning of period	\$ 1,490	2,149	\$ 1,490	2,288
End of period	1,401	1,897	1,401	1,897

(1) Commercial amortized MSR's are evaluated for impairment purposes by the following risk strata: agency (GSEs) for multi-family properties and non-agency. There was a \$30 million impairment and associated valuation allowance recorded in the second quarter and first half of 2020 on the commercial amortized MSR's.

## Note 11: Mortgage Banking Activities (continued)

We present the components of our managed servicing portfolio in Table 11.3 at unpaid principal balance for loans serviced and subserviced for others and at book value for owned loans serviced.

**Table 11.3: Managed Servicing Portfolio**

(in billions)	Jun 30, 2020	Dec 31, 2019
Residential mortgage servicing:		
Serviced and subserviced for others	\$ 992	1,065
Owned loans serviced	335	343
Total residential servicing	1,327	1,408
Commercial mortgage servicing:		
Serviced and subserviced for others	578	575
Owned loans serviced	125	124
Total commercial servicing	703	699
Total managed servicing portfolio	\$ 2,030	2,107
Total serviced for others, excluding subserviced for others	\$ 1,558	1,629
Ratio of MSRs to related loans serviced for others	0.52%	0.79

At June 30, 2020, and December 31, 2019, we had servicer advances, net of an allowance for uncollectible amounts, of \$2.1 billion and \$2.0 billion, respectively. As the servicer of loans for others, we advance certain payments of principal, interest, taxes, insurance, and default-related expenses which are generally reimbursed within a short timeframe from cash flows from the trust, GSEs, insurer or borrower. The credit risk related to these advances is limited since the reimbursement is generally senior to cash payments to investors. We also advance payments of taxes

and insurance for our owned loans which are collectible from the borrower. We maintain an allowance for uncollectible amounts for advances on loans serviced for others that may not be reimbursed if the payments were not made in accordance with applicable servicing agreements or if the insurance or servicing agreements contain limitations on reimbursements. Servicing advances on owned loans are charged-off when deemed uncollectible.

Table 11.4 presents the components of mortgage banking noninterest income.

**Table 11.4: Mortgage Banking Noninterest Income**

(in millions)	Quarter ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Servicing fees:				
Contractually specified servicing fees, late charges and ancillary fees	\$ 749	914	\$ 1,614	1,825
Unreimbursed direct servicing costs (1)	(105)	(84)	(212)	(154)
Servicing fees	644	830	1,402	1,671
Amortization (2)	(100)	(69)	(166)	(135)
Changes due to collection/realization of expected cash flows (3)	(A) (637)	(561)	(1,201)	(1,043)
Net servicing fees	(93)	200	35	493
Changes in fair value of MSRs due to valuation inputs or assumptions (4)	(B) (1,131)	(1,078)	(4,388)	(1,969)
Net derivative gains from economic hedges (5)	535	1,155	3,935	2,117
Market-related valuation changes to MSRs, net of hedge results	(596)	77	(453)	148
Total servicing income (loss), net	(689)	277	(418)	641
Net gains on mortgage loan origination/sales activities (6)	1,006	481	1,114	825
Total mortgage banking noninterest income	\$ 317	758	696	1,466
Total changes in fair value of MSRs carried at fair value	(A)+(B) \$ (1,768)	(1,639)	(5,589)	(3,012)

(1) Includes costs associated with foreclosures, unreimbursed interest advances to investors, and other interest costs.

(2) Includes a \$30 million impairment and associated valuation allowance recorded in the second quarter and first half of 2020 on the commercial amortized MSRs.

(3) Represents the reduction in the MSR fair value for the cash flows expected to be collected during the period, net of income accreted due to the passage of time.

(4) Refer to the analysis of changes in fair value MSRs presented in Table 11.1 in this Note for more detail.

(5) See Note 15 (Derivatives) for additional discussion and detail on economic hedges.

(6) Includes net losses of \$393 million and \$1.3 billion in the second quarter and first half of 2020, respectively, and \$283 million and \$434 million in the second quarter and first half of 2019, respectively, related to derivatives used as economic hedges of mortgage loans held for sale and derivative loan commitments.

## Note 12: Intangible Assets

Table 12.1 presents the gross carrying value of intangible assets and accumulated amortization.

**Table 12.1: Intangible Assets**

(in millions)	June 30, 2020			December 31, 2019		
	Gross carrying value	Accumulated amortization	Net carrying value	Gross carrying value	Accumulated amortization	Net carrying value
Amortized intangible assets (1):						
MSRs (2)	\$ 4,519	(3,158)	1,361	4,422	(2,992)	1,430
Customer relationship and other intangibles	879	(504)	375	947	(524)	423
Total amortized intangible assets	\$ 5,398	(3,662)	1,736	5,369	(3,516)	1,853
Unamortized intangible assets:						
MSRs (carried at fair value) (2)	\$ 6,819			11,517		
Goodwill	26,385			26,390		
Trademark	14			14		

(1) Balances are excluded commencing in the period following full amortization.

(2) Includes a \$30 million impairment and associated valuation allowance recorded in the second quarter and first half of 2020 on the commercial amortized MSRs. See Note 11 (Mortgage Banking Activities) for additional information on MSRs.

Table 12.2 provides the current year and estimated future amortization expense for amortized intangible assets. We based our projections of amortization expense shown below on existing

asset balances at June 30, 2020. Future amortization expense may vary from these projections.

**Table 12.2: Amortization Expense for Intangible Assets**

(in millions)	Amortized MSRs	Customer relationship and other intangibles	Total
<b>Six months ended June 30, 2020 (actual)</b>	\$ 166	48	214
Estimate for the remainder of 2020	\$ 130	47	177
Estimate for year ended December 31,			
2021	235	81	316
2022	210	68	278
2023	182	59	241
2024	157	48	205
2025	132	39	171

Table 12.3 shows the allocation of goodwill to our reportable operating segments. We assess goodwill for impairment at a

reporting unit level, which is generally one level below the operating segments.

**Table 12.3: Goodwill**

(in millions)	Community Banking	Wholesale Banking	Wealth and Investment Management	Consolidated Company
December 31, 2018	\$ 16,685	8,450	1,283	26,418
Reclassification of goodwill held for sale to other assets	—	—	(7)	(7)
Foreign currency translation	—	4	—	4
June 30, 2019	\$ 16,685	8,454	1,276	26,415
<b>December 31, 2019</b>	<b>\$ 16,685</b>	<b>8,429</b>	<b>1,276</b>	<b>26,390</b>
Foreign currency translation	—	(5)	—	(5)
<b>June 30, 2020</b>	<b>\$ 16,685</b>	<b>8,424</b>	<b>1,276</b>	<b>26,385</b>

## Note 13: Guarantees, Pledged Assets and Collateral, and Other Commitments

Guarantees are contracts that contingently require us to make payments to a guaranteed party based on an event or a change in an underlying asset, liability, rate or index. Guarantees are generally in the form of standby and direct pay letters of credit, written options, recourse obligations, and other types of similar

arrangements. For complete descriptions of our guarantees, see Note 16 (Guarantees, Pledged Assets and Collateral, and Other Commitments) in our 2019 Form 10-K. Table 13.1 shows carrying value, maximum exposure to loss on our guarantees and the related non-investment grade amounts.

**Table 13.1: Guarantees – Carrying Value and Maximum Exposure to Loss**

(in millions)	Carrying value of obligation (asset)	Maximum exposure to loss						
		Expires in one year or less	Expires after one year through three years	Expires after three years through five years	Expires after five years	Total	Non-investment grade	
<b>June 30, 2020</b>								
Standby letters of credit	\$ 178	12,171	4,447	2,051	426	19,095	7,689	
Direct pay letters of credit	72	1,846	3,475	971	39	6,331	1,224	
Written options (1)	(49)	15,916	10,481	2,495	357	29,249	19,223	
Loans and MLHFS sold with recourse (2)	31	122	722	1,714	9,957	12,515	10,363	
Exchange and clearing house guarantees	—	—	—	—	5,296	5,296	—	
Other guarantees and indemnifications (3)	1	444	1	1	1,389	1,835	426	
<b>Total guarantees</b>	<b>\$ 233</b>	<b>30,499</b>	<b>19,126</b>	<b>7,232</b>	<b>17,464</b>	<b>74,321</b>	<b>38,925</b>	
<b>December 31, 2019</b>								
Standby letters of credit	\$ 36	11,569	4,460	2,812	467	19,308	7,104	
Direct pay letters of credit	—	1,861	3,815	824	105	6,605	1,184	
Written options (1)	(345)	17,088	10,869	2,341	273	30,571	18,113	
Loans and MLHFS sold with recourse (2)	52	114	576	1,356	10,050	12,096	9,835	
Exchange and clearing house guarantees	—	—	—	—	4,817	4,817	—	
Other guarantees and indemnifications (3)	1	785	1	3	809	1,598	698	
<b>Total guarantees</b>	<b>\$ (256)</b>	<b>31,417</b>	<b>19,721</b>	<b>7,336</b>	<b>16,521</b>	<b>74,995</b>	<b>36,934</b>	

(1) Written options, which are in the form of derivatives, are also included in the derivative disclosures in Note 15 (Derivatives). Carrying value net asset position is a result of certain deferred premium option trades.

(2) Represent recourse provided, predominantly to the GSEs, on loans sold under various programs and arrangements.

(3) Includes indemnifications provided to certain third-party clearing agents. Outstanding customer obligations under these arrangements were \$77 million and \$80 million with related collateral of \$1.3 billion and \$696 million at June 30, 2020, and December 31, 2019, respectively.

“Maximum exposure to loss” and “Non-investment grade” are required disclosures under GAAP. Maximum exposure to loss represents the estimated loss that would be incurred under an assumed hypothetical circumstance, despite what we believe is a remote possibility, where the value of our interests and any associated collateral declines to zero. Maximum exposure to loss estimates in Table 13.1 do not reflect economic hedges or collateral we could use to offset or recover losses we may incur under our guarantee agreements. Accordingly, this required disclosure is not an indication of expected loss. We believe the carrying value is more representative of our exposure to loss than maximum exposure to loss. The carrying value represents the fair value of the guarantee, if any, and also includes an ACL for guarantees, if applicable.

Non-investment grade represents those guarantees on which we have a higher risk of performance under the terms of the guarantee. If the underlying assets under the guarantee are non-investment grade (that is, an external rating that is below investment grade or an internal credit default grade that is equivalent to a below investment grade external rating), we consider the risk of performance to be high. Internal credit default grades are determined based upon the same credit policies that we use to evaluate the risk of payment or performance when making loans and other extensions of credit. Credit quality indicators we usually consider in evaluating risk of

payments or performance are described in Note 6 (Loans and Related Allowance for Credit Losses).

We provide debit and credit card transaction processing services through the payment networks directly for merchants and as a sponsor for merchant processing servicers, including our joint venture with a third party that is accounted for as an equity method investment. In our role as the merchant acquiring bank, we have a potential obligation for payment and delivery disputes between the merchant and the cardholder that are resolved in favor of the cardholder. If we are unable to collect the amounts from the merchant, we incur a loss for the refund to the cardholder. We are secondarily obligated to make a refund for transactions involving the sponsored merchant processing servicers. We have a low likelihood of loss since most products and services are delivered when purchased and amounts are refunded when items are returned to the merchant. In addition, we may reduce our risk by withholding future payments and requiring cash or other collateral. For the first half of 2020, we processed card transaction volume of \$608.3 billion as a merchant acquiring bank, and related losses, including those from our joint venture entity, were immaterial.

The Parent fully and unconditionally guarantees the payment of principal, interest, and any other amounts that may be due on securities that its 100% owned finance subsidiary, Wells Fargo Finance LLC, may issue. These guaranteed liabilities were \$2.4 billion and \$1.6 billion at June 30, 2020 and December 31,

2019, respectively. These guarantees rank on parity with all of the Parent's other unsecured and unsubordinated indebtedness.

### Pledged Assets

Table 13.2 provides the carrying amount of on-balance sheet pledged assets and the fair value of other pledged collateral. Other pledged collateral is collateral we have received from third parties, have the right to repledge and is not recognized on our balance sheet.

**TRADING RELATED ACTIVITY** Our trading businesses may pledge debt and equity securities in connection with securities sold under agreements to repurchase (repurchase agreements) and securities lending arrangements. The collateral that we pledge related to our trading activities may include our own collateral as well as collateral that we have received from third parties and have the right to repledge. All of the trading activity pledged collateral is eligible to be repledged or sold by the secured party.

**Table 13.2: Pledged Assets**

(in millions)	Jun 30, 2020	Dec 31, 2019
Related to trading activities:		
Repledged third-party owned debt and equity securities	\$ 41,952	60,083
Trading debt securities and other	22,847	51,083
Equity securities	971	1,379
<b>Total pledged assets related to trading activities</b>	<b>65,770</b>	<b>112,545</b>
Related to non-trading activities:		
Loans	406,496	406,106
Debt securities:		
Available-for-sale	54,455	61,126
Held-to-maturity	2,826	3,685
Mortgage loans held for sale	181	2,266
<b>Total pledged assets related to non-trading activities</b>	<b>463,958</b>	<b>473,183</b>
Related to VIEs:		
Consolidated VIE assets	12,447	14,368
VIEs accounted for as secured borrowings	74	80
Loans eligible for repurchase from GNMA securitizations	54	568
<b>Total pledged assets related to VIEs</b>	<b>12,575</b>	<b>15,016</b>
<b>Total pledged assets</b>	<b>\$ 542,303</b>	<b>600,744</b>

### Securities Financing Activities

We enter into resale and repurchase agreements and securities borrowing and lending agreements (collectively, "securities financing activities") typically to finance trading positions (including securities and derivatives), acquire securities to cover short trading positions, accommodate customers' financing needs, and settle other securities obligations. These activities are conducted through our broker-dealer subsidiaries and to a lesser extent through other bank entities. Our securities financing activities primarily involve high quality, liquid securities such as U.S. Treasury securities and government agency securities, and to a lesser extent, less liquid securities, including equity securities, corporate bonds and asset-backed securities. We account for these transactions as collateralized financings in which we typically receive or pledge securities as collateral. We believe these financing transactions generally do not have material credit risk given the collateral provided and the related monitoring processes.

**NON-TRADING RELATED ACTIVITY** As part of our liquidity management strategy, we may pledge loans, debt securities, and other assets to secure trust and public deposits, borrowings and letters of credit from the Federal Home Loan Bank (FHLB) and FRB and for other purposes as required or permitted by law or insurance statutory requirements. Substantially all of the non-trading activity pledged collateral is not eligible to be repledged or sold by the secured party.

**VIE RELATED** We pledge assets in connection with various types of transactions entered into with VIEs. These pledged assets can only be used to settle the liabilities of those entities. We also have loans recorded on our balance sheet which represent certain delinquent loans that are eligible for repurchase from GNMA loan securitizations. See Note 10 (Securitizations and Variable Interest Entities) for additional information on consolidated VIE assets and VIEs accounted for as secured borrowings.

**OFFSETTING OF SECURITIES FINANCING ACTIVITIES** Table 13.3 presents resale and repurchase agreements subject to master repurchase agreements (MRA) and securities borrowing and lending agreements subject to master securities lending agreements (MSLA). Collateralized financings with a single counterparty are presented net on our balance sheet, provided certain criteria are met that permit balance sheet netting. Most transactions subject to these agreements do not meet those criteria and thus are not eligible for balance sheet netting.

Collateral we pledged consists of non-cash instruments, such as securities or loans, and is not netted on the balance sheet against the related liability. Collateral we received includes securities or loans and is not recognized on our balance sheet. Collateral pledged or received may be increased or decreased over time to maintain certain contractual thresholds, as the assets underlying each arrangement fluctuate in value. Generally, these agreements require collateral to exceed the asset or liability recognized on the balance sheet. The following table includes the amount of collateral pledged or received related to exposures subject to enforceable MRAs or MSLAs. While these agreements



**Note 13: Guarantees, Pledged Assets and Collateral, and Other Commitments (continued)**

are typically over-collateralized, U.S. GAAP requires disclosure in this table to limit the reported amount of such collateral to the amount of the related recognized asset or liability for each counterparty.

In addition to the amounts included in Table 13.3, we also have balance sheet netting related to derivatives that is disclosed in Note 15 (Derivatives).

**Table 13.3: Offsetting – Securities Financing Activities**

(in millions)	Jun 30, 2020	Dec 31, 2019
<b>Assets:</b>		
Resale and securities borrowing agreements		
Gross amounts recognized	\$ 110,900	140,773
Gross amounts offset in consolidated balance sheet (1)	(13,640)	(19,180)
Net amounts in consolidated balance sheet (2)	97,260	121,593
Collateral not recognized in consolidated balance sheet (3)	(96,541)	(120,786)
Net amount (4)	\$ 719	807
<b>Liabilities:</b>		
Repurchase and securities lending agreements		
Gross amounts recognized	\$ 63,028	111,038
Gross amounts offset in consolidated balance sheet (1)	(13,640)	(19,180)
Net amounts in consolidated balance sheet (5)	49,388	91,858
Collateral pledged but not netted in consolidated balance sheet (6)	(49,147)	(91,709)
Net amount (4)	\$ 241	149

- (1) Represents recognized amount of resale and repurchase agreements with counterparties subject to enforceable MRAs that have been offset in the consolidated balance sheet.
- (2) Includes \$79.3 billion and \$102.1 billion classified on our consolidated balance sheet in federal funds sold and securities purchased under resale agreements at June 30, 2020, and December 31, 2019, respectively. Also includes securities purchased under long-term resale agreements (generally one year or more) classified in loans, which totaled \$18.0 billion and \$19.5 billion, at June 30, 2020, and December 31, 2019, respectively.
- (3) Represents the fair value of collateral we have received under enforceable MRAs or MSLAs, limited in the table above to the amount of the recognized asset due from each counterparty. At June 30, 2020, and December 31, 2019, we have received total collateral with a fair value of \$122.5 billion and \$150.9 billion, respectively, all of which we have the right to sell or repledge. These amounts include securities we have sold or repledged to others with a fair value of \$41.1 billion at June 30, 2020, and \$59.1 billion at December 31, 2019.
- (4) Represents the amount of our exposure (assets) or obligation (liabilities) that is not collateralized and/or is not subject to an enforceable MRA or MSLA.
- (5) Amount is classified in short-term borrowings on our consolidated balance sheet.
- (6) Represents the fair value of collateral we have pledged, related to enforceable MRAs or MSLAs, limited in the table above to the amount of the recognized liability owed to each counterparty. At June 30, 2020, and December 31, 2019, we have pledged total collateral with a fair value of \$64.3 billion and \$113.3 billion, respectively, substantially all of which may be sold or repledged by the counterparty.

**REPURCHASE AND SECURITIES LENDING AGREEMENTS** Securities sold under repurchase agreements and securities lending arrangements are effectively short-term collateralized borrowings. In these transactions, we receive cash in exchange for transferring securities as collateral and recognize an obligation to reacquire the securities for cash at the transaction's maturity. These types of transactions create risks, including (1) the counterparty may fail to return the securities at maturity, (2) the fair value of the securities transferred may decline below the amount of our obligation to reacquire the securities, and therefore create an obligation for us to pledge additional amounts, and (3) the counterparty may accelerate the maturity on demand, requiring us to reacquire the security prior to contractual maturity. We attempt to mitigate these risks in various ways. Our collateral primarily consists of highly liquid securities. In addition, we underwrite and monitor the financial strength of our counterparties, monitor the fair value of collateral pledged relative to contractually required repurchase amounts, and monitor that our collateral is properly returned through the clearing and settlement process in advance of our cash repayment. Table 13.4 provides the gross amounts recognized on the balance sheet (before the effects of offsetting) of our liabilities for repurchase and securities lending agreements disaggregated by underlying collateral type.

**Table 13.4: Gross Obligations by Underlying Collateral Type**

(in millions)	Jun 30, 2020	Dec 31, 2019
<b>Repurchase agreements:</b>		
Securities of U.S. Treasury and federal agencies	\$ 33,757	48,161
Securities of U.S. States and political subdivisions	54	104
Federal agency mortgage-backed securities	9,751	44,737
Non-agency mortgage-backed securities	1,103	1,818
Corporate debt securities	9,273	7,126
Asset-backed securities	1,008	1,844
Equity securities	1,399	1,674
Other	363	705
<b>Total repurchases</b>	<b>56,708</b>	<b>106,169</b>
<b>Securities lending arrangements:</b>		
Securities of U.S. Treasury and federal agencies	38	163
Federal agency mortgage-backed securities	18	—
Corporate debt securities	97	223
Equity securities (1)	6,164	4,481
Other	3	2
<b>Total securities lending</b>	<b>6,320</b>	<b>4,869</b>
<b>Total repurchases and securities lending</b>	<b>\$ 63,028</b>	<b>111,038</b>

(1) Equity securities are generally exchange traded and represent collateral received from third parties that has been repledged. We received the collateral through either margin lending agreements or contemporaneous securities borrowing transactions with other counterparties.

Table 13.5 provides the contractual maturities of our gross obligations under repurchase and securities lending agreements.

**Table 13.5: Contractual Maturities of Gross Obligations**

(in millions)	Overnight/ continuous	Up to 30 days	30-90 days	>90 days	Total gross obligation
<b>June 30, 2020</b>					
<b>Repurchase agreements</b>	\$ 44,823	3,430	4,970	3,485	<b>56,708</b>
<b>Securities lending arrangements</b>	5,771	—	549	—	<b>6,320</b>
<b>Total repurchases and securities lending (1)</b>	<b>\$ 50,594</b>	<b>3,430</b>	<b>5,519</b>	<b>3,485</b>	<b>63,028</b>
<b>December 31, 2019</b>					
Repurchase agreements	\$ 79,793	17,681	4,825	3,870	106,169
Securities lending arrangements	4,724	—	145	—	4,869
<b>Total repurchases and securities lending (1)</b>	<b>\$ 84,517</b>	<b>17,681</b>	<b>4,970</b>	<b>3,870</b>	<b>111,038</b>

(1) Securities lending is executed under agreements that allow either party to terminate the transaction without notice, while repurchase agreements have a term structure to them that technically matures at a point in time. The overnight/continuous repurchase agreements require election of both parties to roll the trade rather than the election to terminate the arrangement as in securities lending.

**OTHER COMMITMENTS** To meet the financing needs of our customers, we may enter into commitments to purchase debt and equity securities to provide capital for their funding, liquidity or other future needs. As of June 30, 2020, and December 31, 2019, we had commitments to purchase debt securities of \$18 million in both periods and commitments to purchase equity securities of \$3.3 billion and \$2.7 billion, respectively.

As part of maintaining our memberships in certain clearing organizations, we are required to stand ready to provide liquidity to sustain market clearing activity in the event unforeseen events occur or are deemed likely to occur. Certain of these obligations are guarantees of other members' performance and accordingly are included in Other guarantees and indemnifications in Table 13.1.

Also, we have commitments to purchase loans and securities under resale agreements from certain counterparties, including central clearing organizations. The amount of our unfunded contractual commitments was \$14.1 billion and \$7.5 billion as of June 30, 2020, and December 31, 2019, respectively.

Given the nature of these commitments, they are excluded from Table 6.4 (Unfunded Credit Commitments) in Note 6 (Loans and Related Allowance for Credit Losses).

## Note 14: Legal Actions

Wells Fargo and certain of our subsidiaries are involved in a number of judicial, regulatory, governmental, arbitration, and other proceedings or investigations concerning matters arising from the conduct of our business activities, and many of those proceedings and investigations expose Wells Fargo to potential financial loss. These proceedings and investigations include actions brought against Wells Fargo and/or our subsidiaries with respect to corporate-related matters and transactions in which Wells Fargo and/or our subsidiaries were involved. In addition, Wells Fargo and our subsidiaries may be requested to provide information or otherwise cooperate with government authorities in the conduct of investigations of other persons or industry groups.

Although there can be no assurance as to the ultimate outcome, Wells Fargo and/or our subsidiaries have generally denied, or believe we have a meritorious defense and will deny, liability in all significant legal actions pending against us, including the matters described below, and we intend to defend vigorously each case, other than matters we describe as having settled. We establish accruals for legal actions when potential losses associated with the actions become probable and the costs can be reasonably estimated. For such accruals, we record the amount we consider to be the best estimate within a range of potential losses that are both probable and estimable; however, if we cannot determine a best estimate, then we record the low end of the range of those potential losses. The actual costs of resolving legal actions may be substantially higher or lower than the amounts accrued for those actions.

**ATM ACCESS FEE LITIGATION** In October 2011, plaintiffs filed a putative class action, *Mackmin, et al. v. Visa, Inc. et al.*, against Wells Fargo & Company, Wells Fargo Bank, N.A., Visa, MasterCard, and several other banks in the United States District Court for the District of Columbia. Plaintiffs allege that the Visa and MasterCard requirement that if an ATM operator charges an access fee on Visa and MasterCard transactions, then that fee cannot be greater than the access fee charged for transactions on other networks, violates antitrust rules. Plaintiffs seek treble damages, restitution, injunctive relief, and attorneys' fees where available under federal and state law. Two other antitrust cases that make similar allegations were filed in the same court, but these cases did not name Wells Fargo as a defendant. On February 13, 2013, the district court granted defendants' motions to dismiss the three actions. Plaintiffs appealed the dismissals and, on August 4, 2015, the United States Court of Appeals for the District of Columbia Circuit vacated the district court's decisions and remanded the three cases to the district court for further proceedings. On June 28, 2016, the United States Supreme Court granted defendants' petitions for writ of certiorari to review the decisions of the United States Court of Appeals for the District of Columbia. On November 17, 2016, the United States Supreme Court dismissed the petitions as improvidently granted, and the three cases returned to the district court for further proceedings. On March 18, 2020, the Company reached a settlement in principle pursuant to which the Company will pay \$20.8 million to resolve the cases, subject to final documentation of the settlement agreement.

**AUTOMOBILE LENDING MATTERS** On April 20, 2018, the Company entered into consent orders with the Office of the Comptroller of the Currency (OCC) and the Consumer Financial Protection Bureau (CFPB) to resolve, among other things, investigations by

the agencies into the Company's compliance risk management program and its past practices involving certain automobile collateral protection insurance (CPI) policies and certain mortgage interest rate lock extensions. The consent orders require remediation to customers and the payment of a total of \$1.0 billion in civil money penalties to the agencies. In July 2017, the Company announced a plan to remediate customers who may have been financially harmed due to issues related to automobile CPI policies purchased through a third-party vendor on their behalf. Multiple putative class action cases alleging, among other things, unfair and deceptive practices relating to these CPI policies, have been filed against the Company and consolidated into one multi-district litigation in the United States District Court for the Central District of California. The Company has reached an agreement to resolve the multi-district litigation pursuant to which the Company has agreed to pay, consistent with its remediation obligations under the consent orders, approximately \$609 million in remediation to customers with CPI policies placed between October 15, 2005, and September 30, 2016. The settlement amount is not incremental to the Company's remediation obligations under the consent orders, but instead encompasses those obligations, including remediation payments to date. The settlement amount is subject to change as the Company finalizes its remediation activity under the consent orders. In addition, the Company has agreed to contribute \$1 million to a common fund for the class. The district court granted final approval of the settlement on November 21, 2019. A putative class of shareholders also filed a securities fraud class action against the Company and its executive officers alleging material misstatements and omissions of CPI-related information in the Company's public disclosures. In January 2020, the court dismissed this action as to all defendants except the Company and a former executive officer and limited the action to two alleged misstatements. In addition, the Company is subject to a class action lawsuit in the United States District Court for the Central District of California alleging that customers are entitled to refunds related to the unused portion of guaranteed automobile protection (GAP) waiver or insurance agreements between the customer and dealer and, by assignment, the lender. Allegations related to the CPI and GAP programs are among the subjects of shareholder derivative lawsuits pending in federal and state court in California. The court dismissed the state court action in September 2018, but plaintiffs filed an amended complaint in November 2018. The parties to the state court action have entered into an agreement to resolve the action pursuant to which the Company will pay plaintiffs' attorneys' fees and undertake certain business and governance practices. The state court granted final approval of the settlement on January 15, 2020, and a notice of appeal has been filed. These and other issues related to the origination, servicing, and collection of consumer automobile loans, including related insurance products, have also subjected the Company to formal or informal inquiries, investigations, or examinations from federal and state government agencies. In December 2018, the Company entered into an agreement with all 50 state Attorneys General and the District of Columbia to resolve an investigation into the Company's retail sales practices, CPI and GAP, and mortgage interest rate lock matters, pursuant to which the Company paid \$575 million.

**CONSENT ORDER DISCLOSURE LITIGATION** Wells Fargo shareholders have brought securities fraud class actions in the

United States District Courts for the Northern District of California and the Southern District of New York alleging that the Company made false or misleading statements regarding its efforts to comply with the February 2018 consent order with the FRB and the April 2018 consent orders with the CFPB and OCC.

#### **CONSUMER DEPOSIT ACCOUNT RELATED REGULATORY**

**INVESTIGATION** The CFPB is conducting an investigation into whether customers were unduly harmed by the Company's historical practices associated with the freezing (and, in many cases, closing) of consumer deposit accounts after the Company detected suspected fraudulent activity (by third parties or account holders) that affected those accounts.

#### **CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT/**

**PAYCHECK PROTECTION PROGRAM** Plaintiffs have filed putative class actions in various federal courts against the Company. The actions seek damages and injunctive relief related to the Company's offering of Paycheck Protection Program (PPP) loans under the Coronavirus Aid, Relief, and Economic Security Act, as well as claims for fees by purported agents who allegedly assisted customers with preparing PPP loan applications submitted to the Company. The Company has also received formal and informal inquiries from federal and state governmental agencies regarding its offering of PPP loans.

**FIDUCIARY AND CUSTODY ACCOUNT FEE CALCULATIONS** Federal government agencies are conducting formal or informal inquiries, investigations, or examinations regarding fee calculations within certain fiduciary and custody accounts in the Company's investment and fiduciary services business, which is part of the wealth management business within the Wealth and Investment Management (WIM) operating segment. The Company has determined that there have been instances of incorrect fees being applied to certain assets and accounts, resulting in both overcharges and undercharges to customers.

**FOREIGN EXCHANGE BUSINESS** The United States Department of Justice (Department of Justice) is investigating certain activities in the Company's foreign exchange business, including whether customers may have received pricing inconsistent with commitments made to those customers. Previous investigations by other federal government agencies have been resolved.

**INTERCHANGE LITIGATION** Plaintiffs representing a putative class of merchants have filed putative class actions, and individual merchants have filed individual actions, against Wells Fargo Bank, N.A., Wells Fargo & Company, Wachovia Bank, N.A., and Wachovia Corporation regarding the interchange fees associated with Visa and MasterCard payment card transactions. Visa, MasterCard, and several other banks and bank holding companies are also named as defendants in these actions. These actions have been consolidated in the United States District Court for the Eastern District of New York. The amended and consolidated complaint asserts claims against defendants based on alleged violations of federal and state antitrust laws and seeks damages, as well as injunctive relief. Plaintiff merchants allege that Visa, MasterCard, and payment card issuing banks unlawfully colluded to set interchange rates. Plaintiffs also allege that enforcement of certain Visa and MasterCard rules and alleged tying and bundling of services offered to merchants are anticompetitive. Wells Fargo and Wachovia, along with other defendants and entities, are parties to Loss and Judgment Sharing Agreements, which provide that they, along with other entities, will share, based on a formula, in any losses from the Interchange Litigation. On July 13, 2012,

Visa, MasterCard, and the financial institution defendants, including Wells Fargo, signed a memorandum of understanding with plaintiff merchants to resolve the consolidated class action and reached a separate settlement in principle of the consolidated individual actions. The settlement payments to be made by all defendants in the consolidated class and individual actions totaled approximately \$6.6 billion before reductions applicable to certain merchants opting out of the settlement. The class settlement also provided for the distribution to class merchants of 10 basis points of default interchange across all credit rate categories for a period of eight consecutive months. The district court granted final approval of the settlement, which was appealed to the United States Court of Appeals for the Second Circuit by settlement objector merchants. Other merchants opted out of the settlement and are pursuing several individual actions. On June 30, 2016, the Second Circuit vacated the settlement agreement and reversed and remanded the consolidated action to the United States District Court for the Eastern District of New York for further proceedings. On November 23, 2016, prior class counsel filed a petition to the United States Supreme Court, seeking review of the reversal of the settlement by the Second Circuit, and the Supreme Court denied the petition on March 27, 2017. On November 30, 2016, the district court appointed lead class counsel for a damages class and an equitable relief class. The parties have entered into a settlement agreement to resolve the money damages class claims pursuant to which defendants will pay a total of approximately \$6.2 billion, which includes approximately \$5.3 billion of funds remaining from the 2012 settlement and \$900 million in additional funding. The Company's allocated responsibility for the additional funding is approximately \$94.5 million. The court granted final approval of the settlement on December 13, 2019, which was appealed to the United States Court of Appeals for the Second Circuit by settlement objector merchants. Several of the opt-out and direct action litigations have been settled while others remain pending. Discovery is proceeding in the opt-out litigations and the equitable relief class case.

**LOW INCOME HOUSING TAX CREDITS** Federal government agencies have undertaken formal or informal inquiries or investigations regarding the manner in which the Company purchased, and negotiated the purchase of, certain federal low income housing tax credits in connection with the financing of low income housing developments.

**MOBILE DEPOSIT PATENT LITIGATION** The Company is a defendant in two separate cases brought by United Services Automobile Association (USAA) in the United States District Court for the Eastern District of Texas alleging claims of patent infringement regarding mobile deposit capture technology patents held by USAA. Trial in the first case commenced on October 30, 2019, and resulted in a \$200 million verdict against the Company. Trial in the second case commenced on January 6, 2020, and resulted in a \$102.7 million verdict against the Company. The Company has filed post-trial motions to, among other things, vacate the verdicts, and USAA has filed post-trial motions seeking future royalty payments and damages for willful infringement.

**MORTGAGE LOAN MODIFICATION LITIGATION** Plaintiffs representing a putative class of mortgage borrowers have filed separate putative class actions, *Hernandez v. Wells Fargo, et al.*, *Coordes v. Wells Fargo, et al.*, *Ryder v. Wells Fargo, Liguori v. Wells Fargo*, and *Dore v. Wells Fargo*, against Wells Fargo Bank, N.A., in the United States District Court for the Northern District

## Note 14: Legal Actions (continued)

of California, the United States District Court for the District of Washington, the United States District Court for the Southern District of Ohio, the United States District Court for the Southern District of New York, and the United States District Court for the Western District of Pennsylvania, respectively. Plaintiffs allege that Wells Fargo improperly denied mortgage loan modifications or repayment plans to customers in the foreclosure process due to the overstatement of foreclosure attorneys' fees that were included for purposes of determining whether a customer in the foreclosure process qualified for a mortgage loan modification or repayment plan. The district court in the *Hernandez* case certified a nationwide breach of contract class for foreclosed borrowers and denied certification on claims pertaining to other impacted borrowers. In March 2020, the Company entered into an agreement pursuant to which the Company will pay \$18.5 million to resolve the claims of the certified class in the *Hernandez* case.

**MORTGAGE-RELATED REGULATORY INVESTIGATIONS** Federal and state government agencies, including the Department of Justice, have been investigating or examining certain mortgage related activities of Wells Fargo and predecessor institutions. Wells Fargo, for itself and for predecessor institutions, has responded, or continues to respond, to requests from these agencies seeking information regarding the origination, underwriting, and securitization of residential mortgages, including sub-prime mortgages. These agencies have advanced theories of purported liability with respect to certain of these activities. An agreement, pursuant to which the Company paid \$2.09 billion, was reached in August 2018 to resolve the Department of Justice investigation, which related to certain 2005-2007 residential mortgage-backed securities activities. In addition, the Company reached an agreement with the Attorney General of the State of Illinois in November 2018 pursuant to which the Company paid \$17 million in restitution to certain Illinois state pension funds and reached an agreement with the Attorney General of the State of Maryland in June 2020 pursuant to which the Company agreed to pay \$20 million in restitution, in each case to resolve claims relating to certain residential mortgage-backed securities activities. Other financial institutions have entered into similar settlements with these agencies, the nature of which related to the specific activities of those financial institutions, including the imposition of significant financial penalties and remedial actions.

**NOMURA/NATIXIS MORTGAGE-RELATED LITIGATION** In August 2014 and August 2015, Nomura Credit & Capital Inc. (Nomura) and Natixis Real Estate Holdings, LLC (Natixis) filed a total of seven third-party complaints against Wells Fargo Bank, N.A., in New York state court. In the underlying first-party actions, Nomura and Natixis have been sued for alleged breaches of representations and warranties made in connection with residential mortgage-backed securities sponsored by them. In the third-party actions, Nomura and Natixis allege that Wells Fargo, as master servicer, primary servicer or securities administrator, failed to notify Nomura and Natixis of their own breaches, failed to properly oversee the primary servicers, and failed to adhere to accepted servicing practices. Natixis additionally alleges that Wells Fargo failed to perform default oversight duties. Wells Fargo has asserted counterclaims alleging that Nomura and Natixis failed to provide Wells Fargo notice of their representation and warranty breaches.

**OFAC RELATED INVESTIGATION** The Company has self-identified an issue whereby certain foreign banks utilized a Wells Fargo software-based solution to conduct import/export trade-related financing transactions with countries and entities prohibited by

the Office of Foreign Assets Control (OFAC) of the United States Department of the Treasury. We do not believe any funds related to these transactions flowed through accounts at Wells Fargo as a result of the aforementioned conduct. The Company has made voluntary self-disclosures to OFAC and is cooperating with an inquiry from the Department of Justice.

**ORDER OF POSTING LITIGATION** Plaintiffs filed a series of putative class actions against Wachovia Bank, N.A., and Wells Fargo Bank, N.A., as well as many other banks, challenging the "high to low" order in which the banks post debit card transactions to consumer deposit accounts. Most of these actions were consolidated in multi-district litigation proceedings (MDL proceedings) in the United States District Court for the Southern District of Florida. The court in the MDL proceedings has certified a class of putative plaintiffs, and Wells Fargo moved to compel arbitration of the claims of unnamed class members. The court denied the motions to compel arbitration in October 2016, and Wells Fargo appealed this decision to the United States Court of Appeals for the Eleventh Circuit. In May 2018, the Eleventh Circuit ruled in Wells Fargo's favor and found that Wells Fargo had not waived its arbitration rights and remanded the case to the district court for further proceedings. On September 26, 2019, the district court entered an order granting Wells Fargo's motion and dismissed the claims of unnamed class members in favor of arbitration. Plaintiffs appealed this decision to the United States Court of Appeals for the Eleventh Circuit.

**RETAIL SALES PRACTICES MATTERS** A number of bodies or entities, including (a) federal, state, and local government agencies, including the Department of Justice, the United States Securities and Exchange Commission (SEC), and the United States Department of Labor, (b) state attorneys general, including the New York Attorney General, and (c) Congressional committees, have undertaken formal or informal inquiries, investigations, or examinations arising out of certain retail sales practices of the Company that were the subject of settlements with the CFPB, the OCC, and the Office of the Los Angeles City Attorney announced by the Company on September 8, 2016. These matters are at varying stages. The Company has responded, and continues to respond, to requests from certain of the foregoing. In October 2018, the Company entered into an agreement to resolve the New York Attorney General's investigation pursuant to which the Company paid \$65 million to the State of New York. In December 2018, the Company entered into an agreement with all 50 state Attorneys General and the District of Columbia to resolve an investigation into the Company's retail sales practices, CPI and GAP, and mortgage interest rate lock matters, pursuant to which the Company paid \$575 million. On February 21, 2020, the Company entered into an agreement with the Department of Justice to resolve the Department of Justice's criminal investigation into the Company's retail sales practices, as well as a separate agreement to resolve the Department of Justice's civil investigation. As part of the Department of Justice criminal settlement, no charges will be filed against the Company provided the Company abides by all the terms of the agreement. The Department of Justice criminal settlement also includes the Company's agreement that the facts set forth in the settlement document constitute sufficient facts for the finding of criminal violations of statutes regarding bank records and personal information. On February 21, 2020, the Company also entered into an order to resolve the SEC's investigation arising out of the Company's retail sales practices. The SEC order contains a finding, to which

the Company consented, that the facts set forth include violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. As part of the resolution of the Department of Justice and SEC investigations, the Company has agreed to make payments totaling \$3.0 billion. In addition, as part of the settlements and included in the \$3.0 billion amount, the Company has agreed to the creation of a \$500 million Fair Fund for the benefit of investors who were harmed by the conduct covered in the SEC settlement.

In addition, a number of lawsuits have been filed by non-governmental parties seeking damages or other remedies related to these retail sales practices. First, various class plaintiffs, purporting to represent consumers who allege that they received products or services without their authorization or consent, have brought separate putative class actions against the Company in the United States District Court for the Northern District of California and various other jurisdictions. On June 14, 2018, the district court granted final approval of a settlement entered into by the Company in the first-filed action, *Jabbari v. Wells Fargo Bank, N.A.*, pursuant to which the Company will pay \$142 million to resolve claims regarding certain products or services provided without authorization or consent for the time period May 1, 2002 to April 20, 2017. On July 20, 2020, the United States Court of Appeals for the Ninth Circuit affirmed the district court's order granting final approval of the settlement. Second, the Company was subject to a consolidated securities fraud class action alleging certain misstatements and omissions in the Company's disclosures related to sales practices matters. The Company entered into a settlement agreement to resolve this matter pursuant to which the Company paid \$480 million. Third, Wells Fargo shareholders have brought numerous shareholder derivative lawsuits asserting breach of fiduciary duty claims against, among others, current and former directors and officers for their alleged involvement with and failure to detect and prevent sales practices issues. These actions are currently pending in the United States District Court for the Northern District of California and California state court as consolidated or coordinated proceedings. The parties have entered into settlement agreements to resolve the shareholder derivative lawsuits pursuant to which insurance carriers will pay the Company approximately \$240 million for alleged damage to the Company, and the Company will pay plaintiffs' attorneys' fees. The federal court granted final approval of the settlement for its action on April 7, 2020. The state court granted final approval of the settlement for its action on January 15, 2020. Fourth, a purported Employee Retirement Income Security Act (ERISA) class action was filed in the United States District Court for the District of Minnesota on behalf of 401(k) plan participants. The district court dismissed the action, and on July 27, 2020, the United States Court of Appeals for the Eighth Circuit affirmed the dismissal.

**RMBS TRUSTEE LITIGATION** In November 2014, a group of institutional investors (Institutional Investor Plaintiffs), including funds affiliated with BlackRock, Inc., filed a putative class action in the United States District Court for the Southern District of New York against Wells Fargo Bank, N.A., alleging claims against the Company in its capacity as trustee for a number of residential mortgage-backed securities (RMBS) trusts (Federal Court Complaint). Similar complaints have been filed against other trustees in various courts, including in the Southern District of New York, in New York state court, and in other states, by RMBS investors. The Federal Court Complaint alleged that Wells Fargo Bank, N.A., as trustee, caused losses to investors and asserted causes of action based upon, among other things, the trustee's

alleged failure to notify and enforce repurchase obligations of mortgage loan sellers for purported breaches of representations and warranties, notify investors of alleged events of default, and abide by appropriate standards of care following alleged events of default. Plaintiffs sought money damages in an unspecified amount, reimbursement of expenses, and equitable relief. In December 2014 and December 2015, certain other investors filed additional complaints alleging similar claims against Wells Fargo Bank, N.A., in the Southern District of New York (Related Federal Cases). In January 2016, the Southern District of New York entered an order in connection with the Federal Court Complaint dismissing claims related to certain of the trusts at issue (Dismissed Trusts). The Company's subsequent motion to dismiss the Federal Court Complaint and the complaints for the Related Federal Cases was granted in part and denied in part in March 2017. In May 2017, the Company filed third-party complaints against certain investment advisors affiliated with the Institutional Investor Plaintiffs seeking contribution with respect to claims alleged in the Federal Court Complaint (Third-Party Claims).

In December 2016, the Institutional Investor Plaintiffs filed a new putative class action complaint in New York state court in respect of 261 RMBS trusts, including the Dismissed Trusts, for which Wells Fargo Bank, N.A., serves or served as trustee (State Court Action). A complaint raising similar allegations to those in the Federal Court Complaint was filed in May 2016 in New York state court by IKB International and IKB Deutsche Industriebank (IKB Action).

In July 2017, certain of the plaintiffs from the State Court Action filed a civil complaint relating to Wells Fargo Bank, N.A.'s setting aside reserves for legal fees and expenses in connection with the liquidation of eleven RMBS trusts at issue in the State Court Action (Declaratory Judgment Action). The complaint sought, among other relief, declarations that the Company is not entitled to indemnification, the advancement of funds, or the taking of reserves from trust funds for legal fees and expenses it incurs in defending the claims in the State Court Action.

In May 2019, the New York state court approved a settlement agreement among the Institutional Investor Plaintiffs and the Company pursuant to which, among other terms, the Company paid \$43 million to resolve the Federal Court Complaint and the State Court Action. The settlement also resolved the Third Party Claims and the Declaratory Judgment Action. The settlement did not affect the Related Federal Cases or the IKB Action, which remain pending.

**SEMINOLE TRIBE TRUSTEE LITIGATION** The Seminole Tribe of Florida filed a complaint in Florida state court alleging that Wells Fargo, as trustee, charged excess fees in connection with the administration of a minor's trust and failed to invest the assets of the trust prudently. The complaint was later amended to include three individual current and former beneficiaries as plaintiffs and to remove the Tribe as a party to the case. In December 2016, the Company filed a motion to dismiss the amended complaint on the grounds that the Tribe is a necessary party and that the individual beneficiaries lack standing to bring claims. The motion was denied in June 2018. The case is pending trial.

**WHOLESALE BANKING CONSENT ORDER INVESTIGATION** On November 19, 2015, the Company entered into a consent order with the OCC, pursuant to which the Wholesale Banking group was required to implement customer due diligence standards that include collection of current beneficial ownership information for certain business customers. The Company is responding to

**Note 14: Legal Actions (continued)**

inquiries from various federal government agencies regarding potentially inappropriate conduct in connection with the collection of beneficial ownership information.

**OUTLOOK** As described above, the Company establishes accruals for legal actions when potential losses associated with the actions become probable and the costs can be reasonably estimated. The high end of the range of reasonably possible potential losses in excess of the Company's accrual for probable and estimable losses was approximately \$2.3 billion as of June 30, 2020. The outcomes of legal actions are unpredictable and subject to significant uncertainties, and it is inherently difficult to determine whether any loss is probable or even possible. It is also inherently difficult to estimate the amount of any loss and there may be matters for which a loss is probable or reasonably possible but not currently estimable. Accordingly, actual losses may be in excess of the established accrual or the range of reasonably possible loss. Wells Fargo is unable to determine whether the ultimate resolution of the retail sales practices matters will have a material adverse effect on its consolidated financial condition. Based on information currently available, advice of counsel, available insurance coverage, and established reserves, Wells Fargo believes that the eventual outcome of other actions against Wells Fargo and/or its subsidiaries will not, individually or in the aggregate, have a material adverse effect on Wells Fargo's consolidated financial condition. However, it is possible that the ultimate resolution of a matter, if unfavorable, may be material to Wells Fargo's results of operations for any particular period.

## Note 15: Derivatives

We use derivatives to manage exposure to market risk, including interest rate risk, credit risk and foreign currency risk, and to assist customers with their risk management objectives. We designate certain derivatives as hedging instruments in qualifying hedge accounting relationships (fair value or cash flow hedges). Our remaining derivatives consist of economic hedges that do not qualify for hedge accounting, and derivatives held for customer accommodation trading or other purposes. For more information on our derivative activities, see Note 18 (Derivatives) in our 2019 Form 10-K.

Table 15.1 presents the total notional or contractual amounts and fair values for our derivatives. Derivative transactions can be measured in terms of the notional amount, but this amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments. The notional amount is generally not exchanged but is used only as the basis on which interest and other payments are determined.

**Table 15.1: Notional or Contractual Amounts and Fair Values of Derivatives**

(in millions)	June 30, 2020			December 31, 2019		
	Notional or contractual amount	Fair value		Notional or contractual amount	Fair value	
		Derivative assets	Derivative liabilities		Derivative assets	Derivative liabilities
<b>Derivatives designated as hedging instruments</b>						
Interest rate contracts	\$ 192,835	3,701	2,035	182,789	2,595	1,237
Foreign exchange contracts	34,459	281	1,220	32,386	341	1,170
Total derivatives designated as qualifying hedging instruments		3,982	3,255		2,936	2,407
<b>Derivatives not designated as hedging instruments</b>						
Economic hedges:						
Interest rate contracts	313,604	556	374	235,810	207	160
Equity contracts	22,616	1,294	100	19,263	1,126	224
Foreign exchange contracts	52,349	1,062	196	26,595	118	286
Credit contracts – protection purchased	99	35	—	1,400	27	—
Subtotal		2,947	670		1,478	670
Customer accommodation trading and other derivatives:						
Interest rate contracts	11,254,860	44,355	34,055	11,117,542	21,245	17,969
Commodity contracts	77,608	2,039	3,741	79,737	1,421	1,770
Equity contracts	303,271	9,375	11,986	272,145	7,410	10,240
Foreign exchange contracts	302,847	5,088	6,043	364,469	4,755	4,791
Credit contracts – protection sold	15,513	10	58	12,215	12	65
Credit contracts – protection purchased	25,695	85	15	24,030	69	18
Subtotal		60,952	55,898		34,912	34,853
Total derivatives not designated as hedging instruments		63,899	56,568		36,390	35,523
Total derivatives before netting		67,881	59,823		39,326	37,930
<b>Netting</b>		(45,105)	(48,455)		(25,123)	(28,851)
Total	\$	22,776	11,368		14,203	9,079



## Note 15: Derivatives (continued)

Table 15.2 provides information on the gross fair values of derivative assets and liabilities, the balance sheet netting adjustments and the resulting net fair value amount recorded on our balance sheet, as well as the non-cash collateral associated with such arrangements. We execute substantially all of our derivative transactions under master netting arrangements and reflect all derivative balances and related cash collateral subject to enforceable master netting arrangements on a net basis within the balance sheet. The “Gross amounts recognized” column in the following table includes \$59.6 billion and \$54.7 billion of gross derivative assets and liabilities, respectively, at June 30, 2020, and \$33.7 billion and \$33.5 billion, respectively, at December 31, 2019, with counterparties subject to enforceable master netting arrangements that are eligible for balance sheet netting adjustments. The majority of these amounts are interest rate contracts executed in over-the-counter (OTC) markets. The remaining gross derivative assets and liabilities of \$8.3 billion and \$5.1 billion, respectively, at June 30, 2020, and \$5.6 billion and \$4.4 billion, respectively, at December 31, 2019, include those with counterparties subject to master netting arrangements for which we have not assessed the enforceability because they are with counterparties where we do not currently have positions to offset, those subject to master netting arrangements where we have not been able to confirm the enforceability and those not subject to master netting arrangements. As such, we do not net derivative balances or collateral within the balance sheet for these counterparties. Cash collateral receivables and payables that have not been offset against our derivatives were \$1.2 billion and \$1.4 billion, respectively, at June 30, 2020, and \$6.3 billion and \$1.4 billion, respectively, at December 31, 2019.

We determine the balance sheet netting adjustments based on the terms specified within each master netting arrangement. We disclose the balance sheet netting amounts within the column titled “Gross amounts offset in consolidated balance sheet.” Balance sheet netting adjustments are determined at the counterparty level for which there may be multiple contract types. For disclosure purposes, we allocate these netting adjustments to the contract type for each counterparty proportionally based upon the “Gross amounts recognized” by counterparty. As a result, the net amounts disclosed by contract type may not represent the actual exposure upon settlement of the contracts.

We do not net non-cash collateral that we receive and pledge on the balance sheet. For disclosure purposes, we present the fair value of this non-cash collateral in the column titled “Gross amounts not offset in consolidated balance sheet (Disclosure-only netting)” within the table. We determine and allocate the Disclosure-only netting amounts in the same manner as balance sheet netting amounts.

The “Net amounts” column within Table 15.2 represents the aggregate of our net exposure to each counterparty after considering the balance sheet and Disclosure-only netting adjustments. We manage derivative exposure by monitoring the credit risk associated with each counterparty using counterparty specific credit risk limits, using master netting arrangements and obtaining collateral. Derivative contracts executed in OTC markets include bilateral contractual arrangements that are not cleared through a central clearing organization but are typically subject to master netting arrangements. Other derivative contracts that are settled through a central clearing organization whether OTC or exchange-traded, are excluded from that percentage. In addition to the netting amounts included in the table, we also have balance sheet netting related to resale and repurchase agreements that are disclosed within Note 13 (Guarantees, Pledged Assets and Collateral, and Other Commitments).

**Table 15.2: Gross Fair Values of Derivative Assets and Liabilities**

(in millions)	Gross amounts recognized	Gross amounts offset in consolidated balance sheet (1)	Net amounts in consolidated balance sheet	Gross amounts not offset in consolidated balance sheet (Disclosure-only netting)	Net amounts	Percent exchanged in over-the-counter market
<b>June 30, 2020</b>						
<b>Derivative assets</b>						
Interest rate contracts	\$ 48,612	(31,539)	17,073	(1,318)	15,755	97%
Commodity contracts	2,039	(1,495)	544	(3)	541	73
Equity contracts	10,669	(7,076)	3,593	(650)	2,943	67
Foreign exchange contracts	6,431	(4,920)	1,511	(4)	1,507	100
Credit contracts – protection sold	10	(8)	2	—	2	68
Credit contracts – protection purchased	120	(67)	53	(2)	51	89
<b>Total derivative assets</b>	<b>\$ 67,881</b>	<b>(45,105)</b>	<b>22,776</b>	<b>(1,977)</b>	<b>20,799</b>	
<b>Derivative liabilities</b>						
Interest rate contracts	\$ 36,464	(33,777)	2,687	(637)	2,050	96%
Commodity contracts	3,741	(1,404)	2,337	(2)	2,335	86
Equity contracts	12,086	(7,361)	4,725	(242)	4,483	73
Foreign exchange contracts	7,459	(5,855)	1,604	(59)	1,545	100
Credit contracts – protection sold	58	(54)	4	—	4	95
Credit contracts – protection purchased	15	(4)	11	—	11	84
<b>Total derivative liabilities</b>	<b>\$ 59,823</b>	<b>(48,455)</b>	<b>11,368</b>	<b>(940)</b>	<b>10,428</b>	
<b>December 31, 2019</b>						
<b>Derivative assets</b>						
Interest rate contracts	\$ 24,047	(14,878)	9,169	(445)	8,724	95%
Commodity contracts	1,421	(888)	533	(2)	531	80
Equity contracts	8,536	(5,570)	2,966	(69)	2,897	65
Foreign exchange contracts	5,214	(3,722)	1,492	(22)	1,470	100
Credit contracts – protection sold	12	(9)	3	—	3	84
Credit contracts – protection purchased	96	(56)	40	(1)	39	97
<b>Total derivative assets</b>	<b>\$ 39,326</b>	<b>(25,123)</b>	<b>14,203</b>	<b>(539)</b>	<b>13,664</b>	
<b>Derivative liabilities</b>						
Interest rate contracts	\$ 19,366	(16,595)	2,771	(545)	2,226	94%
Commodity contracts	1,770	(677)	1,093	(2)	1,091	82
Equity contracts	10,464	(6,647)	3,817	(319)	3,498	81
Foreign exchange contracts	6,247	(4,866)	1,381	(169)	1,212	100
Credit contracts – protection sold	65	(60)	5	(3)	2	98
Credit contracts – protection purchased	18	(6)	12	—	12	93
<b>Total derivative liabilities</b>	<b>\$ 37,930</b>	<b>(28,851)</b>	<b>9,079</b>	<b>(1,038)</b>	<b>8,041</b>	

(1) Represents amounts with counterparties subject to enforceable master netting arrangements that have been offset in the consolidated balance sheet, including related cash collateral and portfolio level counterparty valuation adjustments. Counterparty valuation adjustments related to derivative assets were \$600 million and \$231 million and debit valuation adjustments related to derivative liabilities were \$229 million and \$100 million at June 30, 2020, and December 31, 2019, respectively. Cash collateral totaled \$7.3 billion and \$11.0 billion, netted against derivative assets and liabilities, respectively, at June 30, 2020, and \$2.9 billion and \$6.8 billion, respectively, at December 31, 2019.

## Fair Value and Cash Flow Hedges

For fair value hedges, we use interest rate swaps to convert certain of our fixed-rate long-term debt and time certificates of deposit to floating rates to hedge our exposure to interest rate risk. We also enter into cross-currency swaps, cross-currency interest rate swaps and forward contracts to hedge our exposure to foreign currency risk and interest rate risk associated with the issuance of non-U.S. dollar denominated long-term debt. In addition, we use interest rate swaps, cross-currency swaps, cross-currency interest rate swaps and forward contracts to hedge against changes in fair value of certain investments in available-for-sale debt securities due to changes in interest rates, foreign currency rates, or both. We also use interest rate swaps to hedge against changes in fair value for certain mortgage loans held for sale. For certain fair value hedges of foreign currency risk, changes in fair value of cross-currency swaps attributable to

changes in cross-currency basis spreads are excluded from the assessment of hedge effectiveness and recorded in other comprehensive income. See Note 26 (Other Comprehensive Income) for the amounts recognized in other comprehensive income.

For cash flow hedges, we use interest rate swaps to hedge the variability in interest payments received on certain floating-rate commercial loans and paid on certain floating-rate debt due to changes in the contractually specified interest rate. We also use cross-currency swaps to hedge variability in interest payments on fixed-rate foreign currency-denominated long-term debt due to changes in foreign exchange rates.

We estimate \$203 million pre-tax of deferred net losses related to cash flow hedges in OCI at June 30, 2020, will be reclassified into net interest income during the next twelve months. The deferred losses expected to be reclassified into net

## Note 15: Derivatives (continued)

interest income are predominantly related to discontinued hedges of floating rate loans. For cash flow hedges as of June 30, 2020, we are hedging our foreign currency exposure to the variability of future cash flows for all forecasted transactions for a maximum of 10 years. For more information on our accounting

hedges, see Note 1 (Summary of Significant Accounting Policies) and Note 18 (Derivatives) in our 2019 Form 10-K.

Table 15.3 and Table 15.4 show the net gains (losses) by income statement line item impacted, related to derivatives in fair value and cash flow hedging relationships, respectively.

**Table 15.3: Gains (Losses) Recognized on Fair Value Hedging Relationships**

(in millions)	Net interest income				Noninterest income Other	Total recorded in net income Derivative gains (losses)	Total recorded in OCI Derivative gains (losses)
	Debt securities	Mortgage loans held for sale	Deposits	Long-term debt			
<b>Quarter ended June 30, 2020</b>							
<b>Total amounts presented in the consolidated statement of income and other comprehensive income</b>	<b>\$ 2,946</b>	<b>230</b>	<b>(585)</b>	<b>(1,237)</b>	<b>97</b>	<b>N/A</b>	<b>3</b>
<b>Interest contracts:</b>							
Amounts related to interest settlements on derivatives	(93)	—	152	428	—	487	—
Recognized on derivatives	(21)	(3)	(86)	549	—	439	—
Recognized on hedged items	63	4	77	(618)	—	(474)	—
<b>Total gains (losses) (pre-tax) on interest rate contracts</b>	<b>(51)</b>	<b>1</b>	<b>143</b>	<b>359</b>	<b>—</b>	<b>452</b>	<b>—</b>
<b>Foreign exchange contracts:</b>							
Amounts related to interest settlements on derivatives	11	—	—	(46)	—	(35)	—
Recognized on derivatives	(1)	—	—	117	709	825	(57)
Recognized on hedged items	1	—	—	(70)	(684)	(753)	—
<b>Total gains (losses) (pre-tax) on foreign exchange contracts</b>	<b>11</b>	<b>—</b>	<b>—</b>	<b>1</b>	<b>25</b>	<b>37</b>	<b>(57)</b>
<b>Total gains (losses) (pre-tax) recognized on fair value hedges</b>	<b>\$ (40)</b>	<b>\$ 1</b>	<b>\$ 143</b>	<b>\$ 360</b>	<b>25</b>	<b>489</b>	<b>(57)</b>
<b>Six months ended June 30, 2020</b>							
<b>Total amounts presented in the consolidated statement of income and other comprehensive income</b>	<b>\$ 6,418</b>	<b>427</b>	<b>(2,327)</b>	<b>(2,477)</b>	<b>564</b>	<b>N/A</b>	<b>185</b>
<b>Interest contracts:</b>							
Amounts related to interest settlements on derivatives	(139)	—	222	602	—	685	—
Recognized on derivatives	(1,892)	(53)	444	10,324	—	8,823	—
Recognized on hedged items	1,919	54	(434)	(10,044)	—	(8,505)	—
<b>Total gains (losses) (pre-tax) on interest rate contracts</b>	<b>(112)</b>	<b>1</b>	<b>232</b>	<b>882</b>	<b>—</b>	<b>1,003</b>	<b>—</b>
<b>Foreign exchange contracts:</b>							
Amounts related to interest settlements on derivatives	17	—	—	(131)	—	(114)	—
Recognized on derivatives	(2)	—	—	224	(76)	146	87
Recognized on hedged items	3	—	—	(244)	80	(161)	—
<b>Total gains (losses) (pre-tax) on foreign exchange contracts</b>	<b>18</b>	<b>—</b>	<b>—</b>	<b>(151)</b>	<b>4</b>	<b>(129)</b>	<b>87</b>
<b>Total gains (losses) (pre-tax) recognized on fair value hedges</b>	<b>\$ (94)</b>	<b>1</b>	<b>232</b>	<b>731</b>	<b>4</b>	<b>874</b>	<b>87</b>

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(in millions)	Net interest income				Noninterest income Other	Total recorded in net income Derivative gains (losses)	Total recorded in OCI Derivative gains (losses)
	Debt securities	Mortgage loans held for sale	Deposits	Long-term debt			
<b>Quarter ended June 30, 2019</b>							
Total amounts presented in the consolidated statement of income and other comprehensive income	\$ 3,781	195	(2,213)	(1,900)	837	N/A	136
Interest contracts:							
Amounts related to interest settlements on derivatives	14	—	(7)	7	—	14	—
Recognized on derivatives	(1,089)	(25)	351	2,947	—	2,184	—
Recognized on hedged items	1,096	24	(343)	(2,890)	—	(2,113)	—
Total gains (losses) (pre-tax) on interest rate contracts	21	(1)	1	64	—	85	—
Foreign exchange contracts:							
Amounts related to interest settlements on derivatives	10	—	—	(128)	—	(118)	—
Recognized on derivatives	(5)	—	—	205	326	526	56
Recognized on hedged items	4	—	—	(186)	(315)	(497)	—
Total gains (losses) (pre-tax) on foreign exchange contracts	9	—	—	(109)	11	(89)	56
Total gains (losses) (pre-tax) recognized on fair value hedges	\$ 30	(1)	1	(45)	11	(4)	56
<b>Six months ended June 30, 2019</b>							
Total amounts presented in the consolidated statement of income and other comprehensive income	\$ 7,722	347	(4,239)	(3,827)	1,507	N/A	180
Interest contracts:							
Amounts related to interest settlements on derivatives	30	—	(30)	—	—	—	—
Recognized on derivatives	(1,903)	(33)	558	4,933	—	3,555	—
Recognized on hedged items	1,913	31	(533)	(4,837)	—	(3,426)	—
Total gains (losses) (pre-tax) on interest rate contracts	40	(2)	(5)	96	—	129	—
Foreign exchange contracts:							
Amounts related to interest settlements on derivatives	20	—	—	(270)	—	(250)	—
Recognized on derivatives	(9)	—	—	497	(76)	412	30
Recognized on hedged items	9	—	—	(452)	76	(367)	—
Total gains (losses) (pre-tax) on foreign exchange contracts	20	—	—	(225)	—	(205)	30
Total gains (losses) (pre-tax) recognized on fair value hedges	\$ 60	(2)	(5)	(129)	—	(76)	30

**Note 15: Derivatives (continued)**
**Table 15.4: Gains (Losses) Recognized on Cash Flow Hedging Relationships**

(in millions)	Net interest Income		Total recorded in net income	Total recorded in OCI
	Loans	Long-term debt	Derivative gains (losses)	Derivative gains (losses)
<b>Quarter ended June 30, 2020</b>				
<b>Total amounts presented in the consolidated statement of income and other comprehensive income</b>	<b>\$ 8,448</b>	<b>(1,237)</b>	<b>N/A</b>	<b>3</b>
<b>Interest rate contracts:</b>				
Realized gains (losses) (pre-tax) reclassified from OCI into net income	(53)	1	(52)	52
Net unrealized gains (losses) (pre-tax) recognized in OCI	N/A	N/A	N/A	—
<b>Total gains (losses) (pre-tax) on interest rate contracts</b>	<b>(53)</b>	<b>1</b>	<b>(52)</b>	<b>52</b>
<b>Foreign exchange contracts:</b>				
Realized gains (losses) (pre-tax) reclassified from OCI into net income	—	(3)	(3)	3
Net unrealized gains (losses) (pre-tax) recognized in OCI	N/A	N/A	N/A	5
<b>Total gains (losses) (pre-tax) on foreign exchange contracts</b>	<b>—</b>	<b>(3)</b>	<b>(3)</b>	<b>8</b>
<b>Total gains (losses) (pre-tax) recognized on cash flow hedges</b>	<b>\$ (53)</b>	<b>\$ (2)</b>	<b>(55)</b>	<b>60</b>
<b>Six months ended June 30, 2020</b>				
<b>Total amounts presented in the consolidated statement of income and other comprehensive income</b>	<b>\$ 18,513</b>	<b>(2,477)</b>	<b>N/A</b>	<b>185</b>
<b>Interest rate contracts:</b>				
Realized gains (losses) (pre-tax) reclassified from OCI into net income	(109)	1	(108)	108
Net unrealized gains (losses) (pre-tax) recognized in OCI	N/A	N/A	N/A	—
<b>Total gains (losses) (pre-tax) on interest rate contracts</b>	<b>(109)</b>	<b>1</b>	<b>(108)</b>	<b>108</b>
<b>Foreign exchange contracts:</b>				
Realized gains (losses) (pre-tax) reclassified from OCI into net income	—	(5)	(5)	5
Net unrealized gains (losses) (pre-tax) recognized in OCI	N/A	N/A	N/A	(15)
<b>Total gains (losses) (pre-tax) on foreign exchange contracts</b>	<b>—</b>	<b>(5)</b>	<b>(5)</b>	<b>(10)</b>
<b>Total gains (losses) (pre-tax) recognized on cash flow hedges</b>	<b>\$ (109)</b>	<b>(4)</b>	<b>(113)</b>	<b>98</b>
<b>Quarter ended June 30, 2019</b>				
<b>Total amounts presented in the consolidated statement of income and other comprehensive income</b>	<b>\$ 11,316</b>	<b>(1,900)</b>	<b>N/A</b>	<b>136</b>
<b>Interest rate contracts:</b>				
Realized gains (losses) (pre-tax) reclassified from OCI into net income	(77)	1	(76)	76
Net unrealized gains (losses) (pre-tax) recognized in OCI	N/A	N/A	N/A	—
<b>Total gains (losses) (pre-tax) on interest rate contracts</b>	<b>(77)</b>	<b>1</b>	<b>(76)</b>	<b>76</b>
<b>Foreign exchange contracts:</b>				
Realized gains (losses) (pre-tax) reclassified from OCI into net income	—	(3)	(3)	3
Net unrealized gains (losses) (pre-tax) recognized in OCI	N/A	N/A	N/A	1
<b>Total gains (losses) (pre-tax) on foreign exchange contracts</b>	<b>—</b>	<b>(3)</b>	<b>(3)</b>	<b>4</b>
<b>Total gains (losses) (pre-tax) recognized on cash flow hedges</b>	<b>\$ (77)</b>	<b>(2)</b>	<b>(79)</b>	<b>80</b>
<b>Six months ended June 30, 2019</b>				
<b>Total amounts presented in the consolidated statement of income and other comprehensive income</b>	<b>\$ 22,670</b>	<b>(3,827)</b>	<b>N/A</b>	<b>180</b>
<b>Interest rate contracts:</b>				
Realized gains (losses) (pre-tax) reclassified from OCI into net income	(155)	1	(154)	154
Net unrealized gains (losses) (pre-tax) recognized in OCI	N/A	N/A	N/A	—
<b>Total gains (losses) (pre-tax) on interest rate contracts</b>	<b>(155)</b>	<b>1</b>	<b>(154)</b>	<b>154</b>
<b>Foreign exchange contracts:</b>				
Realized gains (losses) (pre-tax) reclassified from OCI into net income	—	(4)	(4)	4
Net unrealized gains (losses) (pre-tax) recognized in OCI	N/A	N/A	N/A	(8)
<b>Total gains (losses) (pre-tax) on foreign exchange contracts</b>	<b>—</b>	<b>(4)</b>	<b>(4)</b>	<b>(4)</b>
<b>Total gains (losses) (pre-tax) recognized on cash flow hedges</b>	<b>\$ (155)</b>	<b>(3)</b>	<b>(158)</b>	<b>150</b>

Table 15.5 shows the carrying amount and associated cumulative basis adjustment related to the application of hedge accounting that is included in the carrying amount of hedged assets and liabilities in fair value hedging relationships.

**Table 15.5: Hedged Items in Fair Value Hedging Relationship**

(in millions)	Hedged Items Currently Designated		Hedged Items No Longer Designated (1)	
	Carrying Amount of Assets/ (Liabilities) (2)(4)	Hedge Accounting Basis Adjustment Assets/(Liabilities) (3)	Carrying Amount of Assets/(Liabilities) (4)	Hedge Accounting Basis Adjustment Assets/(Liabilities)
<b>June 30, 2020</b>				
<b>Available-for-sale debt securities (5)</b>	<b>\$ 29,585</b>	<b>2,560</b>	<b>8,952</b>	<b>269</b>
<b>Mortgage loans held for sale</b>	<b>233</b>	<b>10</b>	<b>—</b>	<b>—</b>
<b>Deposits</b>	<b>(35,247)</b>	<b>(761)</b>	<b>—</b>	<b>—</b>
<b>Long-term debt</b>	<b>(166,000)</b>	<b>(16,022)</b>	<b>(21,254)</b>	<b>92</b>
<b>December 31, 2019</b>				
Available-for-sale debt securities (5)	\$ 36,896	1,110	9,486	278
Mortgage loans held for sale	961	(12)	—	—
Deposits	(43,716)	(324)	—	—
Long-term debt	(127,423)	(5,827)	(25,750)	173

- (1) Represents hedged items no longer designated in qualifying fair value hedging relationships for which an associated basis adjustment exists at the balance sheet date.
- (2) Does not include the carrying amount of hedged items where only foreign currency risk is the designated hedged risk. The carrying amount excluded \$5.2 billion for debt securities and \$(4.3) billion for long-term debt as of June 30, 2020, and \$1.2 billion for debt securities and \$(5.2) billion for long-term debt as of December 31, 2019.
- (3) The balance includes \$548 million and \$143 million of debt securities and long-term debt cumulative basis adjustments, respectively, as of June 30, 2020, and \$790 million and \$109 million of debt securities and long-term debt cumulative basis adjustments, respectively, as of December 31, 2019, on terminated hedges whereby the hedged items have subsequently been re-designated into existing hedges.
- (4) Represents the full carrying amount of the hedged asset or liability item as of the balance sheet date, except for circumstances in which only a portion of the asset or liability was designated as the hedged item in which case only the portion designated is presented.
- (5) Carrying amount represents the amortized cost.

## Note 15: Derivatives (continued)

### Derivatives Not Designated as Hedging Instruments

Derivatives not designated as hedging instruments include economic hedges and derivatives entered into for customer accommodation trading purposes.

We use economic hedge derivatives to manage our exposure to interest rate risk, equity price risk, foreign currency risk, and credit risk. We also use economic hedge derivatives to mitigate the periodic earnings volatility caused by mismatches between the changes in fair value of the hedged item and hedging instrument recognized on our fair value accounting hedges. In second quarter 2020, we entered into arrangements to transition

the economic hedges of our deferred compensation plan liabilities from equity securities to derivative instruments. Changes in the fair values of derivatives used to economically hedge the deferred compensation plan are reported in personnel expense.

For more information on economic hedges and other derivatives, see Note 18 (Derivatives) to Financial Statements in our 2019 Form 10-K.

Table 15.6 shows the net gains (losses) recognized by income statement lines, related to derivatives not designated as hedging instruments.

**Table 15.6: Gains (Losses) on Derivatives Not Designated as Hedging Instruments**

(in millions)					Noninterest income		Noninterest Expense
	Mortgage banking	Net gains (losses) from equity securities	Net gains (losses) from trading activities	Other	Total	Personnel expense	
<b>Quarter ended June 30, 2020</b>							
<b>Net gains (losses) recognized on economic hedges derivatives:</b>							
Interest contracts (1)	\$ 142	—	—	(74)	68	—	
Equity contracts	—	(1,402)	—	(6)	(1,408)	(141)	
Foreign exchange contracts	—	—	—	(55)	(55)	—	
Credit contracts	—	—	—	1	1	—	
Subtotal	142	(1,402)	—	(134)	(1,394)	(141)	
<b>Net gains (losses) recognized on customer accommodation trading and other derivatives:</b>							
Interest contracts	546	—	676	—	1,222	—	
Commodity contracts	—	—	(224)	—	(224)	—	
Equity contracts	—	—	(2,348)	(145)	(2,493)	—	
Foreign exchange contracts	—	—	155	—	155	—	
Credit contracts	—	—	(134)	—	(134)	—	
Subtotal	546	—	(1,875)	(145)	(1,474)	—	
Net gains (losses) recognized related to derivatives not designated as hedging instruments	\$ 688	(1,402)	(1,875)	(279)	(2,868)	(141)	
<b>Six months ended June 30, 2020</b>							
<b>Net gains (losses) recognized on economic hedges derivatives:</b>							
Interest contracts (1)	\$ 2,613	—	—	(45)	2,568	—	
Equity contracts	—	(183)	—	(34)	(217)	(141)	
Foreign exchange contracts	—	—	—	572	572	—	
Credit contracts	—	—	—	17	17	—	
Subtotal	2,613	(183)	—	510	2,940	(141)	
<b>Net gains (losses) recognized on customer accommodation trading and other derivatives:</b>							
Interest contracts	1,099	—	(1,787)	—	(688)	—	
Commodity contracts	—	—	(112)	—	(112)	—	
Equity contracts	—	—	2,401	(72)	2,329	—	
Foreign exchange contracts	—	—	(402)	—	(402)	—	
Credit contracts	—	—	147	—	147	—	
Subtotal	1,099	—	247	(72)	1,274	—	
Net gains (losses) recognized related to derivatives not designated as hedging instruments	\$ 3,712	(183)	247	438	4,214	(141)	

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(in millions)	Noninterest income				Total
	Mortgage banking	Net gains (losses) from equity securities	Net gains (losses) from trading activities	Other	
Quarter ended June 30, 2019					
Net gains (losses) recognized on economic hedges derivatives:					
Interest contracts (1)	\$ 872	—	—	2	874
Equity contracts	—	(658)	—	(7)	(665)
Foreign exchange contracts	—	—	—	164	164
Credit contracts	—	—	—	(5)	(5)
Subtotal	872	(658)	—	154	368
Net gains (losses) recognized on customer accommodation trading and other derivatives:					
Interest contracts	179	—	(222)	—	(43)
Commodity contracts	—	—	27	—	27
Equity contracts	—	—	(1,110)	(133)	(1,243)
Foreign exchange contracts	—	—	(83)	—	(83)
Credit contracts	—	—	(16)	—	(16)
Subtotal	179	—	(1,404)	(133)	(1,358)
Net gains (losses) recognized related to derivatives not designated as hedging instruments	\$ 1,051	(658)	(1,404)	21	(990)
Six months ended June 30, 2019					
Net gains (losses) recognized on economic hedges derivatives:					
Interest contracts (1)	\$ 1,683	—	—	7	1,690
Equity contracts	—	(1,543)	—	—	(1,543)
Foreign exchange contracts	—	—	—	140	140
Credit contracts	—	—	—	10	10
Subtotal	1,683	(1,543)	—	157	297
Net gains (losses) recognized on customer accommodation trading and other derivatives:					
Interest contracts	297	—	(506)	—	(209)
Commodity contracts	—	—	78	—	78
Equity contracts	—	—	(3,259)	(406)	(3,665)
Foreign exchange contracts	—	—	(69)	—	(69)
Credit contracts	—	—	(60)	—	(60)
Subtotal	297	—	(3,816)	(406)	(3,925)
Net gains (losses) recognized related to derivatives not designated as hedging instruments	\$ 1,980	(1,543)	(3,816)	(249)	(3,628)

(1) Mortgage banking amounts for the second quarter and first half of 2020 are comprised of gains of \$535 million and \$3.9 billion, respectively, related to derivatives used as economic hedges of MSR's measured at fair value offset by gains (losses) of \$(393) million and \$(1.3) billion, respectively, related to derivatives used as economic hedges of mortgage loans held for sale and derivative loan commitments. The corresponding amounts for the second quarter and first half of 2019 are comprised of gains of \$1.2 billion and \$2.1 billion offset by gains (losses) of \$(283) million and \$(434) million, respectively.



## Note 15: Derivatives (continued)

### Credit Derivatives

Credit derivative contracts are arrangements whose value is derived from the transfer of credit risk of a reference asset or entity from one party (the purchaser of credit protection) to another party (the seller of credit protection). We use credit derivatives to assist customers with their risk management objectives. We may also use credit derivatives in structured product transactions or liquidity agreements written to special purpose vehicles. The maximum exposure of sold credit derivatives is managed through posted collateral, purchased credit derivatives and similar products in order to achieve our desired credit risk profile. This credit risk management provides

an ability to recover a significant portion of any amounts that would be paid under the sold credit derivatives. We would be required to perform under sold credit derivatives in the event of default by the referenced obligors. Events of default include events such as bankruptcy, capital restructuring or lack of principal and/or interest payment. In certain cases, other triggers may exist, such as the credit downgrade of the referenced obligors or the inability of the special purpose vehicle for which we have provided liquidity to obtain funding.

Table 15.7 provides details of sold and purchased credit derivatives.

**Table 15.7: Sold and Purchased Credit Derivatives**

(in millions)	Fair value asset	Fair value liability	Notional amount						Range of maturities
			Protection sold (A)	Protection sold – non-investment grade	Protection purchased with identical underlyings (B)	Net protection sold (A) - (B)	Other protection purchased		
<b>June 30, 2020</b>									
<b>Credit default swaps on:</b>									
Corporate bonds	\$ 7	2	3,433	827	2,508	925	2,971	2020 - 2029	
Structured products	—	9	30	31	29	1	110	2034 - 2047	
<b>Credit protection on:</b>									
Default swap index	1	1	5,084	1,759	2,610	2,474	3,874	2020 - 2029	
Commercial mortgage-backed securities index	2	27	317	59	292	25	75	2047 - 2072	
Asset-backed securities index	—	8	40	41	41	(1)	1	2045 - 2046	
Other	—	11	6,609	6,441	—	6,609	13,283	2020 - 2040	
<b>Total credit derivatives</b>	<b>\$ 10</b>	<b>58</b>	<b>15,513</b>	<b>9,158</b>	<b>5,480</b>	<b>10,033</b>	<b>20,314</b>		
<b>December 31, 2019</b>									
<b>Credit default swaps on:</b>									
Corporate bonds	\$ 8	1	2,855	707	1,885	970	2,447	2020 - 2029	
Structured products	—	25	74	69	63	11	111	2022 - 2047	
<b>Credit protection on:</b>									
Default swap index	1	—	2,542	120	550	1,992	8,105	2020 - 2029	
Commercial mortgage-backed securities index	3	26	322	67	296	26	50	2047 - 2058	
Asset-backed securities index	—	8	41	41	41	—	1	2045 - 2046	
Other	—	5	6,381	5,738	—	6,381	11,881	2020 - 2049	
<b>Total credit derivatives</b>	<b>\$ 12</b>	<b>65</b>	<b>12,215</b>	<b>6,742</b>	<b>2,835</b>	<b>9,380</b>	<b>22,595</b>		

Protection sold represents the estimated maximum exposure to loss that would be incurred under an assumed hypothetical circumstance, where the value of our interests and any associated collateral declines to zero, without any consideration of recovery or offset from any economic hedges. We believe this hypothetical circumstance to be an extremely remote possibility and accordingly, this required disclosure is not an indication of expected loss. The amounts under non-investment grade represent the notional amounts of those credit derivatives on which we have a higher risk of being required to perform under the terms of the credit derivative and are a function of the underlying assets.

We consider the risk of performance to be high if the underlying assets under the credit derivative have an external rating that is below investment grade or an internal credit default grade that is equivalent thereto. We believe the net protection sold, which is representative of the net notional amount of protection sold and purchased with identical underlyings, in combination with other protection purchased, is more representative of our exposure to loss than either non-investment grade or protection sold. Other protection purchased represents additional protection, which may offset the exposure to loss for protection sold, that was not purchased with an identical underlying of the protection sold.

## Credit-Risk Contingent Features

Certain of our derivative contracts contain provisions whereby if the credit rating of our debt were to be downgraded by certain major credit rating agencies, the counterparty could demand additional collateral or require termination or replacement of derivative instruments in a net liability position. Table 15.8 illustrates our exposure to such derivatives with credit-risk contingent features, collateral we have posted, and the additional collateral we would be required to post if the credit rating of our debt was downgraded below investment grade.

**Table 15.8: Credit-Risk Contingent Features**

(in billions)	Jun 30, 2020	Dec 31, 2019
Net derivative liabilities with credit-risk contingent features	\$ 15.2	10.4
Collateral posted	13.4	9.1
Additional collateral to be posted upon a below investment grade credit rating (1)	1.8	1.3

(1) Any credit rating below investment grade requires us to post the maximum amount of collateral.

## Note 16: Fair Values of Assets and Liabilities

We use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Assets and liabilities recorded at fair value on a recurring basis are presented in Table 16.2 in this Note. From time to time, we may be required to record fair value adjustments on a nonrecurring basis. These nonrecurring fair value adjustments typically involve application of LOCOM accounting, write-downs of individual assets or application of the measurement alternative for nonmarketable equity securities. Assets recorded on a nonrecurring basis are presented in Table 16.13 in this Note. Table 16.19 includes estimates of fair value for financial instruments that are not recorded at fair value.

See Note 1 (Summary of Significant Accounting Policies) in our 2019 Form 10-K for discussion of how we determine fair value. For descriptions of the valuation methodologies we use for assets and liabilities recorded at fair value on a recurring or nonrecurring basis and for estimating fair value for financial instruments that are not recorded at fair value, see Note 19 (Fair Values of Assets and Liabilities) in our 2019 Form 10-K.

**FAIR VALUE HIERARCHY** We classify our assets and liabilities measured at fair value as either Level 1, Level 2 or Level 3 in the fair value hierarchy. The highest priority (Level 1) is assigned to valuations based on unadjusted quoted prices in active markets and the lowest priority (Level 3) is assigned to valuations based on significant unobservable inputs. See Note 1 (Summary of Significant Accounting Policies) in our 2019 Form 10-K for a detailed description of the fair value hierarchy.

In the determination of the classification of financial instruments in Level 2 or Level 3 of the fair value hierarchy, we consider all available information, including observable market data, indications of market liquidity and orderliness, and our understanding of the valuation techniques and significant inputs used. For securities in inactive markets, we use a predetermined percentage to evaluate the impact of fair value adjustments

derived from weighting both external and internal indications of value to determine if the instrument is classified as Level 2 or Level 3. Otherwise, the classification of Level 2 or Level 3 is based upon the specific facts and circumstances of each instrument or instrument category and judgments are made regarding the significance of the Level 3 inputs to the instruments' fair value measurement in its entirety. If Level 3 inputs are considered significant, the instrument is classified as Level 3.

We do not classify equity securities in the fair value hierarchy if we use the non-published net asset value (NAV) per share (or its equivalent) that has been communicated to us as an investor as a practical expedient to measure fair value. We generally use NAV per share as the fair value measurement for certain nonmarketable equity fund investments. Marketable equity securities with published NAVs are classified in the fair value hierarchy.

### Fair Value Measurements from Vendors

For certain assets and liabilities, we obtain fair value measurements from vendors and we record the fair value in our financial statements. For additional information, see Note 19 (Fair Values of Assets and Liabilities) in our 2019 Form 10-K.

Table 16.1 presents fair value measurements obtained from third-party pricing services classified within the fair value hierarchy. Fair value measurements obtained from brokers and fair value measurements obtained from third-party pricing services that we have adjusted using internal models or non-vendor data to determine the fair value are excluded from Table 16.1.

The unadjusted fair value measurements obtained from brokers for available-for-sale debt securities were \$19 million in Level 2 assets and \$123 million in Level 3 assets at June 30, 2020, and \$45 million and \$126 million at December 31, 2019, respectively.

**Table 16.1: Fair Value Measurements obtained from Third-Party Pricing Services**

(in millions)	June 30, 2020			December 31, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Trading debt securities	1,113	291	—	634	329	—
Available-for-sale debt securities:						
Securities of U.S. Treasury and federal agencies	7,983	—	—	13,460	1,500	—
Securities of U.S. states and political subdivisions	—	32,660	72	—	39,868	34
Mortgage-backed securities	—	148,611	61	—	167,172	42
Other debt securities (1)	—	36,610	571	—	38,067	650
Total available-for-sale debt securities	7,983	217,881	704	13,460	246,607	726
Marketable equity securities	—	99	—	—	110	—
Derivative assets	17	1	—	12	1	—
Derivative liabilities	(19)	(1)	—	(11)	(3)	—

(1) Includes corporate debt securities, collateralized loan obligations, and other debt securities.

## Assets and Liabilities Recorded at Fair Value on a Recurring Basis

Table 16.2 presents the balances of assets and liabilities recorded at fair value on a recurring basis.

Table 16.2: Fair Value on a Recurring Basis

(in millions)	Level 1	Level 2	Level 3	Netting (1)	Total
<b>June 30, 2020</b>					
<b>Trading debt securities:</b>					
Securities of U.S. Treasury and federal agencies	\$ 30,741	4,114	—	—	34,855
Securities of U.S. states and political subdivisions	—	1,868	—	—	1,868
Collateralized loan obligations	—	606	128	—	734
Corporate debt securities	—	12,609	23	—	12,632
Mortgage-backed securities	—	23,777	49	—	23,826
Other	—	741	23	—	764
<b>Total trading debt securities</b>	<b>30,741</b>	<b>43,715</b>	<b>223</b>	<b>—</b>	<b>74,679</b>
<b>Available-for-sale debt securities:</b>					
Securities of U.S. Treasury and federal agencies	7,983	—	—	—	7,983
Securities of U.S. states and political subdivisions	—	32,660	351	—	33,011
<b>Mortgage-backed securities:</b>					
Federal agencies	—	144,835	—	—	144,835
Residential	—	541	—	—	541
Commercial	—	3,498	61	—	3,559
<b>Total mortgage-backed securities</b>	<b>—</b>	<b>148,874</b>	<b>61</b>	<b>—</b>	<b>148,935</b>
Corporate debt securities	35	3,889	1,051	—	4,975
Collateralized loan obligations	—	24,990	9	—	24,999
Other	—	8,370	626	—	8,996
<b>Total available-for-sale debt securities</b>	<b>8,018</b>	<b>218,783</b>	<b>2,098 (2)</b>	<b>—</b>	<b>228,899</b>
Mortgage loans held for sale	—	17,893	751	—	18,644
Loans held for sale	—	1,194	7	—	1,201
Loans	—	—	152	—	152
Mortgage servicing rights (residential)	—	—	6,819	—	6,819
<b>Derivative assets:</b>					
Interest rate contracts	37	47,985	590	—	48,612
Commodity contracts	—	2,002	37	—	2,039
Equity contracts	3,527	5,692	1,450	—	10,669
Foreign exchange contracts	17	6,404	10	—	6,431
Credit contracts	—	60	70	—	130
<b>Netting</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(45,105)</b>	<b>(45,105)</b>
<b>Total derivative assets</b>	<b>3,581</b>	<b>62,143</b>	<b>2,157</b>	<b>(45,105)</b>	<b>22,776</b>
<b>Equity securities – excluding securities at NAV:</b>					
Marketable	18,822	195	—	—	19,017
Nonmarketable	—	18	8,165	—	8,183
<b>Total equity securities</b>	<b>18,822</b>	<b>213</b>	<b>8,165</b>	<b>—</b>	<b>27,200</b>
<b>Total assets included in the fair value hierarchy</b>	<b>\$ 61,162</b>	<b>343,941</b>	<b>20,372</b>	<b>(45,105)</b>	<b>380,370</b>
<b>Equity securities at NAV (3)</b>					
<b>Total assets recorded at fair value</b>					<b>139</b>
<b>Derivative liabilities:</b>					
Interest rate contracts	\$ (44)	(36,353)	(67)	—	(36,464)
Commodity contracts	—	(3,705)	(36)	—	(3,741)
Equity contracts	(3,288)	(7,368)	(1,430)	—	(12,086)
Foreign exchange contracts	(19)	(7,414)	(26)	—	(7,459)
Credit contracts	—	(53)	(20)	—	(73)
<b>Netting</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>48,455</b>	<b>48,455</b>
<b>Total derivative liabilities</b>	<b>(3,351)</b>	<b>(54,893)</b>	<b>(1,579)</b>	<b>48,455</b>	<b>(11,368)</b>
<b>Short sale liabilities:</b>					
Securities of U.S. Treasury and federal agencies	(11,080)	(207)	—	—	(11,287)
Mortgage-backed securities	—	(1,286)	—	—	(1,286)
Corporate debt securities	—	(5,104)	—	—	(5,104)
Equity securities	(2,531)	—	—	—	(2,531)
Other securities	—	(2)	(3)	—	(5)
<b>Total short sale liabilities</b>	<b>(13,611)</b>	<b>(6,599)</b>	<b>(3)</b>	<b>—</b>	<b>(20,213)</b>
<b>Other liabilities</b>					
<b>Total liabilities recorded at fair value</b>	<b>\$ (16,962)</b>	<b>(61,492)</b>	<b>(1,584)</b>	<b>48,455</b>	<b>(31,583)</b>

(1) Represents balance sheet netting of derivative asset and liability balances, related cash collateral and portfolio level counterparty valuation adjustments. See Note 15 (Derivatives) for additional information.

(2) Largely consists of securities that are investment grade based on ratings received from the ratings agencies or internal credit grades categorized as investment grade if external ratings are not available. The securities are classified as Level 3 due to limited market activity.

(3) Consists of certain nonmarketable equity securities that are measured at fair value using NAV per share (or its equivalent) as a practical expedient and are excluded from the fair value hierarchy.

(continued on following page)

**Note 16: Fair Values of Assets and Liabilities (continued)**

(continued from previous page)

(in millions)	Level 1	Level 2	Level 3	Netting (1)	Total
December 31, 2019					
Trading debt securities:					
Securities of U.S. Treasury and federal agencies	\$ 32,335	4,382	—	—	36,717
Securities of U.S. states and political subdivisions	—	2,434	—	—	2,434
Collateralized loan obligations	—	555	183	—	738
Corporate debt securities	—	11,006	38	—	11,044
Mortgage-backed securities	—	27,712	—	—	27,712
Other	—	1,086	2	—	1,088
<b>Total trading debt securities</b>	<b>32,335</b>	<b>47,175</b>	<b>223</b>	<b>—</b>	<b>79,733</b>
Available-for-sale debt securities:					
Securities of U.S. Treasury and federal agencies	13,460	1,500	—	—	14,960
Securities of U.S. states and political subdivisions	—	39,924	413	—	40,337
Mortgage-backed securities:					
Federal agencies	—	162,453	—	—	162,453
Residential	—	827	—	—	827
Commercial	—	3,892	42	—	3,934
<b>Total mortgage-backed securities</b>	<b>—</b>	<b>167,172</b>	<b>42</b>	<b>—</b>	<b>167,214</b>
Corporate debt securities	37	6,159	367	—	6,563
Collateralized loan obligations	—	29,055	—	—	29,055
Other	—	4,587	743	—	5,330
<b>Total available-for-sale debt securities</b>	<b>13,497</b>	<b>248,397</b>	<b>1,565 (2)</b>	<b>—</b>	<b>263,459</b>
Mortgage loans held for sale	—	15,408	1,198	—	16,606
Loans held for sale	—	956	16	—	972
Loans	—	—	171	—	171
Mortgage servicing rights (residential)	—	—	11,517	—	11,517
Derivative assets:					
Interest rate contracts	26	23,792	229	—	24,047
Commodity contracts	—	1,413	8	—	1,421
Equity contracts	2,946	4,135	1,455	—	8,536
Foreign exchange contracts	12	5,197	5	—	5,214
Credit contracts	—	49	59	—	108
Netting	—	—	—	(25,123)	(25,123)
<b>Total derivative assets</b>	<b>2,984</b>	<b>34,586</b>	<b>1,756</b>	<b>(25,123)</b>	<b>14,203</b>
Equity securities – excluding securities at NAV:					
Marketable	33,702	216	3	—	33,921
Nonmarketable	—	22	7,847	—	7,869
<b>Total equity securities</b>	<b>33,702</b>	<b>238</b>	<b>7,850</b>	<b>—</b>	<b>41,790</b>
<b>Total assets included in the fair value hierarchy</b>	<b>\$ 82,518</b>	<b>346,760</b>	<b>24,296</b>	<b>(25,123)</b>	<b>428,451</b>
Equity securities at NAV (3)	—	—	—	—	146
<b>Total assets recorded at fair value</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>428,597</b>
Derivative liabilities:					
Interest rate contracts	\$ (23)	(19,328)	(15)	—	(19,366)
Commodity contracts	—	(1,746)	(24)	—	(1,770)
Equity contracts	(2,011)	(6,729)	(1,724)	—	(10,464)
Foreign exchange contracts	(11)	(6,213)	(23)	—	(6,247)
Credit contracts	—	(53)	(30)	—	(83)
Netting	—	—	—	28,851	28,851
<b>Total derivative liabilities</b>	<b>(2,045)</b>	<b>(34,069)</b>	<b>(1,816)</b>	<b>28,851</b>	<b>(9,079)</b>
Short sale liabilities:					
Securities of U.S. Treasury and federal agencies	(9,035)	(31)	—	—	(9,066)
Mortgage-backed securities	—	(2)	—	—	(2)
Corporate debt securities	—	(5,915)	—	—	(5,915)
Equity securities	(2,447)	—	—	—	(2,447)
Other securities	—	—	—	—	—
<b>Total short sale liabilities</b>	<b>(11,482)</b>	<b>(5,948)</b>	<b>—</b>	<b>—</b>	<b>(17,430)</b>
Other liabilities	—	—	(2)	—	(2)
<b>Total liabilities recorded at fair value</b>	<b>\$ (13,527)</b>	<b>(40,017)</b>	<b>(1,818)</b>	<b>28,851</b>	<b>(26,511)</b>

- Represents balance sheet netting of derivative asset and liability balances, related cash collateral and portfolio level counterparty valuation adjustments. See Note 15 (Derivatives) for additional information.
- A significant portion of the balance consists of securities that are investment grade based on ratings received from the ratings agencies or internal credit grades categorized as investment grade if external ratings are not available. The securities are classified as Level 3 due to limited market activity.
- Consists of certain nonmarketable equity securities that are measured at fair value using NAV per share (or its equivalent) as a practical expedient and are excluded from the fair value hierarchy.

## Changes in Fair Value Levels

We monitor the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy and transfer between Level 1, Level 2, and Level 3 accordingly. Observable market data includes but is not limited to quoted prices and market transactions. Changes in economic conditions or market liquidity generally will drive changes in availability of observable market data. Changes in availability of observable market data, which also may result in

changing the valuation technique used, are generally the cause of transfers between Level 1, Level 2, and Level 3. The amounts reported as transfers represent the fair value as of the beginning of the quarter in which the transfer occurred.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the quarter ended June 30, 2020, are presented in Table 16.3.

**Table 16.3: Changes in Level 3 Fair Value Assets and Liabilities on a Recurring Basis – Quarter ended June 30, 2020**

(in millions)	Balance, beginning of period	Total net gains (losses) included in		Purchases, sales, issuances and settlements, net (1)	Transfers into Level 3 (2)	Transfers out of Level 3 (3)	Balance, end of period	Net unrealized gains (losses) related to assets and liabilities held at period end included in	
		Net income	Other comprehensive income					Net income	Other comprehensive income (4)
<b>Quarter ended June 30, 2020</b>									
<b>Trading debt securities:</b>									
Securities of U.S. states and political subdivisions	\$ —	—	—	—	—	—	—	—	—
Collateralized loan obligations	154	—	—	4	(5)	(25)	128	(2)	—
Corporate debt securities	34	(7)	—	1	—	(5)	23	1	—
Mortgage-backed securities	177	35	—	(148)	4	(19)	49	12	—
Other	24	5	—	(22)	16	—	23	3	—
<b>Total trading debt securities</b>	<b>389</b>	<b>33</b>	<b>—</b>	<b>(165)</b>	<b>15</b>	<b>(49)</b>	<b>223</b>	<b>14</b>	<b>(5)</b>
<b>Available-for-sale debt securities:</b>									
Securities of U.S. states and political subdivisions	351	1	2	(23)	35	(15)	351	—	—
<b>Mortgage-backed securities:</b>									
Residential	31	5	—	(25)	—	(11)	—	—	—
Commercial	154	(2)	(1)	(1)	31	(120)	61	(2)	(1)
<b>Total mortgage-backed securities</b>	<b>185</b>	<b>3</b>	<b>(1)</b>	<b>(26)</b>	<b>31</b>	<b>(131)</b>	<b>61</b>	<b>(2)</b>	<b>(1)</b>
Corporate debt securities	1,130	(2)	43	(46)	—	(74)	1,051	(2)	42
Collateralized loan obligations	50	—	(1)	—	10	(50)	9	—	—
Other	696	3	(27)	(28)	9	(27)	626	(1)	(28)
<b>Total available-for-sale debt securities</b>	<b>2,412</b>	<b>5</b>	<b>16</b>	<b>(123)</b>	<b>85</b>	<b>(297)</b>	<b>2,098</b>	<b>(5)</b>	<b>(6)</b>
Mortgage loans held for sale	3,157	(37)	—	(251)	80	(2,198)	751	(27)	(7)
Loans held for sale	19	(4)	—	(7)	—	(1)	7	(5)	(5)
Loans	160	(2)	—	(6)	—	—	152	(4)	(7)
Mortgage servicing rights (residential) (8)	8,126	(1,768)	—	461	—	—	6,819	(1,131)	(7)
<b>Net derivative assets and liabilities:</b>									
Interest rate contracts	685	460	—	(622)	—	—	523	291	—
Commodity contracts	(44)	15	—	12	18	—	1	45	—
Equity contracts	217	(277)	—	79	—	1	20	(387)	—
Foreign exchange contracts	(6)	(12)	—	2	—	—	(16)	2	—
Credit contracts	47	4	—	(1)	—	—	50	—	—
<b>Total derivative contracts</b>	<b>899</b>	<b>190</b>	<b>—</b>	<b>(530)</b>	<b>18</b>	<b>1</b>	<b>578</b>	<b>(49)</b>	<b>(9)</b>
<b>Equity securities:</b>									
Marketable	3	—	—	—	—	(3)	—	—	—
Nonmarketable	6,751	1,414	—	—	—	—	8,165	1,414	—
<b>Total equity securities</b>	<b>6,754</b>	<b>1,414</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(3)</b>	<b>8,165</b>	<b>1,414</b>	<b>(10)</b>
Short sale liabilities	—	—	—	(3)	—	—	(3)	—	(5)
Other liabilities	(2)	—	—	—	—	—	(2)	—	(7)

(1) See Table 16.4 for detail.

(2) All assets and liabilities transferred into level 3 were previously classified within level 2.

(3) All assets and liabilities transferred out of level 3 are classified as level 2.

(4) Represents only net gains (losses) that are due to changes in economic conditions and management's estimates of fair value and excludes changes due to the collection/realization of cash flows over time.

(5) Included in net gains from trading activities in the income statement.

(6) Included in net gains from debt securities and provision (reversal of provision) for credit losses - debt securities in the income statement.

(7) Included in mortgage banking and other noninterest income in the income statement.

(8) For more information on the changes in mortgage servicing rights, see Note 11 (Mortgage Banking Activities).

(9) Included in mortgage banking income, net gains from trading activities, net gains (losses) from equity securities and other noninterest income in the income statement.

(10) Included in net gains (losses) from equity securities in the income statement.

(continued on following page)

## Note 16: Fair Values of Assets and Liabilities (continued)

(continued from previous page)

Table 16.4 presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the quarter ended June 30, 2020.

**Table 16.4: Gross Purchases, Sales, Issuances and Settlements – Level 3 – Quarter ended June 30, 2020**

(in millions)	Purchases	Sales	Issuances	Settlements	Net
<b>Quarter ended June 30, 2020</b>					
<b>Trading debt securities:</b>					
Securities of U.S. states and political subdivisions	\$ —	—	—	—	—
Collateralized loan obligations	86	(82)	—	—	4
Corporate debt securities	22	(21)	—	—	1
Mortgage-backed securities	72	(216)	—	(4)	(148)
Other	6	(27)	—	(1)	(22)
<b>Total trading debt securities</b>	<b>186</b>	<b>(346)</b>	<b>—</b>	<b>(5)</b>	<b>(165)</b>
<b>Available-for-sale debt securities:</b>					
Securities of U.S. states and political subdivisions	—	—	—	(23)	(23)
<b>Mortgage-backed securities:</b>					
Residential	(1)	(23)	—	(1)	(25)
Commercial	—	—	—	(1)	(1)
<b>Total mortgage-backed securities</b>	<b>(1)</b>	<b>(23)</b>	<b>—</b>	<b>(2)</b>	<b>(26)</b>
Corporate debt securities	6	—	—	(52)	(46)
Collateralized loan obligations	—	—	—	—	—
Other	—	(5)	—	(23)	(28)
<b>Total available-for-sale debt securities</b>	<b>5</b>	<b>(28)</b>	<b>—</b>	<b>(100)</b>	<b>(123)</b>
Mortgage loans held for sale	32	(281)	62	(64)	(251)
Loans held for sale	—	(7)	—	—	(7)
Loans	—	—	2	(8)	(6)
Mortgage servicing rights (residential) (1)	—	(1)	462	—	461
<b>Net derivative assets and liabilities:</b>					
Interest rate contracts	—	—	—	(622)	(622)
Commodity contracts	—	—	—	12	12
Equity contracts	—	—	—	79	79
Foreign exchange contracts	—	—	—	2	2
Credit contracts	2	(1)	—	(2)	(1)
<b>Total derivative contracts</b>	<b>2</b>	<b>(1)</b>	<b>—</b>	<b>(531)</b>	<b>(530)</b>
<b>Equity securities:</b>					
Marketable	—	—	—	—	—
Nonmarketable	—	—	—	—	—
<b>Total equity securities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Short sale liabilities	—	(3)	—	—	(3)
Other liabilities	—	—	—	—	—

(1) For more information on the changes in mortgage servicing rights, see Note 11 (Mortgage Banking Activities).

Table 16.5 presents the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the quarter ended June 30, 2019.

**Table 16.5: Changes in Level 3 Fair Value Assets and Liabilities on a Recurring Basis – Quarter ended June 30, 2019**

(in millions)	Balance, beginning of period	Total net gains (losses) included in		Purchases, sales, issuances and settlements, net (1)	Transfers into Level 3 (2)	Transfers out of Level 3 (3)	Balance, end of period	Net unrealized gains (losses) included in income related to assets and liabilities held at period end (4)
		Net income	Other comprehensive income					
<b>Quarter ended June 30, 2019</b>								
<b>Trading debt securities:</b>								
Securities of U.S. states and political subdivisions	\$ —	—	—	—	—	—	—	—
Collateralized loan obligations	275	(2)	—	(24)	—	—	249	(6)
Corporate debt securities	41	1	—	3	—	(1)	44	1
Mortgage-backed securities	—	—	—	—	—	—	—	—
Other	15	(1)	—	—	—	—	14	—
<b>Total trading debt securities</b>	<b>331</b>	<b>(2)</b>	<b>—</b>	<b>(21)</b>	<b>—</b>	<b>(1)</b>	<b>307</b>	<b>(5) (5)</b>
<b>Available-for-sale debt securities:</b>								
Securities of U.S. states and political subdivisions	470	1	2	(33)	—	(49)	391	—
<b>Mortgage-backed securities:</b>								
Residential	—	—	—	—	—	—	—	—
Commercial	41	—	—	—	—	—	41	—
<b>Total mortgage-backed securities</b>	<b>41</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>41</b>	<b>—</b>
Corporate debt securities	377	—	(1)	7	—	—	383	—
Other	1,117	7	(6)	(128)	—	—	990	—
<b>Total available-for-sale debt securities</b>	<b>2,005</b>	<b>8</b>	<b>(5)</b>	<b>(154)</b>	<b>—</b>	<b>(49)</b>	<b>1,805</b>	<b>— (6)</b>
Mortgage loans held for sale	998	37	—	(22)	104	(2)	1,115	39 (7)
Loans held for sale	71	—	—	(3)	—	(56)	12	— (5)
Loans	225	1	—	(24)	—	—	202	(2) (7)
Mortgage servicing rights (residential) (8)	13,336	(1,639)	—	399	—	—	12,096	(1,078) (7)
<b>Net derivative assets and liabilities:</b>								
Interest rate contracts	101	237	—	(133)	—	—	205	141
Commodity contracts	(18)	(75)	—	64	—	—	(29)	(10)
Equity contracts	(162)	15	—	(66)	(2)	(13)	(228)	(29)
Foreign exchange contracts	(16)	3	—	3	—	—	(10)	7
Credit contracts	49	(3)	—	(1)	—	—	45	(3)
<b>Total derivative contracts</b>	<b>(46)</b>	<b>177</b>	<b>—</b>	<b>(133)</b>	<b>(2)</b>	<b>(13)</b>	<b>(17)</b>	<b>106 (9)</b>
<b>Equity securities:</b>								
Marketable	—	—	—	—	—	—	—	—
Nonmarketable	6,381	724	—	—	5	—	7,110	724
<b>Total equity securities</b>	<b>6,381</b>	<b>724</b>	<b>—</b>	<b>—</b>	<b>5</b>	<b>—</b>	<b>7,110</b>	<b>724 (10)</b>
<b>Other liabilities</b>	<b>(2)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(2)</b>	<b>— (7)</b>

- (1) See Table 16.6 for detail.
- (2) All assets and liabilities transferred into level 3 were previously classified within level 2.
- (3) All assets and liabilities transferred out of level 3 are classified as level 2.
- (4) Represents only net gains (losses) that are due to changes in economic conditions and management's estimates of fair value and excludes changes due to the collection/realization of cash flows over time.
- (5) Included in net gains from trading activities in the income statement.
- (6) Included in net gains from debt securities in the income statement.
- (7) Included in mortgage banking and other noninterest income in the income statement.
- (8) For more information on the changes in mortgage servicing rights, see Note 11 (Mortgage Banking Activities).
- (9) Included in mortgage banking income, net gains from trading activities, net gains (losses) from equity securities and other noninterest income in the income statement.
- (10) Included in net gains (losses) from equity securities in the income statement.

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## Note 16: Fair Values of Assets and Liabilities (continued)

(continued from previous page)

Table 16.6 presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the quarter ended June 30, 2019.

**Table 16.6: Gross Purchases, Sales, Issuances and Settlements – Level 3 – Quarter ended June 30, 2019**

(in millions)	Purchases	Sales	Issuances	Settlements	Net
Quarter ended June 30, 2019					
Trading debt securities:					
Securities of U.S. states and political subdivisions	\$ —	—	—	—	—
Collateralized loan obligations	44	(65)	—	(3)	(24)
Corporate debt securities	6	(3)	—	—	3
Mortgage-backed securities	—	—	—	—	—
Other	—	—	—	—	—
Total trading debt securities	50	(68)	—	(3)	(21)
Available-for-sale debt securities:					
Securities of U.S. states and political subdivisions	—	—	6	(39)	(33)
Mortgage-backed securities:					
Residential	—	—	—	—	—
Commercial	—	—	—	—	—
Total mortgage-backed securities	—	—	—	—	—
Corporate debt securities	8	—	—	(1)	7
Other	—	(2)	57	(183)	(128)
Total available-for-sale debt securities	8	(2)	63	(223)	(154)
Mortgage loans held for sale	30	(47)	54	(59)	(22)
Loans held for sale	—	(1)	—	(2)	(3)
Loans	—	—	2	(26)	(24)
Mortgage servicing rights (residential) (1)	—	(1)	400	—	399
Net derivative assets and liabilities:					
Interest rate contracts	—	—	—	(133)	(133)
Commodity contracts	—	—	—	64	64
Equity contracts	—	—	—	(66)	(66)
Foreign exchange contracts	—	—	—	3	3
Credit contracts	2	(3)	—	—	(1)
Total derivative contracts	2	(3)	—	(132)	(133)
Equity securities:					
Marketable	—	—	—	—	—
Nonmarketable	—	—	—	—	—
Total equity securities	—	—	—	—	—
Other liabilities	—	—	—	—	—

(1) For more information on the changes in mortgage servicing rights, see Note 11 (Mortgage Banking Activities).

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the six months ended June 30, 2020, are presented in Table 16.7.

**Table 16.7: Changes in Level 3 Fair Value Assets and Liabilities on a Recurring Basis – Six months ended June 30, 2020**

(in millions)	Balance, beginning of period	Total net gains (losses) included in		Purchases, sales, issuances and settlements, net (1)	Transfers into Level 3 (2)	Transfers out of Level 3 (3)	Balance, end of period	Net unrealized gains (losses) related to assets and liabilities held at period end included in		
		Net income	Other comprehensive income					Net income	Other comprehensive income (4)	
<b>Six months ended June 30, 2020</b>										
<b>Trading debt securities:</b>										
Securities of U.S. states and political subdivisions	\$ —	—	—	—	—	—	—	—	—	—
Collateralized loan obligations	183	(69)	—	23	16	(25)	128	(62)	—	—
Corporate debt securities	38	(11)	—	4	—	(8)	23	—	—	—
Mortgage-backed securities	—	(7)	—	23	52	(19)	49	(5)	—	—
Other	2	2	—	(28)	47	—	23	(2)	—	—
<b>Total trading debt securities</b>	<b>223</b>	<b>(85)</b>	<b>—</b>	<b>22</b>	<b>115</b>	<b>(52)</b>	<b>223</b>	<b>(69)</b>	<b>(5)</b>	<b>—</b>
<b>Available-for-sale debt securities:</b>										
Securities of U.S. states and political subdivisions	413	1	—	(44)	67	(86)	351	—	—	—
<b>Mortgage-backed securities:</b>										
Residential	—	—	(3)	1	13	(11)	—	—	—	—
Commercial	42	1	(14)	(3)	155	(120)	61	(2)	(2)	(2)
<b>Total mortgage-backed securities</b>	<b>42</b>	<b>1</b>	<b>(17)</b>	<b>(2)</b>	<b>168</b>	<b>(131)</b>	<b>61</b>	<b>(2)</b>	<b>(2)</b>	<b>(2)</b>
Corporate debt securities	367	(54)	27	(46)	831	(74)	1,051	(56)	—	36
Collateralized loan obligations	—	—	(9)	—	68	(50)	9	—	—	—
Other	743	6	(76)	(58)	38	(27)	626	(1)	—	(74)
<b>Total available-for-sale debt securities</b>	<b>1,565</b>	<b>(46)</b>	<b>(75)</b>	<b>(150)</b>	<b>1,172</b>	<b>(368)</b>	<b>2,098</b>	<b>(59)</b>	<b>(6)</b>	<b>(40)</b>
Mortgage loans held for sale	1,198	(98)	—	449	1,402	(2,200)	751	(30)	(7)	—
Loans held for sale	16	(6)	—	(9)	7	(1)	7	(4)	(5)	—
Loans	171	(2)	—	(17)	—	—	152	(6)	(7)	—
Mortgage servicing rights (residential) (8)	11,517	(5,589)	—	891	—	—	6,819	(4,388)	(7)	—
<b>Net derivative assets and liabilities:</b>										
Interest rate contracts	214	1,204	—	(895)	—	—	523	374	—	—
Commodity contracts	(16)	(65)	—	70	12	—	1	18	—	—
Equity contracts	(269)	153	—	152	(10)	(6)	20	48	—	—
Foreign exchange contracts	(18)	(2)	—	4	—	—	(16)	(6)	—	—
Credit contracts	29	19	—	2	—	—	50	21	—	—
<b>Total derivative contracts</b>	<b>(60)</b>	<b>1,309</b>	<b>—</b>	<b>(667)</b>	<b>2</b>	<b>(6)</b>	<b>578</b>	<b>455</b>	<b>(9)</b>	<b>—</b>
<b>Equity securities:</b>										
Marketable	3	—	—	—	—	(3)	—	—	—	—
Nonmarketable	7,847	313	—	—	7	(2)	8,165	310	—	—
<b>Total equity securities</b>	<b>7,850</b>	<b>313</b>	<b>—</b>	<b>—</b>	<b>7</b>	<b>(5)</b>	<b>8,165</b>	<b>310</b>	<b>(10)</b>	<b>—</b>
Short sale liabilities	—	—	—	(3)	—	—	(3)	—	(5)	—
Other liabilities	(2)	—	—	—	—	—	(2)	—	(7)	—

- (1) See Table 16.8 for detail.
- (2) All assets and liabilities transferred into level 3 were previously classified within level 2.
- (3) All assets and liabilities transferred out of level 3 are classified as level 2.
- (4) Represents only net gains (losses) that are due to changes in economic conditions and management's estimates of fair value and excludes changes due to the collection/realization of cash flows over time.
- (5) Included in net gains from trading activities in the income statement.
- (6) Included in net gains from debt securities and provision (reversal of provision) for credit losses - debt securities in the income statement.
- (7) Included in mortgage banking and other noninterest income in the income statement.
- (8) For more information on the changes in mortgage servicing rights, see Note 11 (Mortgage Banking Activities).
- (9) Included in mortgage banking income, net gains from trading activities, net gains (losses) from equity securities and other noninterest income in the income statement.
- (10) Included in net gains (losses) from equity securities in the income statement.

(continued on following page)

## Note 16: Fair Values of Assets and Liabilities (continued)

(continued from previous page)

Table 16.8 presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for six months ended June 30, 2020.

**Table 16.8: Gross Purchases, Sales, Issuances and Settlements – Level 3 – Six months ended June 30, 2020**

(in millions)	Purchases	Sales	Issuances	Settlements	Net
<b>Six months ended June 30, 2020</b>					
<b>Trading debt securities:</b>					
Securities of U.S. states and political subdivisions	\$ —	—	—	—	—
Collateralized loan obligations	171	(138)	—	(10)	23
Corporate debt securities	32	(28)	—	—	4
Mortgage-backed securities	267	(240)	—	(4)	23
Other	6	(33)	—	(1)	(28)
<b>Total trading debt securities</b>	<b>476</b>	<b>(439)</b>	<b>—</b>	<b>(15)</b>	<b>22</b>
<b>Available-for-sale debt securities:</b>					
Securities of U.S. states and political subdivisions	—	—	—	(44)	(44)
<b>Mortgage-backed securities:</b>					
Residential	25	(23)	—	(1)	1
Commercial	—	—	—	(3)	(3)
<b>Total mortgage-backed securities</b>	<b>25</b>	<b>(23)</b>	<b>—</b>	<b>(4)</b>	<b>(2)</b>
Corporate debt securities	6	—	—	(52)	(46)
Collateralized loan obligations	—	—	—	—	—
Other	—	(10)	—	(48)	(58)
<b>Total available-for-sale debt securities</b>	<b>31</b>	<b>(33)</b>	<b>—</b>	<b>(148)</b>	<b>(150)</b>
Mortgage loans held for sale	55	(350)	905	(161)	449
Loans held for sale	—	(8)	—	(1)	(9)
Loans	1	—	4	(22)	(17)
Mortgage servicing rights (residential) (1)	—	(33)	923	1	891
<b>Net derivative assets and liabilities:</b>					
Interest rate contracts	—	—	—	(895)	(895)
Commodity contracts	—	—	—	70	70
Equity contracts	—	—	—	152	152
Foreign exchange contracts	—	—	—	4	4
Credit contracts	8	(4)	—	(2)	2
<b>Total derivative contracts</b>	<b>8</b>	<b>(4)</b>	<b>—</b>	<b>(671)</b>	<b>(667)</b>
<b>Equity securities:</b>					
Marketable	—	—	—	—	—
Nonmarketable	—	—	—	—	—
<b>Total equity securities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Short sale liabilities	—	(3)	—	—	(3)
Other liabilities	—	—	—	—	—

(1) For more information on the changes in mortgage servicing rights, see Note 11 (Mortgage Banking Activities).

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for six months ended June 30, 2019, are presented in Table 16.9.

**Table 16.9: Changes in Level 3 Fair Value Assets and Liabilities on a Recurring Basis – Six months ended June 30, 2019**

(in millions)	Balance, beginning of period	Total net gains (losses) included in		Purchases, sales, issuances and settlements, net (1)	Transfers into Level 3 (2)	Transfers out of Level 3 (3)	Balance, end of period	Net unrealized gains (losses) included in income related to assets and liabilities held at period end (4)
		Net income	Other comprehensive income					
<b>Six months ended June 30, 2019</b>								
<b>Trading debt securities:</b>								
Securities of U.S. states and political subdivisions	\$ 3	—	—	(2)	—	(1)	—	—
Collateralized loan obligations	237	(5)	—	17	—	—	249	(4)
Corporate debt securities	34	3	—	7	1	(1)	44	3
Mortgage-backed securities	—	—	—	—	—	—	—	—
Other	16	(2)	—	—	—	—	14	—
Total trading debt securities	290	(4)	—	22	1	(2)	307	(1) (5)
<b>Available-for-sale debt securities:</b>								
Securities of U.S. states and political subdivisions	444	1	5	(10)	—	(49)	391	—
<b>Mortgage-backed securities:</b>								
Residential	—	—	—	—	—	—	—	—
Commercial	41	—	—	—	—	—	41	—
Total mortgage-backed securities	41	—	—	—	—	—	41	—
Corporate debt securities	370	1	3	9	—	—	383	—
Other	1,189	13	(11)	(201)	—	—	990	—
Total available-for-sale debt securities	2,044	15	(3)	(202)	—	(49)	1,805	— (6)
Mortgage loans held for sale	997	52	—	(88)	160	(6)	1,115	54 (7)
Loans held for sale	60	—	—	8	37	(93)	12	— (5)
Loans	244	1	—	(43)	—	—	202	(4) (7)
Mortgage servicing rights (residential) (8)	14,649	(3,012)	—	459	—	—	12,096	(1,969) (7)
<b>Net derivative assets and liabilities:</b>								
Interest rate contracts	25	424	—	(244)	—	—	205	220
Commodity contracts	4	(126)	—	91	2	—	(29)	(26)
Equity contracts	(17)	(104)	—	(69)	7	(45)	(228)	(175)
Foreign exchange contracts	(26)	10	—	6	—	—	(10)	17
Credit contracts	35	5	—	5	—	—	45	10
Total derivative contracts	21	209	—	(211)	9	(45)	(17)	46 (9)
<b>Equity securities:</b>								
Marketable	—	—	—	—	—	—	—	—
Nonmarketable	5,468	1,650	—	(1)	5	(12)	7,110	1,650 (10)
Total equity securities	5,468	1,650	—	(1)	5	(12)	7,110	1,650 (10)
Other liabilities	(2)	—	—	—	—	—	(2)	— (7)

(1) See Table 16.10 for detail.

(2) All assets and liabilities transferred into level 3 were previously classified within level 2.

(3) All assets and liabilities transferred out of level 3 are classified as level 2.

(4) Represents only net gains (losses) that are due to changes in economic conditions and management's estimates of fair value and excludes changes due to the collection/realization of cash flows over time.

(5) Included in net gains from trading activities in the income statement.

(6) Included in net gains from debt securities in the income statement.

(7) Included in mortgage banking and other noninterest income in the income statement.

(8) For more information on the changes in mortgage servicing rights, see Note 11 (Mortgage Banking Activities).

(9) Included in mortgage banking income, net gains from trading activities, net gains (losses) from equity securities and other noninterest income in the income statement.

(10) Included in net gains (losses) from equity securities in the income statement.

(continued on following page)

## Note 16: Fair Values of Assets and Liabilities (continued)

(continued from previous page)

Table 16.10 presents gross purchases, sales, issuances and settlements related to the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for six months ended June 30, 2019.

**Table 16.10: Gross Purchases, Sales, Issuances and Settlements – Level 3 – Six months ended June 30, 2019**

(in millions)	Purchases	Sales	Issuances	Settlements	Net
Six months ended June 30, 2019					
Trading debt securities:					
Securities of U.S. states and political subdivisions	\$ —	—	—	(2)	(2)
Collateralized loan obligations	174	(152)	—	(5)	17
Corporate debt securities	11	(4)	—	—	7
Mortgage-backed securities	—	—	—	—	—
Other	—	—	—	—	—
Total trading debt securities	185	(156)	—	(7)	22
Available-for-sale debt securities:					
Securities of U.S. states and political subdivisions	—	—	55	(65)	(10)
Mortgage-backed securities:					
Residential	—	—	—	—	—
Commercial	—	—	—	—	—
Total mortgage-backed securities	—	—	—	—	—
Corporate debt securities	11	—	—	(2)	9
Other	—	(5)	123	(319)	(201)
Total available-for-sale debt securities	11	(5)	178	(386)	(202)
Mortgage loans held for sale	46	(140)	100	(94)	(88)
Loans held for sale	12	(2)	—	(2)	8
Loans	2	—	5	(50)	(43)
Mortgage servicing rights (residential) (1)	—	(282)	741	—	459
Net derivative assets and liabilities:					
Interest rate contracts	—	—	—	(244)	(244)
Commodity contracts	—	—	—	91	91
Equity contracts	—	—	—	(69)	(69)
Foreign exchange contracts	—	—	—	6	6
Credit contracts	8	(3)	—	—	5
Total derivative contracts	8	(3)	—	(216)	(211)
Equity securities:					
Marketable	—	—	—	—	—
Nonmarketable	—	(1)	—	—	(1)
Total equity securities	—	(1)	—	—	(1)
Other liabilities	—	—	—	—	—

(1) For more information on the changes in mortgage servicing rights, see Note 11 (Mortgage Banking Activities).

Table 16.11 and Table 16.12 provide quantitative information about the valuation techniques and significant unobservable inputs used in the valuation of substantially all of our Level 3 assets and liabilities measured at fair value on a recurring basis for which we use an internal model.

The significant unobservable inputs for Level 3 assets and liabilities inherent in the fair values obtained from third-party vendors are not included in the table, as the specific inputs applied are not provided by the vendor.

In addition, the table excludes the valuation techniques and significant unobservable inputs for certain classes of Level 3 assets and liabilities measured using internal models that we consider, both individually and in the aggregate, insignificant relative to our overall Level 3 assets and liabilities. We made this determination based upon an evaluation of each class, which considered the magnitude of the positions, nature of the unobservable inputs and potential for significant changes in fair value due to changes in those inputs.

Weighted averages of inputs are calculated using outstanding unpaid principal balance for cash instruments, such as loans and securities, and notional amounts for derivative instruments.

For information on how changes in significant unobservable inputs affect the fair values of Level 3 assets and liabilities, see Note 19 (Fair Values of Assets and Liabilities) in our 2019 Form 10-K.

**Table 16.11: Valuation Techniques – Recurring Basis – June 30, 2020**

(\$ in millions, except cost to service amounts)	Fair Value Level 3	Valuation Technique(s)	Significant Unobservable Inputs	Range of Inputs Positive (Negative)	Weighted Average
<b>June 30, 2020</b>					
<b>Trading and available-for-sale debt securities:</b>					
Securities of U.S. states and political subdivisions	\$ 279	Discounted cash flow	Discount rate	0.6 - 4.8 %	1.4
	72	Vendor priced			
Collateralized loan obligations	127	Market comparable pricing	Comparability adjustment	(31.6) - 31.0	(12.3)
	10	Vendor priced			
Corporate debt securities	852	Discounted cash flow	Discount rate	3.6 - 14.8	4.2
	100	Market comparable pricing	Comparability adjustment	(29.4) - 8.8	(22.1)
	122	Vendor priced			
Mortgage-backed securities	49	Market comparable pricing	Comparability adjustment	(29.2) - (4.7)	(12.9)
	61	Vendor priced			
Other debt securities	64	Discounted cash flow	Discount rate	1.4 - 3.4	2.6
	23	Market comparable pricing	Comparability adjustment	(5.4) - 9.2	(3.0)
	562	Vendor priced			
Mortgage loans held for sale (residential)	735	Discounted cash flow	Default rate	0.0 - 27.8	1.4
			Discount rate	2.5 - 6.0	5.2
			Loss severity	0.0 - 32.0	21.5
			Prepayment rate	7.6 - 22.1	14.8
	16	Market comparable pricing	Comparability adjustment	(50.0) - (14.3)	(38.1)
Loans (1)	152	Discounted cash flow	Discount rate	3.9 - 5.6	4.3
			Default rate	0.0 - 29.6	0.6
			Prepayment rate	8.1 - 100.0	85.3
			Loss severity	0.0 - 41.9	14.9
Mortgage servicing rights (residential)	6,819	Discounted cash flow	Cost to service per loan (2)	\$ 65 - 1,138	152
			Discount rate	6.1 - 9.1 %	6.8
			Prepayment rate (3)	12.7 - 26.4	18.5
<b>Net derivative assets and (liabilities):</b>					
Interest rate contracts	215	Discounted cash flow	Default rate	0.0 - 6.0	1.6
			Loss severity	50.0 - 50.0	50.0
			Prepayment rate	2.8 - 22.0	14.7
			Market comparable pricing	Comparability adjustment	(23.7) - (21.2)
Interest rate contracts: derivative loan commitments	295	Discounted cash flow	Fall-out factor	1.0 - 99.0	20.5
			Initial-value servicing	(37.1) - 137.0 bps	42.3
Equity contracts	171	Discounted cash flow	Conversion factor	(8.8) - 0.0 %	(7.7)
			Weighted average life	0.5 - 2.5 yrs	1.1
	(151)	Option model	Correlation factor	(77.0) - 99.0 %	37.7
			Volatility factor	6.5 - 83.4	27.0
Credit contracts	38	Market comparable pricing	Comparability adjustment	(96.8) - 477.6	14.8
	12	Option model	Credit spread	0.0 - 86.2	2.5
			Loss severity	12.0 - 60.0	45.4
Nonmarketable equity securities	8,165	Market comparable pricing	Comparability adjustment	4.2 - 22.0	13.6
<b>Insignificant Level 3 assets, net of liabilities</b>		<b>(13)</b>			
<b>Total level 3 assets, net of liabilities</b>		<b>\$ 18,788 (4)</b>			

(1) Consists of reverse mortgage loans.

(2) The high end of the range of inputs is for servicing modified loans. For non-modified loans the range is \$65 to \$273 per loan.

(3) Includes a blend of prepayment speeds and expected defaults. Prepayment speeds are influenced by mortgage interest rates as well as our estimation of drivers of borrower behavior.

(4) Consists of total Level 3 assets of \$20.4 billion and total Level 3 liabilities of \$1.6 billion, before netting of derivative balances.

## Note 16: Fair Values of Assets and Liabilities (continued)

**Table 16.12: Valuation Techniques – Recurring Basis – December 31, 2019**

(\$ in millions, except cost to service amounts)	Fair Value Level 3	Valuation Technique(s)	Significant Unobservable Inputs	Range of Inputs Positive (Negative)	Weighted Average
December 31, 2019					
Trading and available-for-sale debt securities:					
Securities of U.S. states and political subdivisions	\$ 379	Discounted cash flow	Discount rate	1.3 - 5.4 %	2.4
	34	Vendor priced			
Collateralized loan obligations	183	Market comparable pricing	Comparability adjustment	(15.0) - 19.2	1.3
Corporate debt securities	220	Discounted cash flow	Discount rate	3.2 - 14.9	9.2
	60	Market comparable pricing	Comparability adjustment	(19.7) - 14.0	(4.4)
	125	Vendor priced			
Other debt securities	92	Discounted cash flow	Discount rate	2.3 - 3.1	2.8
	651	Vendor priced			
Mortgage loans held for sale (residential)	1,183	Discounted cash flow	Default rate	0.0 - 15.5	0.7
			Discount rate	3.0 - 5.6	4.5
			Loss severity	0.0 - 43.5	21.7
			Prepayment rate	5.7 - 15.4	7.8
	15	Market comparable pricing	Comparability adjustment	(56.3) - (6.3)	(40.3)
Loans (1)	171	Discounted cash flow	Discount rate	3.9 - 4.3	4.1
			Prepayment rate	6.0 - 100.0	85.6
			Loss severity	0.0 - 36.5	14.1
Mortgage servicing rights (residential)	11,517	Discounted cash flow	Cost to service per loan (2) \$	61 - 495	102
			Discount rate	6.0 - 13.6 %	7.2
			Prepayment rate (3)	9.6 - 24.4	11.9
Net derivative assets and (liabilities):					
Interest rate contracts	146	Discounted cash flow	Default rate	0.0 - 5.0	1.7
			Loss severity	50.0 - 50.0	50.0
			Prepayment rate	2.8 - 25.0	15.0
Interest rate contracts: derivative loan commitments	68	Discounted cash flow	Fall-out factor	1.0 - 99.0	16.7
			Initial-value servicing	(32.2) - 149.0 bps	36.4
Equity contracts	147	Discounted cash flow	Conversion factor	(8.8) - 0.0 %	(7.7)
			Weighted average life	0.5 - 3.0 yrs	1.5
	(416)	Option model	Correlation factor	(77.0) - 99.0 %	23.8
			Volatility factor	6.8 - 100.0	18.7
Credit contracts	2	Market comparable pricing	Comparability adjustment	(56.1) - 10.8	(16.0)
	27	Option model	Credit spread	0.0 - 17.8	0.8
			Loss severity	12.0 - 60.0	45.6
Nonmarketable equity securities	7,847	Market comparable pricing	Comparability adjustment	(20.2) - (4.2)	(14.6)
Insignificant Level 3 assets, net of liabilities	27				
Total level 3 assets, net of liabilities	\$ 22,478 (4)				

(1) Consists of reverse mortgage loans.

(2) The high end of the range of inputs is for servicing modified loans. For non-modified loans the range is \$61 to \$231 per loan.

(3) Includes a blend of prepayment speeds and expected defaults. Prepayment speeds are influenced by mortgage interest rates as well as our estimation of drivers of borrower behavior.

(4) Consists of total Level 3 assets of \$24.3 billion and total Level 3 liabilities of \$1.8 billion, before netting of derivative balances.

For information on the valuation techniques and significant unobservable inputs used for our Level 3 assets and liabilities, see Note 19 (Fair Value of Assets and Liabilities) in our 2019 Form 10-K.

## Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis

We may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from application of LOCOM accounting, write-downs of individual assets or use of the measurement alternative for nonmarketable equity securities.

Table 16.13 provides the fair value hierarchy and fair value at the date of the nonrecurring fair value adjustment for all assets

that were still held as of June 30, 2020, and December 31, 2019, and for which a nonrecurring fair value adjustment was recorded during the six months ended June 30, 2020, and year ended December 31, 2019.

Table 16.14 presents the increase (decrease) in value of certain assets held at the end of the respective reporting periods presented for which a nonrecurring fair value adjustment was recognized during the periods presented.

**Table 16.13: Fair Value on a Nonrecurring Basis**

(in millions)	June 30, 2020				December 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Mortgage loans held for sale (1)	\$ —	981	1,791	2,772	—	2,034	3,803	5,837
Loans held for sale	—	29	—	29	—	5	—	5
Loans:								
Commercial	—	957	—	957	—	280	—	280
Consumer	—	161	—	161	—	213	1	214
Total loans	—	1,118	—	1,118	—	493	1	494
Mortgage servicing rights (commercial)	—	—	568	568	—	—	—	—
Nonmarketable equity securities	—	726	788	1,514	—	1,308	173	1,481
Other assets	—	532	439	971	—	359	27	386
Total assets at fair value on a nonrecurring basis	\$ —	3,386	3,586	6,972	—	4,199	4,004	8,203

(1) Consists of commercial mortgages and residential real estate 1-4 family first mortgage loans.

Nonmarketable equity securities includes impairment on private equity and venture capital investments and gains or losses under the measurement alternative. Other assets includes impairments of operating lease ROU assets, valuation losses on foreclosed real estate and other collateral owned, and impairment on private equity and venture capital investments in consolidated portfolio companies.

**Table 16.14: Change in Value of Assets with Nonrecurring Fair Value Adjustment**

(in millions)	Six months ended June 30,	
	2020	2019
Mortgage loans held for sale	\$ (61)	18
Loans held for sale	(16)	(2)
Loans:		
Commercial	(392)	(106)
Consumer	(128)	(121)
Total loans	(520)	(227)
Mortgage servicing rights (commercial)	(30)	—
Nonmarketable equity securities	(410)	264
Other assets	(394)	(29)
Total	\$ (1,431)	24



## Note 16: Fair Values of Assets and Liabilities (continued)

Table 16.15 provides quantitative information about the valuation techniques and significant unobservable inputs used in the valuation of our Level 3 assets that are measured at fair value on a nonrecurring basis primarily using an internal model. The table is limited to financial instruments that had nonrecurring fair value adjustments during the periods presented. Weighted averages of inputs are calculated using outstanding unpaid principal balance for cash instruments, such as loans, and carrying value prior to the nonrecurring fair value measurement for nonmarketable equity securities.

We have excluded from the table valuation techniques and significant unobservable inputs for certain classes of Level 3 assets we consider both individually and in the aggregate, insignificant relative to our overall Level 3 nonrecurring measurements. We made this determination based upon an evaluation of each class that considered the magnitude of the positions, nature of the unobservable inputs and potential for significant changes in fair value due to changes in those inputs.

**Table 16.15: Valuation Techniques – Nonrecurring Basis**

(\$ in millions)	Fair Value Level 3	Valuation Technique(s) (1)	Significant Unobservable Inputs (1)	Range of Inputs Positive (Negative)	Weighted Average
<b>June 30, 2020</b>					
<b>Residential mortgage loans held for sale</b>	<b>\$ 1,791 (2)</b>	<b>Discounted cash flow</b>	<b>Default rate (3)</b>	<b>0.6 — 65.0 %</b>	<b>26.4</b>
			<b>Discount rate</b>	<b>0.7 — 8.5</b>	<b>4.3</b>
			<b>Loss severity</b>	<b>1.0 — 83.9</b>	<b>8.7</b>
			<b>Prepayment rate (4)</b>	<b>3.4 — 100.0</b>	<b>42.5</b>
<b>Mortgage servicing rights (commercial)</b>	<b>568</b>	<b>Discounted cash flow</b>	<b>Cost to service per loan</b>	<b>\$ 150 — 3,369</b>	<b>2,771</b>
			<b>Discount rate</b>	<b>3.0 — 3.0 %</b>	<b>3.0</b>
			<b>Prepayment rate</b>	<b>5.0 — 20.0</b>	<b>6.4</b>
<b>Nonmarketable equity securities (5)</b>	<b>674</b>	<b>Market comparable pricing</b>	<b>Multiples</b>	<b>0.1x — 11.6x</b>	<b>5.1x</b>
	<b>353</b>	<b>Market comparable pricing</b>	<b>Comparability adjustment</b>	<b>(100.0) — (6.0)%</b>	<b>(44.3)</b>
	<b>110</b>	<b>Other</b>	<b>Company risk factor</b>	<b>(100.0) — (20.0)</b>	<b>(43.4)</b>
	<b>87</b>	<b>Discounted cash flow</b>	<b>Discount rate</b>	<b>10.0 — 20.0</b>	<b>11.3</b>
			<b>Company risk factor</b>	<b>(64.5) — 0.0</b>	<b>(26.6)</b>
			<b>Crude oil prices (\$/barrel)</b>	<b>\$ 48 — 48</b>	<b>48</b>
			<b>Natural gas prices (\$/MMBtu)</b>	<b>2 — 2</b>	<b>2</b>
<b>Insignificant level 3 assets</b>	<b>3</b>				
<b>Total</b>	<b>\$ 3,586</b>				
<b>December 31, 2019</b>					
<b>Residential mortgage loans held for sale</b>	<b>\$ 3,803 (2)</b>	<b>Discounted cash flow</b>	<b>Default rate (3)</b>	<b>0.3 — 48.3 %</b>	<b>4.6</b>
			<b>Discount rate</b>	<b>1.5 — 9.4</b>	<b>4.3</b>
			<b>Loss severity</b>	<b>0.4 — 100.0</b>	<b>23.4</b>
			<b>Prepayment rate (4)</b>	<b>4.8 — 100.0</b>	<b>23.2</b>
<b>Insignificant level 3 assets</b>	<b>201</b>				
<b>Total</b>	<b>\$ 4,004</b>				

(1) Refer to Note 19 (Fair Value of Assets and Liabilities) in our 2019 Form 10-K for a definition of the valuation technique(s) and significant unobservable inputs used in the valuation of residential mortgage loans held for sale, mortgage servicing rights, and certain nonmarketable equity securities.

(2) Consists of approximately \$1.3 billion of government insured/guaranteed loans purchased from GNMA-guaranteed mortgage securitizations at both June 30, 2020 and December 31, 2019, and approximately \$500 million and \$2.5 billion, respectively, of other mortgage loans that are not government insured/guaranteed.

(3) Applies only to non-government insured/guaranteed loans.

(4) Includes the impact on prepayment rate of expected defaults for government insured/guaranteed loans, which impact the frequency and timing of early resolution of loans.

(5) Includes \$439 million of private equity and venture capital investments in consolidated portfolio companies classified in other assets on the balance sheet.

We typically use a market approach to estimate the fair value of our nonmarketable private equity and venture capital investments in portfolio companies. The market approach bases the fair value measurement on market data (for example, use of market comparable pricing techniques) that are used to derive the enterprise value of the portfolio company. Market comparable pricing techniques include utilization of financial metrics of comparable public companies (multiples), such as ratios of enterprise value or market value of equity to revenue, EBITDA, net income or book value. Comparable company valuation multiples are evaluated and adjusted as necessary to reflect the comparative operational, financial or marketability differences between the public company and subject portfolio company in estimating its fair value. Market comparable pricing

techniques also use recent or anticipated transactions (for example, a financing round, merger, acquisition or bankruptcy) involving the subject portfolio company, or participants in its industry or related industries. Based upon these recent or anticipated transactions, current market conditions and other factors specific to the issuer, we make adjustments to estimate the enterprise value of the portfolio company. As a result of the recent market environment, we also utilized other valuation techniques. These techniques included the use of company risk factors in the estimation of the fair value of certain nonmarketable equity securities. The company risk factors are based upon entity-specific considerations including the debt and liquidity profile, projected cash flow or funding issues as well as other factors that may affect the company's outlook.

## Fair Value Option

The fair value option is an irrevocable election, generally only permitted upon initial recognition of financial assets or liabilities, to measure eligible financial instruments at fair value with changes in fair value reflected in earnings. We may elect the fair value option to align the measurement model with how the financial assets or liabilities are managed or to reduce complexity

or accounting asymmetry. For more information, including the basis for our fair value option elections, see Note 19 (Fair Values of Assets and Liabilities) in our 2019 Form 10-K.

Table 16.16 reflects differences between the fair value carrying amount of the assets for which we have elected the fair value option and the contractual aggregate unpaid principal amount at maturity.

**Table 16.16: Fair Value Option**

(in millions)	June 30, 2020			December 31, 2019		
	Fair value carrying amount	Aggregate unpaid principal	Fair value carrying amount less aggregate unpaid principal	Fair value carrying amount	Aggregate unpaid principal	Fair value carrying amount less aggregate unpaid principal
<b>Mortgage loans held for sale:</b>						
Total loans	\$ 18,644	17,923	721	16,606	16,279	327
Nonaccrual loans	134	165	(31)	133	157	(24)
Loans 90 days or more past due and still accruing	140	152	(12)	8	10	(2)
<b>Loans held for sale:</b>						
Total loans	1,201	1,329	(128)	972	1,020	(48)
Nonaccrual loans	15	49	(34)	21	29	(8)
<b>Loans:</b>						
Total loans	152	183	(31)	171	201	(30)
Nonaccrual loans	118	149	(31)	129	159	(30)

The changes in fair value related to initial measurement and subsequent changes in fair value included in earnings for these assets measured at fair value are shown in Table 16.17 by income

statement line item. Amounts recorded as interest income are excluded from Table 16.17.

**Table 16.17: Fair Value Option – Changes in Fair Value Included in Earnings**

(in millions)	2020			2019		
	Mortgage banking noninterest income	Net gains (losses) from trading activities	Other noninterest income	Mortgage banking noninterest income	Net gains (losses) from trading activities	Other noninterest income
<b>Quarter ended June 30,</b>						
Mortgage loans held for sale	\$ 749	—	—	379	—	—
Loans held for sale	—	24	—	—	(4)	—
Loans	—	—	(2)	—	—	1
<b>Six months ended June 30,</b>						
Mortgage loans held for sale	\$ 1,097	—	—	593	—	—
Loans held for sale	—	11	—	—	10	1
Loans	—	—	(2)	—	—	1

For performing loans, instrument-specific credit risk gains or losses were derived principally by determining the change in fair value of the loans due to changes in the observable or implied credit spread. Credit spread is the market yield on the loans less the relevant risk-free benchmark interest rate. For

nonperforming loans, we attribute all changes in fair value to instrument-specific credit risk. Table 16.18 shows the estimated gains and losses from earnings attributable to instrument-specific credit risk related to assets accounted for under the fair value option.

**Table 16.18: Fair Value Option – Gains/Losses Attributable to Instrument-Specific Credit Risk**

(in millions)	Quarter ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
<b>Gains (losses) attributable to instrument-specific credit risk:</b>				
Mortgage loans held for sale	\$ (35)	16	\$ (217)	12
Loans held for sale	26	(3)	14	11
Total	\$ (9)	13	\$ (203)	23

## Note 16: Fair Values of Assets and Liabilities (continued)

### Disclosures about Fair Value of Financial Instruments

Table 16.19 presents a summary of fair value estimates for financial instruments that are not carried at fair value on a recurring basis. Some financial instruments are excluded from scope of this table, such as certain insurance contracts and leases. This table also excludes assets and liabilities that are not financial instruments such as the value of the long-term relationships with our deposit, credit card and trust customers, MSR, premises and equipment, goodwill and deferred taxes.

Loan commitments, standby letters of credit and commercial and similar letters of credit are not included in Table 16.19. A reasonable estimate of the fair value of these instruments is the carrying value of deferred fees plus the allowance for unfunded credit commitments, which totaled \$1.7 billion and \$1.0 billion at June 30, 2020 and December 31, 2019, respectively.

The total of the fair value calculations presented does not represent, and should not be construed to represent, the underlying value of the Company.

**Table 16.19: Fair Value Estimates for Financial Instruments**

(in millions)	Carrying amount	Estimated fair value			
		Level 1	Level 2	Level 3	Total
<b>June 30, 2020</b>					
<b>Financial assets</b>					
Cash and due from banks (1)	\$ 24,704	24,704	—	—	24,704
Interest-earning deposits with banks (1)	237,799	237,583	216	—	237,799
Federal funds sold and securities purchased under resale agreements (1)	79,289	—	79,289	—	79,289
Held-to-maturity debt securities, net	169,002	50,504	125,483	895	176,882
Mortgage loans held for sale	13,711	—	11,987	2,321	14,308
Loans held for sale	138	—	139	—	139
Loans, net (2)	899,347	—	55,225	854,436	909,661
Nonmarketable equity securities (cost method)	3,794	—	—	3,838	3,838
<b>Total financial assets</b>	<b>\$ 1,427,784</b>	<b>312,791</b>	<b>272,339</b>	<b>861,490</b>	<b>1,446,620</b>
<b>Financial liabilities</b>					
Deposits (3)	\$ 83,654	—	58,313	26,287	84,600
Short-term borrowings	60,485	—	60,486	—	60,486
Long-term debt (4)	230,891	—	230,563	1,395	231,958
<b>Total financial liabilities</b>	<b>\$ 375,030</b>	<b>—</b>	<b>349,362</b>	<b>27,682</b>	<b>377,044</b>
<b>December 31, 2019</b>					
<b>Financial assets</b>					
Cash and due from banks (1)	\$ 21,757	21,757	—	—	21,757
Interest-earning deposits with banks (1)	119,493	119,257	236	—	119,493
Federal funds sold and securities purchased under resale agreements (1)	102,140	—	102,140	—	102,140
Held-to-maturity debt securities	153,933	46,138	109,933	789	156,860
Mortgage loans held for sale	6,736	—	2,939	4,721	7,660
Loans held for sale	5	—	5	—	5
Loans, net (2)	933,042	—	54,125	891,714	945,839
Nonmarketable equity securities (cost method)	4,790	—	—	4,823	4,823
<b>Total financial assets</b>	<b>\$ 1,341,896</b>	<b>187,152</b>	<b>269,378</b>	<b>902,047</b>	<b>1,358,577</b>
<b>Financial liabilities</b>					
Deposits (3)	\$ 118,849	—	87,279	31,858	119,137
Short-term borrowings	104,512	—	104,513	—	104,513
Long-term debt (4)	228,159	—	231,332	1,720	233,052
<b>Total financial liabilities</b>	<b>\$ 451,520</b>	<b>—</b>	<b>423,124</b>	<b>33,578</b>	<b>456,702</b>

(1) Amounts consist of financial instruments for which carrying value approximates fair value.

(2) Excludes lease financing with a carrying amount of \$16.7 billion and \$19.5 billion at June 30, 2020 and December 31, 2019, respectively.

(3) Excludes deposit liabilities with no defined or contractual maturity of \$1.3 trillion and \$1.2 trillion at June 30, 2020 and December 31, 2019, respectively.

(4) Excludes capital lease obligations under capital leases of \$30 million and \$32 million at June 30, 2020 and December 31, 2019, respectively.

## Note 17: Preferred Stock

We are authorized to issue 20 million shares of preferred stock and 4 million shares of preference stock, both without par value. Preferred shares outstanding rank senior to common shares both as to dividends and liquidation preference but have no general voting rights. We have not issued any preference shares under this authorization. If issued, preference shares would be limited to

one vote per share. Our total authorized, issued and outstanding preferred stock is presented in the following two tables along with the Employee Stock Ownership Plan (ESOP) Cumulative Convertible Preferred Stock. All classes of preferred stock, except the Dividend Equalization Preferred Shares and the ESOP Cumulative Convertible Preferred Stock, qualify as Tier 1 capital.

**Table 17.1: Preferred Stock Shares**

	June 30, 2020		December 31, 2019	
	Liquidation preference per share	Shares authorized and designated	Liquidation preference per share	Shares authorized and designated
<b>DEP Shares</b>				
Dividend Equalization Preferred Shares (DEP)	\$ 10	97,000	\$ 10	97,000
<b>Series I</b>				
Floating Class A Preferred Stock (1)	100,000	25,010	100,000	25,010
<b>Series K</b>				
Floating Non-Cumulative Perpetual Class A Preferred Stock (2)	—	—	1,000	3,500,000
<b>Series L</b>				
7.50% Non-Cumulative Perpetual Convertible Class A Preferred Stock (3)	1,000	4,025,000	1,000	4,025,000
<b>Series N</b>				
5.20% Non-Cumulative Perpetual Class A Preferred Stock	25,000	30,000	25,000	30,000
<b>Series O</b>				
5.125% Non-Cumulative Perpetual Class A Preferred Stock	25,000	27,600	25,000	27,600
<b>Series P</b>				
5.25% Non-Cumulative Perpetual Class A Preferred Stock	25,000	26,400	25,000	26,400
<b>Series Q</b>				
5.85% Floating-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	25,000	69,000	25,000	69,000
<b>Series R</b>				
6.625% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	25,000	34,500	25,000	34,500
<b>Series S</b>				
5.90% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	25,000	80,000	25,000	80,000
<b>Series T</b>				
6.00% Non-Cumulative Perpetual Class A Preferred Stock (4)	25,000	32,200	25,000	32,200
<b>Series U</b>				
5.875% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	25,000	80,000	25,000	80,000
<b>Series V</b>				
6.00% Non-Cumulative Perpetual Class A Preferred Stock	25,000	40,000	25,000	40,000
<b>Series W</b>				
5.70% Non-Cumulative Perpetual Class A Preferred Stock	25,000	40,000	25,000	40,000
<b>Series X</b>				
5.50% Non-Cumulative Perpetual Class A Preferred Stock	25,000	46,000	25,000	46,000
<b>Series Y</b>				
5.625% Non-Cumulative Perpetual Class A Preferred Stock	25,000	27,600	25,000	27,600
<b>Series Z</b>				
4.750% Non-Cumulative Perpetual Class A Preferred Stock	25,000	80,500	—	—
<b>ESOP</b>				
Cumulative Convertible Preferred Stock (5)	—	822,242	—	1,071,418
<b>Total</b>		<b>5,583,052</b>		<b>9,251,728</b>

- (1) Preferred Stock, Series I, relates to trust preferred securities. See Note 10 (Securitized and Variable Interest Entities) for additional information. This issuance has a floating interest rate that is the greater of three-month London Interbank Offered Rate (LIBOR) plus 0.93% and 5.56975%.
- (2) Floating rate for Preferred Stock, Series K, is three-month LIBOR plus 3.77%. In first quarter 2020, the remaining \$1.8 billion of Preferred Stock, Series K, was redeemed.
- (3) Preferred Stock, Series L, may be converted at any time, at the option of the holder, into 6.3814 shares of our common stock, plus cash in lieu of fractional shares, subject to anti-dilution adjustments.
- (4) In first quarter 2020, \$669 million of Preferred Stock, Series T, was redeemed.
- (5) See the ESOP Cumulative Convertible Preferred Stock section in this Note for additional information about the liquidation preference.

## Note 17: Preferred Stock (continued)

Table 17.2: Preferred Stock – Shares Issued and Carrying Value

(in millions, except shares)	June 30, 2020				December 31, 2019			
	Shares issued and outstanding	Liquidation preference value	Carrying value	Discount	Shares issued and outstanding	Liquidation preference value	Carrying value	Discount
<b>DEP Shares</b>								
Dividend Equalization Preferred Shares (DEP)	96,546	\$ —	—	—	96,546	\$ —	—	—
<b>Series I (1)</b>								
Floating Class A Preferred Stock	25,010	2,501	2,501	—	25,010	2,501	2,501	—
<b>Series K (2)</b>								
Floating Non-Cumulative Perpetual Class A Preferred Stock	—	—	—	—	1,802,000	1,802	1,546	256
<b>Series L (3)</b>								
7.50% Non-Cumulative Perpetual Convertible Class A Preferred Stock	3,967,995	3,968	3,200	768	3,967,995	3,968	3,200	768
<b>Series N</b>								
5.20% Non-Cumulative Perpetual Class A Preferred Stock	30,000	750	750	—	30,000	750	750	—
<b>Series O</b>								
5.125% Non-Cumulative Perpetual Class A Preferred Stock	26,000	650	650	—	26,000	650	650	—
<b>Series P</b>								
5.25% Non-Cumulative Perpetual Class A Preferred Stock	25,000	625	625	—	25,000	625	625	—
<b>Series Q</b>								
5.85% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	69,000	1,725	1,725	—	69,000	1,725	1,725	—
<b>Series R</b>								
6.625% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	33,600	840	840	—	33,600	840	840	—
<b>Series S</b>								
5.90% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	80,000	2,000	2,000	—	80,000	2,000	2,000	—
<b>Series T (4)</b>								
6.00% Non-Cumulative Perpetual Class A Preferred Stock	5,280	131	131	—	32,000	800	800	—
<b>Series U</b>								
5.875% Fixed-to-Floating Non-Cumulative Perpetual Class A Preferred Stock	80,000	2,000	2,000	—	80,000	2,000	2,000	—
<b>Series V</b>								
6.00% Non-Cumulative Perpetual Class A Preferred Stock	40,000	1,000	1,000	—	40,000	1,000	1,000	—
<b>Series W</b>								
5.70% Non-Cumulative Perpetual Class A Preferred Stock	40,000	1,000	1,000	—	40,000	1,000	1,000	—
<b>Series X</b>								
5.50% Non-Cumulative Perpetual Class A Preferred Stock	46,000	1,150	1,150	—	46,000	1,150	1,150	—
<b>Series Y</b>								
5.625% Non-Cumulative Perpetual Class A Preferred Stock	27,600	690	690	—	27,600	690	690	—
<b>Series Z</b>								
4.750% Non-Cumulative Perpetual Class A Preferred Stock	80,500	2,013	2,013	—	—	—	—	—
<b>ESOP</b>								
Cumulative Convertible Preferred Stock	822,242	823	823	—	1,071,418	1,072	1,072	—
<b>Total</b>	<b>5,494,773</b>	<b>\$ 21,866</b>	<b>21,098</b>	<b>768</b>	<b>7,492,169</b>	<b>\$ 22,573</b>	<b>21,549</b>	<b>1,024</b>

(1) Floating rate for Preferred Stock, Series I, is the greater of three-month LIBOR plus 0.93% and 5.56975%.

(2) Floating rate for Preferred Stock, Series K, is three-month LIBOR plus 3.77%. In first quarter 2020, the remaining \$1.8 billion of Preferred Stock, Series K, was redeemed.

(3) Preferred Stock, Series L, may be converted at any time, at the option of the holder, into 6.3814 shares of our common stock, plus cash in lieu of fractional shares, subject to anti-dilution adjustments.

(4) In first quarter 2020, \$669 million of Preferred Stock, Series T, was redeemed.

**ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK** All shares of our ESOP Cumulative Convertible Preferred Stock (ESOP Preferred Stock) were issued to a trustee acting on behalf of the Wells Fargo & Company 401(k) Plan (the 401(k) Plan). Dividends on the ESOP Preferred Stock are cumulative from the date of initial issuance and are payable quarterly at annual rates based upon the year of issuance. Each share of ESOP Preferred Stock released from the unallocated reserve of the 401(k) Plan is converted into shares of our common stock based on the stated

value of the ESOP Preferred Stock and the then current market price of our common stock. The ESOP Preferred Stock is also convertible at the option of the holder at any time, unless previously redeemed. We have the option to redeem the ESOP Preferred Stock at any time, in whole or in part, at a redemption price per share equal to the higher of (a) \$1,000 per share plus accrued and unpaid dividends or (b) the fair market value, as defined in the Certificates of Designation for the ESOP Preferred Stock.

**Table 17.3: ESOP Preferred Stock**

(in millions, except shares)	Shares issued and outstanding		Carrying value		Adjustable dividend rate	
	Jun 30, 2020	Dec 31, 2019	Jun 30, 2020	Dec 31, 2019	Minimum	Maximum
<b>ESOP Preferred Stock</b>						
<b>\$1,000 liquidation preference per share</b>						
2018	221,945	254,945	222	255	7.00%	8.00%
2017	163,210	192,210	163	192	7.00	8.00
2016	162,450	197,450	163	198	9.30	10.30
2015	92,904	116,784	93	117	8.90	9.90
2014	99,151	136,151	99	136	8.70	9.70
2013	61,948	97,948	62	98	8.50	9.50
2012	20,634	49,134	21	49	10.00	11.00
2011	—	26,796	—	27	9.00	10.00
Total ESOP Preferred Stock (1)	822,242	1,071,418	\$ 823	1,072		
Unearned ESOP shares (2)			\$ (875)	(1,143)		

(1) At June 30, 2020, and December 31, 2019, additional paid-in capital included \$52 million and \$71 million, respectively, related to ESOP preferred stock.

(2) We recorded a corresponding charge to unearned ESOP shares in connection with the issuance of the ESOP Preferred Stock. The unearned ESOP shares are reduced as shares of the ESOP Preferred Stock are committed to be released.

## Note 18: Revenue from Contracts with Customers

Our revenue includes net interest income on financial instruments and noninterest income. Table 18.1 presents our revenue by operating segment. The “Other” segment for each of the tables below includes the elimination of certain items that are included in more than one business segment, most of which represents

products and services for WIM customers served through Community Banking distribution channels. For additional description of our operating segments, including additional financial information and the underlying management reporting process, see Note 22 (Operating Segments).

**Table 18.1: Revenue by Operating Segment**

Quarter ended June 30,										
(in millions)	Community Banking		Wholesale Banking		Wealth and Investment Management		Other		Consolidated Company	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Net interest income (1)</b>	<b>\$ 5,699</b>	7,066	<b>3,891</b>	4,535	<b>736</b>	1,037	<b>(446)</b>	(543)	<b>9,880</b>	12,095
<b>Noninterest income:</b>										
Service charges on deposit accounts	419	704	511	502	4	4	(4)	(4)	930	1,206
Trust and investment fees:										
Brokerage advisory, commissions and other fees	433	480	79	74	2,039	2,248	(434)	(484)	2,117	2,318
Trust and investment management	174	199	130	117	568	687	(185)	(208)	687	795
Investment banking	(67)	(18)	614	475	1	(1)	(1)	(1)	547	455
Total trust and investment fees	540	661	823	666	2,608	2,934	(620)	(693)	3,351	3,568
Card fees	732	929	65	95	1	2	(1)	(1)	797	1,025
Other fees:										
Lending related charges and fees (1)	36	65	267	284	2	2	(2)	(2)	303	349
Cash network fees	88	117	—	—	—	—	—	—	88	117
Commercial real estate brokerage commissions	—	—	—	105	—	—	—	—	—	105
Wire transfer and other remittance fees	60	71	38	49	2	2	(1)	(1)	99	121
All other fees (1)	63	82	25	26	—	—	—	—	88	108
Total other fees	247	335	330	464	4	4	(3)	(3)	578	800
Mortgage banking (1)	253	655	65	104	(3)	(3)	2	2	317	758
Net gains (losses) from trading activities (1)	6	(11)	794	226	6	13	1	1	807	229
Net gains (losses) on debt securities (1)	123	15	89	5	—	—	—	—	212	20
Net gains (losses) from equity securities (1)	388	471	(16)	116	161	35	—	—	533	622
Lease income (1)	—	—	334	424	—	—	—	—	334	424
Other (1)(2)	359	980	(323)	(72)	143	24	(82)	(95)	97	837
Total noninterest income	3,067	4,739	2,672	2,530	2,924	3,013	(707)	(793)	7,956	9,489
<b>Revenue</b>	<b>\$ 8,766</b>	11,805	<b>6,563</b>	7,065	<b>3,660</b>	4,050	<b>(1,153)</b>	(1,336)	<b>17,836</b>	21,584

  

Six months ended June 30,										
(in millions)	Community Banking		Wholesale Banking		Wealth and Investment Management		Other		Consolidated Company	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Net interest income (1)</b>	<b>\$ 12,486</b>	14,314	<b>8,027</b>	9,069	<b>1,603</b>	2,138	<b>(924)</b>	(1,115)	<b>21,192</b>	24,406
<b>Noninterest income:</b>										
Service charges on deposit accounts	1,119	1,314	1,019	985	9	8	(8)	(7)	2,139	2,300
Trust and investment fees:										
Brokerage advisory, commissions and other fees	951	929	169	152	4,436	4,372	(957)	(942)	4,599	4,511
Trust and investment management	368	409	261	231	1,150	1,363	(391)	(422)	1,388	1,581
Investment banking	(166)	(38)	1,104	887	2	4	(2)	(4)	938	849
Total trust and investment fees	1,153	1,300	1,534	1,270	5,588	5,739	(1,350)	(1,368)	6,925	6,941
Card fees	1,541	1,787	148	181	2	3	(2)	(2)	1,689	1,969
Other fees:										
Lending related charges and fees (1)	86	130	545	566	4	4	(4)	(4)	631	696
Cash network fees	194	226	—	—	—	—	—	—	194	226
Commercial real estate brokerage commissions	—	—	1	186	—	—	—	—	1	186
Wire transfer and other remittance fees	126	135	81	97	4	4	(2)	(2)	209	234
All other fees (1)	126	176	49	52	—	—	—	—	175	228
Total other fees	532	667	676	901	8	8	(6)	(6)	1,210	1,570
Mortgage banking (1)	593	1,296	105	172	(6)	(6)	4	4	696	1,466
Net gains (losses) from trading activities (1)	35	(6)	835	559	(1)	32	2	1	871	586
Net gains (losses) on debt securities (1)	317	52	132	93	—	—	—	—	449	145
Net gains (losses) from equity securities (1)	(640)	1,072	(111)	193	(117)	171	—	—	(868)	1,436
Lease income (1)	—	—	686	867	—	—	—	—	686	867
Other (1)(2)	1,126	1,759	(671)	(114)	289	36	(180)	(174)	564	1,507
Total noninterest income	5,776	9,241	4,353	5,107	5,772	5,991	(1,540)	(1,552)	14,361	18,787
<b>Revenue</b>	<b>\$ 18,262</b>	23,555	<b>12,380</b>	14,176	<b>7,375</b>	8,129	<b>(2,464)</b>	(2,667)	<b>35,553</b>	43,193

- (1) These revenues are related to financial assets and liabilities, including loans, leases, securities and derivatives, with additional details included in other footnotes to our financial statements.  
(2) In second quarter 2020, insurance income was reclassified to other noninterest income. Prior period balances have been revised to conform with the current period presentation.

We provide services to customers which have related performance obligations that we complete to recognize revenue. Our revenues are generally recognized either immediately upon the completion of our service or over time as we perform services. Any services performed over time generally require that we render services each period and therefore we measure our progress in completing these services based upon the passage of time.

**SERVICE CHARGES ON DEPOSIT ACCOUNTS** are earned on depository accounts for commercial and consumer customers

**Table 18.2: Service Charges on Deposit Accounts by Operating Segment**

											Quarter ended June 30,											
											Community Banking		Wholesale Banking		Wealth and Investment Management		Other		Consolidated Company			
											2020		2019		2020		2019		2020		2019	
(in millions)																						
Overdraft fees											\$	243	496	1	1	—	1	—	—	244	498	
Account charges											176	208	510	501	4	3	(4)	(4)	686	708		
Service charges on deposit accounts											\$	419	704	511	502	4	4	(4)	(4)	930	1,206	
											Six months ended June 30,											
											Community Banking		Wholesale Banking		Wealth and Investment Management		Other		Consolidated Company			
											2020		2019		2020		2019		2020		2019	
(in millions)																						
Overdraft fees											\$	727	913	2	2	—	1	—	—	729	916	
Account charges											392	401	1,017	983	9	7	(8)	(7)	1,410	1,384		
Service charges on deposit accounts											\$	1,119	1,314	1,019	985	9	8	(8)	(7)	2,139	2,300	

**BROKERAGE ADVISORY, COMMISSIONS AND OTHER FEES** are earned for providing full-service and discount brokerage services predominantly to retail brokerage clients. These revenues include fees earned on asset-based and transactional accounts and other brokerage advisory services.

Asset-based revenues are charged based on the market value of the client's assets. The services and related obligations associated with certain of these revenues, which include investment advice, active management of client assets, or assistance with selecting and engaging a third-party advisory manager, are generally satisfied over a month or quarter. The remaining revenues include trailing commissions which are earned for selling shares to investors. Our obligation associated with earning trailing commissions is satisfied at the time shares are sold. However, these fees are received and recognized over time during the period the customer owns the shares and we remain the broker of record. The amount of trailing commissions is variable based on the length of time the customer holds the shares and on changes in the value of the underlying assets.

and include fees for account and overdraft services. Account charges include fees for periodic account maintenance activities and event-driven services such as stop payment fees. Our obligation for event-driven services is satisfied at the time of the event when the service is delivered, while our obligation for maintenance services is satisfied over the course of each month. Our obligation for overdraft services is satisfied at the time of the overdraft.

Table 18.2 presents our service charges on deposit accounts by operating segment.

Transactional revenues are earned for executing transactions at the client's direction. Our obligation is generally satisfied upon the execution of the transaction and the fees are based on the size and number of transactions executed.

Other revenues earned from other brokerage advisory services include omnibus and networking fees received from mutual fund companies in return for providing record keeping and other administrative services, and annual account maintenance fees charged to customers.

Table 18.3 presents our brokerage advisory, commissions and other fees by operating segment.



## Note 18: Revenue from Contracts with Customers (continued)

**Table 18.3: Brokerage Advisory, Commissions and Other Fees by Operating Segment**

										Quarter ended June 30,									
										Community Banking		Wholesale Banking		Wealth and Investment Management		Other		Consolidated Company	
(in millions)	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019							
Asset-based revenue (1)	\$ 342	369	—	—	1,568	1,698	(343)	(369)	1,567	1,698									
Transactional revenue	78	94	2	10	343	390	(79)	(98)	344	396									
Other revenue	13	17	77	64	128	160	(12)	(17)	206	224									
Brokerage advisory, commissions and other fees	\$ 433	480	79	74	2,039	2,248	(434)	(484)	2,117	2,318									

  

										Six months ended June 30,									
										Community Banking		Wholesale Banking		Wealth and Investment Management		Other		Consolidated Company	
(in millions)	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019							
Asset-based revenue (1)	\$ 740	712	—	—	3,373	3,278	(741)	(712)	3,372	3,278									
Transactional revenue	180	183	5	26	775	777	(186)	(196)	774	790									
Other revenue	31	34	164	126	288	317	(30)	(34)	453	443									
Brokerage advisory, commissions and other fees	\$ 951	929	169	152	4,436	4,372	(957)	(942)	4,599	4,511									

(1) We earned trailing commissions of \$257 million and \$532 million for the second quarter and first half of 2020, respectively, and \$289 million and \$569 million for the second quarter and first half of 2019, respectively.

**TRUST AND INVESTMENT MANAGEMENT FEES** are earned for providing trust, investment management and other related services.

Investment management services include managing and administering assets, including mutual funds, and institutional separate accounts. Fees for these services are generally determined based on a tiered scale relative to the market value of assets under management (AUM). In addition to AUM, we have client assets under administration (AUA) that earn various administrative fees which are generally based on the extent of the services provided to administer the account. Services with AUM and AUA-based fees are generally performed over time.

Trust services include acting as a trustee or agent for corporate trust, personal trust, and agency assets. Obligations for trust services are generally satisfied over time, while obligations for activities that are transactional in nature are satisfied at the time of the transaction.

Other related services include the custody and safekeeping of accounts. Our obligation for these services is generally satisfied over time.

Table 18.4 presents our trust and investment management fees by operating segment.

**Table 18.4: Trust and Investment Management Fees by Operating Segment**

										Quarter ended June 30,									
										Community Banking		Wholesale Banking		Wealth and Investment Management		Other		Consolidated Company	
(in millions)	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019							
Investment management fees	\$ —	(1)	—	—	474	501	—	—	474	500									
Trust fees	175	200	81	83	101	175	(185)	(208)	172	250									
Other revenue	(1)	—	49	34	(7)	11	—	—	41	45									
Trust and investment management fees	\$ 174	199	130	117	568	687	(185)	(208)	687	795									

  

										Six months ended June 30,									
										Community Banking		Wholesale Banking		Wealth and Investment Management		Other		Consolidated Company	
(in millions)	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019							
Investment management fees	\$ —	—	—	—	963	978	—	—	963	978									
Trust fees	369	409	170	165	203	343	(391)	(422)	351	495									
Other revenue	(1)	—	91	66	(16)	42	—	—	74	108									
Trust and investment management fees	\$ 368	409	261	231	1,150	1,363	(391)	(422)	1,388	1,581									

**INVESTMENT BANKING FEES** are earned for underwriting debt and equity securities, arranging loan syndications and performing other advisory services. Our obligation for these services is generally satisfied at closing of the transaction. Substantially all of these fees are in the Wholesale Banking operating segment.

**CARD FEES** include credit and debit card interchange and network revenues and various card-related fees. Credit and debit card interchange and network revenues are earned on credit and debit card transactions conducted through payment networks such as Visa, MasterCard, and American Express. Our obligation is satisfied concurrently with the delivery of services on a daily basis.

Table 18.5 presents our card fees by operating segment.

**Table 18.5: Card Fees by Operating Segment**

(in millions)	Quarter ended June 30,									
	Community Banking		Wholesale Banking		Wealth and Investment Management		Other		Consolidated Company	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Credit card interchange and network revenues (1)	\$ 154	209	65	95	1	2	(1)	(1)	219	305
Debit card interchange and network revenues	479	546	—	—	—	—	—	—	479	546
Late fees, cash advance fees, balance transfer fees, and annual fees	99	174	—	—	—	—	—	—	99	174
Card fees	\$ 732	929	65	95	1	2	(1)	(1)	797	1,025

  

(in millions)	Six months ended June 30,									
	Community Banking		Wholesale Banking		Wealth and Investment Management		Other		Consolidated Company	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Credit card interchange and network revenues (1)	\$ 288	398	148	181	2	3	(2)	(2)	436	580
Debit card interchange and network revenues	992	1,053	—	—	—	—	—	—	992	1,053
Late fees, cash advance fees, balance transfer fees, and annual fees	261	336	—	—	—	—	—	—	261	336
Card fees	\$ 1,541	1,787	148	181	2	3	(2)	(2)	1,689	1,969

(1) The cost of credit card rewards and rebates of \$266 million and \$651 million for the second quarter and first half of 2020, respectively, and \$375 million and \$729 million for the second quarter and first half of 2019, respectively, are presented net against the related revenues.

**CASH NETWORK FEES** are earned for processing ATM transactions. Our obligation is completed daily upon settlement of ATM transactions. All of these fees are included in the Community Banking operating segment.

**COMMERCIAL REAL ESTATE BROKERAGE COMMISSIONS** are earned for assisting customers in the sale of real estate property. Our obligation is satisfied upon the successful brokering of a transaction. Fees are based on a fixed percentage of the sales price. All of these fees are included in the Wholesale Banking operating segment. In October 2019, we sold our commercial real estate brokerage business (Eastdil).

**WIRE TRANSFER AND OTHER REMITTANCE FEES** consist of fees earned for funds transfer services and issuing cashier's checks and money orders. Our obligation is satisfied at the time of the funds transfer services or upon issuance of the cashier's check or money order. Substantially all of these fees are included in the Community Banking and Wholesale Banking operating segments.

**ALL OTHER FEES** include various types of fees for products or services such as merchant payment services, safe deposit boxes, and loan syndication agency services. These fees are generally recognized over time as we perform the services. Most of these fees are included in the Community Banking operating segment.

## Note 19: Employee Benefits and Other Expenses

We sponsor a frozen noncontributory qualified defined benefit retirement plan, the Wells Fargo & Company Cash Balance Plan (Cash Balance Plan), which covers eligible employees of Wells Fargo. The Cash Balance Plan was frozen on July 1, 2009, and no new benefits have accrued after that date. For additional information on our pension and postretirement plans, including plan assumptions, investment strategy and asset allocation, projected benefit payments, and valuation methodologies used for assets measured at fair value, see Note 23 (Employee Benefits and Other Expenses) in our 2019 Form 10-K.

We recognize settlement losses for our Cash Balance Plan based on an assessment of whether lump sum benefit payments will, in aggregate for the year, exceed the sum of its annual service and interest cost. Settlement losses of \$70 million were recognized during second quarter 2020 representing the pro rata portion of the net loss in cumulative other comprehensive income

based on the percentage reduction in the Cash Balance Plan's projected benefit obligation attributable to lump sum benefit payments during the first half of 2020. As a result of the settlement losses, we re-measured the Cash Balance Plan obligation and plan assets as of June 30, 2020, and used a discount rate of 2.75% based on our consistent methodology of determining our discount rate using a yield curve with maturity dates that closely match the estimated timing of the expected benefit payments. The result of the settlement losses and re-measurement increased the Cash Balance Plan liability by \$674 million and decreased other comprehensive income by \$604 million (pre tax) in second quarter 2020.

Table 19.1 presents the components of net periodic benefit cost. Service cost is reported in personnel expense and all other components of net periodic benefit cost are reported in other noninterest expense on the consolidated statement of income.

**Table 19.1: Net Periodic Benefit Cost**

(in millions)	2020			2019		
	Pension benefits		Other benefits	Pension benefits		Other benefits
	Qualified	Non-qualified		Qualified	Non-qualified	
<b>Quarter ended June 30,</b>						
Service cost	\$ 4	—	—	3	—	—
Interest cost	86	4	4	104	5	6
Expected return on plan assets	(149)	—	(5)	(142)	—	(7)
Amortization of net actuarial loss (gain)	35	3	(4)	37	3	(4)
Amortization of prior service credit	—	—	(3)	—	—	(3)
Settlement loss	70	—	—	—	—	—
Net periodic benefit cost	\$ 46	7	(8)	2	8	(8)
<b>Six months ended June 30,</b>						
Service cost	\$ 7	—	—	6	—	—
Interest cost	172	8	8	209	11	11
Expected return on plan assets	(297)	—	(11)	(284)	—	(14)
Amortization of net actuarial loss (gain)	71	7	(9)	74	5	(8)
Amortization of prior service credit	—	—	(5)	—	—	(5)
Settlement loss	70	3	—	—	2	—
Net periodic benefit cost	\$ 23	18	(17)	5	18	(16)

### Other Expenses

Table 19.2 separately presents other expenses exceeding 1% of the sum of net interest income and total noninterest income in any of the periods presented.

**Table 19.2: Other Expenses**

(in millions)	Quarter ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Operating losses	\$ 1,219	247	\$ 1,683	485
Outside professional services	758	821	1,485	1,499
Contract services (1)	634	590	1,219	1,120
Leases (2)	244	311	504	597
Advertising and promotion	137	329	318	566
Other	1,028	1,146	1,983	2,287
Total other noninterest expense	\$ 4,020	3,444	\$ 7,192	6,554

(1) In second quarter 2020, expenses for cloud computing services were reclassified from contract services expense to technology and equipment expense. Prior period balances have been revised to conform with the current period presentation.

(2) Represents expenses for assets we lease to customers.

## Note 20: Earnings and Dividends Per Common Share

Table 20.1 shows earnings per common share and diluted earnings per common share and reconciles the numerator and denominator of both earnings per common share calculations.

See Note 1 (Summary of Significant Accounting Policies) for discussion on share repurchases.

**Table 20.1: Earnings Per Common Share Calculations**

(in millions, except per share amounts)	Quarter ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Wells Fargo net income (loss)	\$ (2,379)	6,206	\$ (1,726)	12,066
Less: Preferred stock dividends and other (1)	315	358	926	711
Wells Fargo net income (loss) applicable to common stock (numerator)	\$ (2,694)	5,848	\$ (2,652)	11,355
<b>Earnings (loss) per common share</b>				
Average common shares outstanding (denominator)	4,105.5	4,469.4	4,105.2	4,510.2
Per share	\$ (0.66)	1.31	\$ (0.65)	2.52
<b>Diluted earnings (loss) per common share</b>				
Average common shares outstanding	4,105.5	4,469.4	4,105.2	4,510.2
Add: Stock options (2)	—	0.1	—	1.4
Restricted share rights (2)	—	25.5	—	28.5
Diluted average common shares outstanding (denominator)	4,105.5	4,495.0	4,105.2	4,540.1
Per share	\$ (0.66)	1.30	\$ (0.65)	2.50

(1) The six months ended June 30, 2020, balance includes \$272 million from the elimination of discounts or issuance costs associated with redemptions of preferred stock.

(2) Calculated using the treasury stock method. In the second quarter and first half of 2020, diluted average common shares outstanding equaled average common shares outstanding because our securities convertible into common shares had an anti-dilutive effect.

Table 20.2 presents the outstanding securities that were anti-dilutive and therefore not included in the calculation of diluted earnings per common share.

**Table 20.2: Outstanding Anti-Dilutive Securities**

(in millions)	Quarter ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Convertible Preferred Stock, Series L (1)	25.3	25.3	25.3	25.3
Restricted share rights (2)	35.9	—	0.9	—

(1) Calculated using the if-converted method.

(2) Calculated using the treasury stock method. Since we had net losses attributable to common shareholders for the second quarter and first half of 2020, all RSRs outstanding were anti-dilutive. Weighted average RSRs outstanding were 50.7 million and 54.7 million for the second quarter and first half of 2020, respectively.

Table 20.3 presents dividends declared per common share.

**Table 20.3: Dividends Declared Per Common Share**

	Quarter ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Per common share	\$ 0.51	0.45	\$ 1.02	0.90

## Note 21: Other Comprehensive Income

Table 21.1 provides the components of OCI, reclassifications to net income by income statement line item, and the related tax effects.

**Table 21.1: Summary of Other Comprehensive Income**

(in millions)	Quarter ended June 30,						Six months ended June 30,					
	2020			2019			2020			2019		
	Before tax	Tax effect	Net of tax	Before tax	Tax effect	Net of tax	Before tax	Tax effect	Net of tax	Before tax	Tax effect	Net of tax
<b>Debt securities:</b>												
Net unrealized gains arising during the period	\$ 1,596	(395)	1,201	1,709	(422)	1,287	1,486	(373)	1,113	4,540	(1,117)	3,423
Reclassification of net (gains) losses to net income:												
Interest income on debt securities (1)	123	(31)	92	61	(15)	46	189	(47)	142	106	(26)	80
Net gains on debt securities	(212)	63	(149)	(20)	5	(15)	(449)	111	(338)	(145)	36	(109)
Other noninterest income	(1)	—	(1)	(2)	1	(1)	(2)	—	(2)	(3)	1	(2)
Subtotal reclassifications to net income	(90)	32	(58)	39	(9)	30	(262)	64	(198)	(42)	11	(31)
Net change	1,506	(363)	1,143	1,748	(431)	1,317	1,224	(309)	915	4,498	(1,106)	3,392
<b>Derivative and hedging activities:</b>												
Fair Value Hedges:												
Change in fair value of excluded components on fair value hedges (2)	(57)	13	(44)	56	(14)	42	87	(22)	65	30	(7)	23
Cash Flow Hedges:												
Net unrealized gains (losses) arising during the period on cash flow hedges	5	(1)	4	1	—	1	(15)	4	(11)	(8)	2	(6)
Reclassification of net losses to net income on cash flow hedges:												
Interest income on loans	53	(12)	41	77	(19)	58	109	(26)	83	155	(38)	117
Interest expense on long-term debt	2	—	2	2	(1)	1	4	(1)	3	3	(1)	2
Subtotal reclassifications to net income	55	(12)	43	79	(20)	59	113	(27)	86	158	(39)	119
Net change	3	—	3	136	(34)	102	185	(45)	140	180	(44)	136
<b>Defined benefit plans adjustments:</b>												
Net actuarial and prior service losses arising during the period	(674)	167	(507)	—	—	—	(671)	166	(505)	(4)	1	(3)
Reclassification of amounts to non interest expense (3):												
Amortization of net actuarial loss	34	(9)	25	36	(9)	27	69	(17)	52	71	(17)	54
Settlements and other	67	(16)	51	(3)	2	(1)	68	(16)	52	(3)	2	(1)
Subtotal reclassifications to non interest expense	101	(25)	76	33	(7)	26	137	(33)	104	68	(15)	53
Net change	(573)	142	(431)	33	(7)	26	(534)	133	(401)	64	(14)	50
<b>Foreign currency translation adjustments:</b>												
Net unrealized gains (losses) arising during the period	51	—	51	14	(1)	13	(144)	2	(142)	56	(3)	53
Net change	51	—	51	14	(1)	13	(144)	2	(142)	56	(3)	53
Other comprehensive income	\$ 987	(221)	766	1,931	(473)	1,458	731	(219)	512	4,798	(1,167)	3,631
Less: Other comprehensive loss from noncontrolling interests, net of tax			—			—			(1)			—
Wells Fargo other comprehensive income, net of tax			\$ 766			1,458			513			3,631

(1) Represents net unrealized gains and losses amortized over the remaining lives of securities that were transferred from the available-for-sale portfolio to the held-to-maturity portfolio.

(2) Represents changes in fair value of cross-currency swaps attributable to changes in cross-currency basis spreads, which are excluded from the assessment of effectiveness recorded in other comprehensive income.

(3) These items are included in the computation of net periodic benefit cost (see Note 19 (Employee Benefits) for more information).

**Table 21.2: Cumulative OCI Balances**

(in millions)	Debt securities	Fair value hedges (1)	Cash flow hedges (2)	Defined benefit plans adjustments	Foreign currency translation adjustments	Cumulative other comprehensive income
<b>Quarter ended June 30, 2020</b>						
<b>Balance, beginning of period</b>	\$ 1,324	(71)	(270)	(2,193)	(354)	(1,564)
<b>Net unrealized gains (losses) arising during the period</b>	1,201	(44)	4	(507)	51	705
<b>Amounts reclassified from accumulated other comprehensive income</b>	(58)	—	43	76	—	61
<b>Net change</b>	1,143	(44)	47	(431)	51	766
<b>Less: Other comprehensive loss from noncontrolling interests</b>	—	—	—	—	—	—
<b>Balance, end of period</b>	\$ 2,467	(115)	(223)	(2,624)	(303)	(798)
<b>Quarter ended June 30, 2019</b>						
Balance, beginning of period	(566)	(197)	(454)	(2,272)	(193)	(3,682)
Net unrealized gains arising during the period	1,287	42	1	—	13	1,343
Amounts reclassified from accumulated other comprehensive income	30	—	59	26	—	115
Net change	1,317	42	60	26	13	1,458
Balance, end of period	\$ 751	(155)	(394)	(2,246)	(180)	(2,224)
<b>Six months ended June 30, 2020</b>						
<b>Balance, beginning of period</b>	\$ 1,552	(180)	(298)	(2,223)	(162)	(1,311)
<b>Net unrealized gains (losses) arising during the period</b>	1,113	65	(11)	(505)	(142)	520
<b>Amounts reclassified from accumulated other comprehensive income</b>	(198)	—	86	104	—	(8)
<b>Net change</b>	915	65	75	(401)	(142)	512
<b>Less: Other comprehensive loss from noncontrolling interests</b>	—	—	—	—	(1)	(1)
<b>Balance, end of period</b>	\$ 2,467	(115)	(223)	(2,624)	(303)	(798)
<b>Six months ended June 30, 2019</b>						
Balance, beginning of period	\$ (3,122)	(178)	(507)	(2,296)	(233)	(6,336)
Transition adjustment (3)	481	—	—	—	—	481
Balance, January 1, 2019	(2,641)	(178)	(507)	(2,296)	(233)	(5,855)
Net unrealized gains (losses) arising during the period	3,423	23	(6)	(3)	53	3,490
Amounts reclassified from accumulated other comprehensive income	(31)	—	119	53	—	141
Net change	3,392	23	113	50	53	3,631
Balance, end of period	\$ 751	(155)	(394)	(2,246)	(180)	(2,224)

(1) Substantially all of the beginning and end of period amounts for fair value hedges are foreign exchange contracts.

(2) Substantially all of the beginning and end of period amounts for cash flow hedges are interest rate contracts.

(3) The transition adjustment relates to the adoption of ASU 2017-08 – Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): *Premium Amortization on Purchased Callable Debt Securities*. For more information see Note 1 (Summary of Significant Accounting Policies) in our 2019 Form 10-K.

## Note 22: Operating Segments

As of June 30, 2020, we were organized for management reporting purposes into three operating segments: Community Banking; Wholesale Banking; and Wealth and Investment Management (WIM). These segments are defined by product type and customer segment and their results are based on our management reporting process. The management reporting process is based on U.S. GAAP with specific adjustments, such as for funds transfer pricing for asset/liability management, for shared revenues and expenses, and tax-equivalent adjustments to consistently reflect income from taxable and tax-exempt sources. On February 11, 2020, we announced a new organizational structure with five principal lines of business: Consumer and Small Business Banking; Consumer Lending; Commercial Banking;

Corporate and Investment Banking; and Wealth and Investment Management. This new organizational structure is intended to help drive operating, control, and business performance. In July 2020, the Company completed the transition to this new organizational structure, including finalizing leadership for these principal business lines and aligning management reporting and allocation methodologies. These changes will not impact the consolidated financial results of the Company. Accordingly, we will update our operating segment disclosures, including comparative financial results, in third quarter 2020. For a description of our operating segments, see Note 27 (Operating Segments) in our 2019 Form 10-K. Table 22.1 presents our results by operating segment.

**Table 22.1: Operating Segments**

(income/expense in millions, average balances in billions)	Community Banking		Wholesale Banking		Wealth and Investment Management		Other (1)		Consolidated Company	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Quarter ended June 30,</b>										
Net interest income (2)	\$ 5,699	7,066	3,891	4,535	736	1,037	(446)	(543)	9,880	12,095
Provision (reversal of provision) for credit losses	3,378	479	6,028	28	257	(1)	(129)	(3)	9,534	503
Noninterest income	3,067	4,739	2,672	2,530	2,924	3,013	(707)	(793)	7,956	9,489
Noninterest expense	8,346	7,212	3,963	3,882	3,153	3,246	(911)	(891)	14,551	13,449
Income (loss) before income tax expense (benefit)	(2,958)	4,114	(3,428)	3,155	250	805	(113)	(442)	(6,249)	7,632
Income tax expense (benefit) (3)	(2,666)	838	(1,286)	365	63	201	(28)	(110)	(3,917)	1,294
Net income (loss) before noncontrolling interests	(292)	3,276	(2,142)	2,790	187	604	(85)	(332)	(2,332)	6,338
Less: Net income (loss) from noncontrolling interests	39	129	1	1	7	2	—	—	47	132
Net income (loss)	\$ (331)	3,147	(2,143)	2,789	180	602	(85)	(332)	(2,379)	6,206
Average loans	\$ 449.3	457.7	504.3	474.0	78.7	75.0	(61.0)	(59.2)	971.3	947.5
Average assets	1,059.8	1,024.8	863.2	852.2	87.7	83.8	(61.8)	(60.2)	1,948.9	1,900.6
Average deposits	848.5	777.6	441.2	410.4	171.8	143.5	(74.8)	(62.5)	1,386.7	1,269.0
<b>Six months ended June 30,</b>										
Net interest income (2)	\$ 12,486	14,314	8,027	9,069	1,603	2,138	(924)	(1,115)	21,192	24,406
Provision (reversal of provision) for credit losses	5,096	1,189	8,316	162	265	3	(138)	(6)	13,539	1,348
Noninterest income	5,776	9,241	4,353	5,107	5,772	5,991	(1,540)	(1,552)	14,361	18,787
Noninterest expense	15,462	14,901	7,726	7,720	6,256	6,549	(1,845)	(1,805)	27,599	27,365
Income (loss) before income tax expense (benefit)	(2,296)	7,465	(3,662)	6,294	854	1,577	(481)	(856)	(5,585)	14,480
Income tax expense (benefit) (3)	(2,022)	1,262	(1,832)	734	216	393	(120)	(214)	(3,758)	2,175
Net income (loss) before noncontrolling interests	(274)	6,203	(1,830)	5,560	638	1,184	(361)	(642)	(1,827)	12,305
Less: Net income (loss) from noncontrolling interests	(98)	233	2	1	(5)	5	—	—	(101)	239
Net income (loss)	\$ (176)	5,970	(1,832)	5,559	643	1,179	(361)	(642)	(1,726)	12,066
Average loans	\$ 456.0	457.9	494.4	475.2	78.6	74.7	(60.8)	(59.1)	968.2	948.7
Average assets	1,049.5	1,020.1	874.1	848.4	87.9	83.5	(61.7)	(60.1)	1,949.8	1,891.9
Average deposits	823.5	771.6	448.9	410.1	161.6	148.3	(71.7)	(64.5)	1,362.3	1,265.5

- (1) Includes the elimination of certain items that are included in more than one business segment, most of which represents products and services for WIM customers served through Community Banking distribution channels.
- (2) Net interest income is the difference between interest earned on assets and the cost of liabilities to fund those assets. Interest earned includes actual interest earned on segment assets as well as interest credits for any funding of a segment available to be provided to other segments. The cost of liabilities includes actual interest expense on segment liabilities as well as funding charges for any funding provided from other segments.
- (3) Income tax expense (benefit) for our Wholesale Banking operating segment included income tax credits related to low-income housing and renewable energy investments of \$465 million and \$956 million for the second quarter and first half of 2020, respectively, and \$423 million and \$850 million for the second quarter and first half of 2019, respectively.

## Note 23: Regulatory and Agency Capital Requirements

The Company and each of its subsidiary banks are subject to regulatory capital adequacy requirements promulgated by federal banking regulators. The Federal Reserve establishes capital requirements for the consolidated financial holding company, and the OCC has similar requirements for the Company's national banks, including Wells Fargo Bank, N.A. (the Bank).

Table 23.1 presents regulatory capital information for Wells Fargo & Company and the Bank in accordance with Basel III capital requirements. We must report the lower of our Common Equity Tier 1 (CET1), tier 1 and total capital ratios calculated under the Standardized Approach and under the Advanced Approach in the assessment of our capital adequacy. The Standardized Approach applies assigned risk weights to broad risk categories, while the calculation of risk-weighted assets (RWAs) under the Advanced Approach differs by requiring applicable banks to utilize a risk-sensitive methodology, which relies upon the use of internal credit models, and includes an operational risk component. The

Basel III capital requirements for calculating CET1 and tier 1 capital, along with RWAs, are fully phased-in. However, the requirements for determining tier 2 and total capital are still in accordance with Transition Requirements and are scheduled to be fully phased-in by the end of 2021. Accordingly, the information presented below reflects fully phased-in CET1 capital, tier 1 capital, and RWAs, but reflects total capital still in accordance with Transition Requirements.

At June 30, 2020, the Bank and our other insured depository institutions were considered well-capitalized under the requirements of the Federal Deposit Insurance Act.

The Bank is an approved seller/servicer of mortgage loans and is required to maintain minimum levels of shareholders' equity, as specified by various agencies, including the United States Department of Housing and Urban Development, GNMA, FHLMC and FNMA. At June 30, 2020, the Bank met these requirements.

**Table 23.1: Regulatory Capital Information (1)**

(in millions, except ratios)	Wells Fargo & Company				Wells Fargo Bank, N.A.			
	June 30, 2020		December 31, 2019		June 30, 2020		December 31, 2019	
	Advanced Approach	Standardized Approach	Advanced Approach	Standardized Approach	Advanced Approach	Standardized Approach	Advanced Approach	Standardized Approach
<b>Regulatory capital:</b>								
Common equity tier 1	\$ 133,055	133,055	138,760	138,760	147,774	147,774	145,149	145,149
Tier 1	152,871	152,871	158,949	158,949	147,774	147,774	145,149	145,149
Total	182,831	192,619	188,333	196,223	162,657	172,031	158,615	166,056
<b>Assets:</b>								
Risk-weighted assets (2)	\$ 1,195,423	1,213,062	1,165,079	1,245,853	1,050,496	1,106,875	1,047,054	1,152,791
Adjusted average assets (3)	1,922,429	1,922,429	1,913,297	1,913,297	1,750,476	1,750,476	1,695,807	1,695,807
<b>Regulatory capital ratios:</b>								
Common equity tier 1 capital (2)	11.13%	10.97 *	11.91	11.14 *	14.07	13.35 *	13.86	12.59 *
Tier 1 capital (2)	12.79	12.60 *	13.64	12.76 *	14.07	13.35 *	13.86	12.59 *
Total capital (2)	15.29 *	15.88	16.16	15.75 *	15.48 *	15.54	15.15	14.40 *
Tier 1 leverage (3)	7.95	7.95	8.31	8.31	8.44	8.44	8.56	8.56
<b>Supplementary leverage (4):</b>								
Total leverage exposure	\$ 2,032,249		2,247,729		2,057,422		2,006,180	
Supplementary leverage ratio	7.52%		7.07		7.18		7.24	

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

- In second quarter 2020, the Company elected to apply a modified transition provision issued by federal banking regulators in March 2020 related to the impact of CECL on regulatory capital. The rule permits certain banking organizations to exclude from regulatory capital the initial adoption impact of CECL, plus 25% of the cumulative changes in the ACL under CECL for each period until December 31, 2021, followed by a three-year phase-out of the benefits. The impact of the CECL transition provision on the regulatory capital of the Company at June 30, 2020, was an increase in capital of \$1.9 billion, reflecting a \$991 million (post-tax) increase in capital recognized upon our initial adoption of CECL, offset by 25% of the \$11.4 billion increase in our ACL under CECL from January 1, 2020, through June 30, 2020. The impact of the CECL transition provision on the regulatory capital of the Bank at June 30, 2020, was an increase in capital of \$1.8 billion.
- RWAs and capital ratios for December 31, 2019, have been revised as a result of a decrease in RWAs under the Advanced Approach due to the correction of duplicated operational loss amounts. RWAs for the Company and the Bank include an increase of \$1.5 billion under both the Advanced Approach and Standardized Approach related to the impact of the CECL transition provision on the excess allowance for credit losses as of June 30, 2020.
- The leverage ratio consists of Tier 1 capital divided by total average assets, excluding goodwill and certain other items.
- The supplementary leverage ratio (SLR) consists of Tier 1 capital divided by total leverage exposure. Total leverage exposure consists of total average assets, less goodwill and other permitted Tier 1 capital deductions (net of deferred tax liabilities), plus certain off-balance sheet exposures.



## Note 23: Regulatory and Agency Capital Requirements (continued)

Table 23.2 presents the minimum required regulatory capital ratios under Transition Requirements to which the Company and the Bank were subject as of June 30, 2020, and December 31, 2019.

**Table 23.2: Minimum Required Regulatory Capital Ratios – Transition Requirements (1)**

	Wells Fargo & Company		Wells Fargo Bank, N.A.	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
<b>Regulatory capital ratios:</b>				
Common equity tier 1 capital	<b>9.000%</b>	9.000	<b>7.000</b>	7.000
Tier 1 capital	<b>10.500</b>	10.500	<b>8.500</b>	8.500
Total capital	<b>12.500</b>	12.500	<b>10.500</b>	10.500
Tier 1 leverage	<b>4.000</b>	4.000	<b>4.000</b>	4.000
Supplementary leverage (2)	<b>5.000</b>	5.000	<b>6.000</b>	6.000

- (1) At June 30, 2020, under transition requirements, the CET1, tier 1 and total capital minimum ratio requirements for the Company include a capital conservation buffer of 2.500% and a global systemically important bank (G-SIB) surcharge of 2.000%. Only the 2.500% capital conservation buffer applies to the Bank at June 30, 2020. Effective October 1, 2020, the 2.500% capital conservation buffer will be replaced under the Standardized Approach by a stress capital buffer that is calculated annually as part of the FRB's supervisory stress test and related Comprehensive Capital Analysis and Review (CCAR).
- (2) The Company is required to maintain a SLR of at least 5.000% (comprised of a 3.000% minimum requirement plus a supplementary leverage buffer of 2.000%) to avoid restrictions on capital distributions and discretionary bonus payments. The Bank is required to maintain a SLR of at least 6.000% to be considered well-capitalized under applicable regulatory capital adequacy guidelines.

## Glossary of Acronyms

<b>ACL</b>	Allowance for credit losses	<b>LCR</b>	Liquidity coverage ratio
<b>AFS</b>	Available-for-sale	<b>LHFS</b>	Loans held for sale
<b>ALCO</b>	Asset/Liability Management Committee	<b>LIBOR</b>	London Interbank Offered Rate
<b>ARM</b>	Adjustable-rate mortgage	<b>LIHTC</b>	Low income housing tax credit
<b>ASC</b>	Accounting Standards Codification	<b>LOCOM</b>	Lower of cost or fair value
<b>ASU</b>	Accounting Standards Update	<b>LTV</b>	Loan-to-value
<b>AUA</b>	Assets under administration	<b>MBS</b>	Mortgage-backed security
<b>AUM</b>	Assets under management	<b>MLHFS</b>	Mortgage loans held for sale
<b>AVM</b>	Automated valuation model	<b>MSR</b>	Mortgage servicing right
<b>BCBS</b>	Basel Committee on Bank Supervision	<b>NAV</b>	Net asset value
<b>BHC</b>	Bank holding company	<b>NPA</b>	Nonperforming asset
<b>CCAR</b>	Comprehensive Capital Analysis and Review	<b>NSFR</b>	Net stable funding ratio
<b>CD</b>	Certificate of deposit	<b>OCC</b>	Office of the Comptroller of the Currency
<b>CDS</b>	Credit default swaps	<b>OCI</b>	Other comprehensive income
<b>CECL</b>	Current expected credit loss	<b>OTC</b>	Over-the-counter
<b>CET1</b>	Common Equity Tier 1	<b>OTTI</b>	Other-than-temporary impairment
<b>CFPB</b>	Consumer Financial Protection Bureau	<b>PCD</b>	Purchased credit-deteriorated
<b>CLO</b>	Collateralized loan obligation	<b>PCI</b>	Purchased credit-impaired
<b>CLTV</b>	Combined loan-to-value	<b>PTPP</b>	Pre-tax pre-provision profit
<b>CPI</b>	Collateral protection insurance	<b>RBC</b>	Risk-based capital
<b>CRE</b>	Commercial real estate	<b>RMBS</b>	Residential mortgage-backed securities
<b>DPD</b>	Days past due	<b>ROA</b>	Wells Fargo net income to average total assets
<b>ESOP</b>	Employee Stock Ownership Plan	<b>ROE</b>	Wells Fargo net income applicable to common stock
<b>FASB</b>	Financial Accounting Standards Board		to average Wells Fargo common stockholders' equity
<b>FDIC</b>	Federal Deposit Insurance Corporation	<b>ROTCE</b>	Return on average tangible common equity
<b>FHA</b>	Federal Housing Administration	<b>RWAs</b>	Risk-weighted assets
<b>FHLB</b>	Federal Home Loan Bank	<b>SEC</b>	Securities and Exchange Commission
<b>FHLMC</b>	Federal Home Loan Mortgage Corporation	<b>S&amp;P</b>	Standard & Poor's Global Ratings
<b>FICO</b>	Fair Isaac Corporation (credit rating)	<b>SLR</b>	Supplementary leverage ratio
<b>FNMA</b>	Federal National Mortgage Association	<b>SOFR</b>	Secured Overnight Financing Rate
<b>FRB</b>	Board of Governors of the Federal Reserve System	<b>SPE</b>	Special purpose entity
<b>GAAP</b>	Generally accepted accounting principles	<b>TDR</b>	Troubled debt restructuring
<b>GNMA</b>	Government National Mortgage Association	<b>TLAC</b>	Total Loss Absorbing Capacity
<b>GSE</b>	Government-sponsored entity	<b>VA</b>	Department of Veterans Affairs
<b>G-SIB</b>	Global systemically important bank	<b>VaR</b>	Value-at-Risk
<b>HQLA</b>	High-quality liquid assets	<b>VIE</b>	Variable interest entity
<b>HTM</b>	Held-to-maturity	<b>WIM</b>	Wealth and Investment Management

## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings

Information in response to this item can be found in Note 14 (Legal Actions) to Financial Statements in this Report which information is incorporated by reference into this item.

### Item 1A. Risk Factors

Information in response to this item can be found under the “Financial Review – Risk Factors” section in this Report which information is incorporated by reference into this item.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table shows Company repurchases of its common stock for each calendar month in the quarter ended June 30, 2020. In second quarter 2020, share repurchases were limited to repurchases in connection with the Wells Fargo & Company Stock Purchase Plan and Wells Fargo's deferred compensation plans.

Calendar month	Total number of shares repurchased (1)	Weighted-average price paid per share	Maximum number of shares that may yet be repurchased under the authorization
April	9,065	\$ 29.00	167,539,651
May	12,280	25.50	167,527,371
June	24,521	28.46	167,502,850
Total	45,866		

(1) All shares were repurchased under an authorization covering up to 350 million shares of common stock approved by the Board of Directors and publicly announced by the Company on July 23, 2019. Unless modified or revoked by the Board, this authorization does not expire.

Item 6. Exhibits

A list of exhibits to this Form 10-Q is set forth below.

The Company's SEC file number is 001-2979. On and before November 2, 1998, the Company filed documents with the SEC under the name Norwest Corporation. The former Wells Fargo & Company filed documents under SEC file number 001-6214.

<u>Exhibit Number</u>	<u>Description</u>	<u>Location</u>
<a href="#">3(a)</a>	<a href="#">Restated Certificate of Incorporation, as amended and in effect on the date hereof.</a>	Filed herewith.
<a href="#">3(b)</a>	<a href="#">By-Laws.</a>	Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed March 1, 2018.
4(a)	See Exhibits 3(a) and 3(b).	
4(b)	The Company agrees to furnish upon request to the Commission a copy of each instrument defining the rights of holders of senior and subordinated debt of the Company.	
<a href="#">10(a)</a>	<a href="#">Amendment to Wachovia Corporation Savings Restoration Plan, effective January 1, 2020.</a>	Filed herewith.
<a href="#">10(b)</a>	<a href="#">Amendment to Supplemental 401(k) Plan, effective January 1, 2020.</a>	Filed herewith.
<a href="#">10(c)</a>	<a href="#">Amendment to Supplemental Cash Balance Plan, effective January 1, 2020.</a>	Filed herewith.
<a href="#">31(a)</a>	<a href="#">Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>	Filed herewith.
<a href="#">31(b)</a>	<a href="#">Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>	Filed herewith.
<a href="#">32(a)</a>	<a href="#">Certification of Periodic Financial Report by Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. § 1350.</a>	Furnished herewith.
<a href="#">32(b)</a>	<a href="#">Certification of Periodic Financial Report by Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. § 1350.</a>	Furnished herewith.
101.INS	Inline XBRL Instance Document	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith.
101.DEF	Inline XBRL Taxonomy Extension Definitions Linkbase Document	Filed herewith.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.
104	Cover Page Interactive Data File	Formatted as Inline XBRL and contained in Exhibit 101.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 4, 2020

WELLS FARGO & COMPANY

By: /s/ Muneera S. Carr  
Muneera S. Carr  
Executive Vice President,  
Chief Accounting Officer and Controller  
(Principal Accounting Officer)

**Exhibit 3(a)**

**RESTATED CERTIFICATE OF INCORPORATION**

**OF**

**WELLS FARGO & COMPANY**

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**Pursuant to Section 245 of the  
General Corporation Law of the State of Delaware**

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Wells Fargo & Company, a corporation organized and existing under the General Corporation Law of the State of Delaware, hereby certifies as follows:

1. The present name of the corporation is Wells Fargo & Company.
2. The corporation was originally incorporated under the name Northwest Bancorporation, and its original Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on January 24, 1929. On April 26, 1983 the corporation filed an amendment to its Certificate of Incorporation to change its name from Northwest Bancorporation to Norwest Corporation effective April 29, 1983, and on November 2, 1998 the corporation filed an amendment to its Certificate of Incorporation to change its name from Norwest Corporation to Wells Fargo & Company.
3. The corporation's Board of Directors has duly adopted this Restated Certificate of Incorporation in accordance with the provisions of Section 245 of the General Corporation Law of the State of Delaware. This Restated Certificate of Incorporation only restates and integrates and does not further amend the provisions of the corporation's Certificate of Incorporation, as theretofore amended or supplemented or restated, and there is no discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation.
4. The text of the corporation's Certificate of Incorporation, as heretofore amended or supplemented or restated, is hereby restated to read in its entirety as follows:

FIRST: The name of this corporation is Wells Fargo & Company.

SECOND: Its registered office in the State of Delaware is located in the City of Wilmington, County of New Castle. The name and address of its registered agent is Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, New Castle County, Delaware 19808.

THIRD: The nature of the business, or objects or purposes to be transacted, promoted or carried on, are:

To acquire by purchase, subscription or otherwise, and to own and hold, for investment purposes, the capital stock, scrip or any voting trust certificates in respect of the shares of

capital stock issued or created by any moneyed, financial or investment corporation or association created and organized, or to be created and organized, under the laws of the United States of America or of any State or territory thereof; and to issue in exchange therefor shares of the capital stock of this corporation; and while the holder or owner of any such shares of capital stock, scrip or voting trust certificates, to possess and exercise in respect thereof any and all rights, powers and privileges of ownership, including the right to vote thereon;

To loan money to any aforesaid corporation or association, any of whose shares of capital stock, scrip or voting trust certificates aforesaid shall be owned at the time of such loan by this corporation, and to do any and all lawful things designed to protect, preserve, improve or enhance the value of any such shares, scrip or voting trust certificates;

In addition to and not in limitation of any of the aforesaid powers, to invest temporarily any of its capital or surplus funds in bonds, mortgages or evidences of indebtedness and any other securities issued or created by any individual, copartnership or other corporation, joint stock company or association, public or private, or of the Government of the United States of America, or of any Foreign Government, or of any State, territory, municipality or other political subdivision or of any governmental agency;

To acquire, hold, sell, reissue or cancel any shares of its own capital stock; provided, however, that this corporation may not use any of its funds or property for the purchase of its own shares of capital stock when such use would cause any impairment of the capital of this corporation, and provided further that the shares of its own capital stock belonging to this corporation shall not be voted, directly or indirectly;

To organize, incorporate and reorganize subsidiary corporations for all lawful purposes;

To conduct all or any part of its operations and business without restriction or limit as to amount in the State of Delaware or in any or all other States, territories, districts, colonies and dependencies of the United States of America;

To have and to exercise any and all powers and privileges now or hereafter conferred by the laws of the State of Delaware upon corporations formed under the Acts hereinafter referred to, or under any Act amendatory thereof or supplemental thereto or substituted therefor;

The foregoing clauses shall be construed both as objects and powers; and it is hereby expressly provided that the foregoing enumeration of specific powers shall not be held to limit or restrict in any manner the powers of this corporation.

**FOURTH:** The total number of shares of all classes of stock which the corporation shall have authority to issue is Six Billion Twenty-Four Million (6,024,000,000), consisting of Twenty Million (20,000,000) shares of Preferred Stock without par value, Four Million (4,000,000) shares of Preference Stock without par value, and Six Billion (6,000,000,000) shares of Common Stock of the par value of \$1-2/3 per share.\*

\*On April 29, 2010, Wells Fargo & Company filed a Certificate of Amendment Amending Article Fourth to increase the authorized common stock to 9,000,000,000 shares.

The designations and the voting powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, of the Preferred Stock, the Preference Stock and the Common Stock which are fixed by the Certificate of Incorporation and the express grant of authority to the Board of Directors of the corporation (hereinafter referred to as the "Board of Directors") to fix by resolution or resolutions the designations and the voting powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, of the Preferred Stock and the Preference Stock which are not fixed by the Certificate of Incorporation are as follows:

1. The Preferred Stock may be issued at any time or from time to time in any amount, provided not more than 20,000,000 shares thereof shall be outstanding at any one time, as Preferred Stock of one or more series, as hereinafter provided. Each share of any one series of Preferred Stock shall be identical in all respects except as to the date from which dividends thereon may be cumulative, each series of Preferred Stock shall be distinctly designated by letter or descriptive words, and all series of Preferred Stock shall rank equally and be identical in all respects except as permitted by the provisions of Section 2 of this Article FOURTH. Shares of Preferred Stock shall be issued only as fully paid and non-assessable shares.

The Preference Stock may be issued at any time or from time to time in any amount, provided not more than 4,000,000 shares thereof shall be outstanding at any one time, as Preference Stock of one or more series, as hereinafter provided. Each share of any one series of Preference Stock shall be identical in all respects except as to the date from which dividends thereon may be cumulative, each series of Preference Stock shall be distinctly designated by letter or descriptive words, and all series of Preference Stock shall rank equally and be identical in all respects except as permitted by the provisions of Section 2 of this Article FOURTH. Shares of Preference Stock shall be issued only as fully paid and non-assessable shares.

2. Authority is hereby expressly granted to and vested in the Board of Directors at any time or from time to time to issue the Preferred Stock as Preferred Stock of any series and the Preference Stock as Preference Stock of any series and, in connection with the creation of each such series, to fix by resolution or resolutions providing for the issue of shares thereof the designations and the voting powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of such series so far as not inconsistent with the provisions of this Article FOURTH applicable to all series of Preferred Stock or Preference Stock, respectively, and to the full extent now or hereafter permitted by the laws of the State of Delaware, including the following:

(a) The distinctive designation of such series and the number of shares which shall constitute such series, which number may be increased (except where otherwise provided by the Board of Directors in creating such series) or decreased (but not below the number of shares thereof then outstanding) from time to time by like action of the Board of Directors;

(b) The annual rate or rates of dividends payable on shares of such series, whether dividends shall be cumulative and, if so, the date or dates from which dividends shall be cumulative on the shares of such series, the preferences, restrictions, limitations and conditions upon the payment of dividends, and the dates on which dividends, if declared, shall be payable;

(c) Whether shares of such series shall be redeemable and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be



redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

(d) The rights of the shares of such series in the event of voluntary or involuntary liquidation, dissolution or winding up of the corporation, and the relative rights of priority, if any, of payment of shares of such series;

(e) Whether shares of such series shall have a purchase, retirement or sinking fund for the purchase, retirement, or redemption of shares of such series and, if so, the terms and provisions thereof;

(f) Whether shares of such series shall have conversion privileges and, if so, the terms and provisions thereof, including provision for adjustment of the conversion rate in such events as the Board of Directors shall determine;

(g) Whether shares of such series shall have voting rights, in addition to voting rights provided by law, and, if so, the terms and provisions thereof; and

(h) Any other preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof.

3. The holders of the Preferred Stock of each series and the holders of the Preference Stock of each series, respectively, shall be entitled to receive such dividends, when and as declared by the Board of Directors, out of funds legally available therefor, as they may be entitled to in accordance with the resolution or resolutions adopted by the Board of Directors providing for the issue of such series, payable on such dates as may be fixed in such resolution or resolutions. So long as there shall be outstanding any shares of Preferred Stock of any series or any shares of Preference Stock of any series entitled to cumulative dividends pursuant to the resolution or resolutions providing for the issue of such series, no dividend, whether in cash or property, shall be paid or declared, nor shall any distribution be made, on the Common Stock, nor shall any shares of Common Stock be purchased, redeemed or otherwise acquired for value by the corporation, if at the time of making such payment, declaration, distribution, purchase, redemption or acquisition the corporation shall be in default with respect to any dividend payable on, or obligation to maintain a purchase, retirement or sinking fund with respect to or to redeem, shares of Preferred Stock of any series or shares of Preference Stock of any series. The foregoing provisions of this Section 3 shall not, however, apply to a dividend payable in Common Stock or to the acquisition of shares of Common Stock in exchange for, or through application of the proceeds of the sale of, shares of Common Stock.

Subject to the foregoing and to any further limitations prescribed in accordance with the provisions of Section 2 of this Article FOURTH, the Board of Directors may declare, out of any funds legally available therefor, dividends upon the then outstanding shares of Common Stock, and shares of Preferred Stock of any series and shares of Preference Stock of any series shall not be entitled to participate therein.

4. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the corporation, the holders of the Preferred Stock of each series and the holders of the Preference Stock of each series shall be entitled to receive, out of the assets of the corporation available for distribution to its stockholders, before any distribution of assets shall be made to

the holders of the Common Stock, the amount per share fixed by the Board of Directors pursuant to Section 2 of this Article FOURTH, plus in each such case an amount equal to any cumulative dividends thereon to the date of final distribution to the holders of the Preferred Stock or to the holders of the Preference Stock, respectively; and the holders of the Common Stock shall be entitled, to the exclusion of the holders of the Preferred Stock of any and all series and the holders of the Preference Stock of any and all series, respectively, to participate ratably in all the assets of the corporation then remaining in accordance with their respective rights and preferences. If upon any liquidation, dissolution or winding up of the corporation the assets available for distribution shall be insufficient to pay the holders of all outstanding shares of Preferred Stock or the holders of all outstanding shares of Preference Stock the full amounts to which they respectively shall be entitled, the holders of shares of Preferred Stock of all series and the holders of shares of Preference Stock of all series, respectively, shall participate ratably in any distribution of assets according to the respective amounts which would be payable in respect of the shares of Preferred Stock or shares of Preference Stock held by them upon such distribution if all amounts payable in respect of the Preferred Stock of all series or the Preference Stock of all series, respectively, were paid in full. Neither the statutory merger nor consolidation of the corporation into or with any other corporation, nor the statutory merger or consolidation of any other corporation into or with the corporation, nor a sale, transfer or lease of all or any part of the assets of the corporation, shall be deemed to be a liquidation, dissolution or winding up of the corporation within the meaning of this Section 4.

5. The corporation, at the option of the Board of Directors, may redeem the whole or any part of the Preferred Stock of any series or of the Preference Stock of any series at the price or prices and on the terms and conditions provided in the resolution or resolutions adopted by the Board of Directors providing for the issue of such series.

6. Anything herein or in any resolution or resolutions adopted by the Board of Directors providing for the issue of any series of Preferred Stock or any series of Preference Stock contained to the contrary notwithstanding, the rights of the holders of all classes of stock of the corporation in respect of dividends and purchase, retirement or sinking funds, if any, shall at all times be subject to the power of the Board of Directors from time to time to set aside such reserves and to make such other provisions, if any, as the Board of Directors shall deem to be necessary or advisable for working capital, for expansion of the corporation's business (including the acquisition of real and personal property for that purpose) and for any other purpose of the corporation.

7. Except as otherwise provided by the statutes of the State of Delaware or by the Certificate of Incorporation or by the resolution or resolutions adopted by the Board of Directors providing for the issue of any series of Preferred Stock or any series of Preference Stock, the holders of the Preferred Stock and the holders of the Preference Stock shall have no right to vote. The holders of the Preferred Stock and the holders of the Preference Stock shall not be entitled to receive notice of any meeting of stockholders at which they are not entitled to vote or consent. The holders of shares of Preference Stock shall not be entitled to more than one vote per share.

8. Except as otherwise provided by the statutes of the State of Delaware or by the Certificate of Incorporation or by the resolution or resolutions adopted by the Board of Directors providing for the issue of any series of Preferred Stock or any series of Preference Stock, the vote of the holders of all or any portion of any class of stock, as a class, shall not be required for

any action whatsoever to be taken or authorized by the stockholders of the corporation, including any amendment of the Certificate of Incorporation.

9. No holder of shares of the corporation of any class or of any security or obligation convertible into, or of any warrant, option or right to subscribe for, purchase or otherwise acquire, shares of the corporation of any class, whether now or hereafter authorized, shall, as such holder, have any preemptive right whatsoever to subscribe for, purchase or otherwise acquire shares of the corporation of any class or any security or obligation convertible into, or any warrant, option or right to subscribe for, purchase or otherwise acquire, shares of the corporation of any class, whether now or hereafter authorized.

10. If it deems it desirable so to do, the Board of Directors may from time to time issue scrip for fractional shares of stock. Such scrip shall not confer upon the holder any voting or other rights of a stockholder of the corporation, but the corporation shall from time to time, within such time as the Board of Directors may determine, issue one whole share of stock upon the surrender of scrip for fractional shares aggregating one whole share, properly endorsed if in registered form.

Pursuant to the authority conferred by this Article FOURTH, the following series of Preferred Stock have been designated, each such series consisting of such number of shares, with such voting powers, designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof as are stated and expressed in the exhibit with respect to such series attached hereto as specified below and incorporated herein by reference:

Exhibit A	<del>1997 ESOP Cumulative Convertible Preferred Stock*</del>
Exhibit B	<del>1998 ESOP Cumulative Convertible Preferred Stock*</del>
Exhibit C	<del>1999 ESOP Cumulative Convertible Preferred Stock*</del>
Exhibit D	<del>2000 ESOP Cumulative Convertible Preferred Stock*</del>
Exhibit E	<del>2001 ESOP Cumulative Convertible Preferred Stock*</del>
Exhibit F	<del>2002 ESOP Cumulative Convertible Preferred Stock*</del>
Exhibit G	<del>2003 ESOP Cumulative Convertible Preferred Stock*</del>
Exhibit H	<del>2004 ESOP Cumulative Convertible Preferred Stock*</del>
Exhibit I	<del>2005 ESOP Cumulative Convertible Preferred Stock*</del>
Exhibit J	<del>2006 ESOP Cumulative Convertible Preferred Stock*</del>

\*Wells Fargo & Company has filed Certificates Eliminating the Certificates of Designations for each of Wells Fargo's 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005 and 2006 ESOP Cumulative Convertible Preferred Stock (Exhibits A through J above)

FIFTH: The amount of capital with which this corporation will commence business is One Thousand Dollars (\$1,000.00), being twenty (20) shares of the par value of Fifty Dollars (\$50.00) each.

SIXTH: The names and places of residence of the subscribers to the capital stock and the number of shares subscribed for by each are as follows:

<u>Name</u>	<u>Residence</u>	<u>No. of Shares</u>
A. V. Lane	Wilmington, Delaware	18
C. S. Peabbles	Wilmington, Delaware	1
L. E. Gray	Wilmington, Delaware	1

SEVENTH: This corporation is to have perpetual existence.

EIGHTH: The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatever.

NINTH: The number of Directors of the corporation shall be as specified in the By-Laws, and such number may from time to time be increased or decreased in such manner as may be prescribed in the By-Laws, provided the number of Directors of the corporation shall not be less than three (3). In case of any increase in the number of Directors, the additional Directors may be elected by the Board of Directors to hold office until the next annual meeting of the stockholders and until their successors are elected and qualified. In case of a vacancy in the Board of Directors, a majority of the remaining members of the Board may elect Directors to fill such vacancy.

Directors shall be stockholders.

TENTH: In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized:

To make, alter, amend or repeal the By-Laws of the corporation, except as otherwise provided in said By-Laws;

To determine from time to time whether and to what extent and at what times and places and under what conditions and regulations the accounts and books of the corporation, or any of them, shall be open to the inspection of the stockholders; and no stockholder shall have any right to inspect any account or book or document of the corporation except as conferred by the laws of the State of Delaware, unless and until authorized so to do by resolution of the Board of Directors, or of the stockholders.

To set apart out of any funds of the corporation available for dividends a reserve or reserves for working capital or for any other lawful purpose, and also to abolish any such reserve in the same manner in which it was created;

If the By-Laws so provide, to designate two or more of its number to constitute an Executive Committee, which Committee shall for the time being, as provided in said resolution or in the By-Laws of this corporation, have and exercise any or all of the powers of the Board of Directors in the management of the business and affairs of this corporation and have power to authorize the seal of this corporation to be affixed to all papers which may require it.

This corporation may in its By-Laws confer powers upon its Directors in addition to the foregoing and in addition to the powers and authorities expressly conferred upon them by the Statute.

Both stockholders and Directors shall have power, if the By-Laws so provide, to hold their meetings and to have one or more offices within or without the State of Delaware and to keep the books of this corporation (subject to the provisions of the Statutes) outside of the State of Delaware at such places as may be from time to time designated by the Board of Directors.

ELEVENTH: In the absence of fraud, no contract or transaction between this corporation and any other association or corporation shall be affected by the fact that any of the Directors or officers of this corporation are interested in or are Directors or officers of such other association or corporation, and any Director or officer of this corporation individually may be a party to or may be interested in any such contract or transaction of this corporation; and no such contract or transaction of this corporation with any person or persons, firm, association or corporation shall be affected by the fact that any Director or officer of this corporation is a party to or interested in such contract or transaction in any way connected with such person or persons, firm, association or corporation; provided that such contract or other transaction shall be authorized or ratified by the vote of a majority of the Directors of this corporation not so interested; and each and every person who may become a Director or officer of this corporation is hereby relieved from any liability that might otherwise exist from thus contracting with this corporation for the benefit of himself or any person, firm, association or corporation in which he may be in anywise interested.

TWELFTH: This corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by Statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

THIRTEENTH: The Board of Directors is expressly authorized:

- (i) to adopt, and from time to time to amend, one or more pension, profit sharing, retirement, and benefit plans benefiting any or all officers and employees and former officers and employees of this corporation and affiliated banks and companies;
- (ii) to adopt, and from time to time to amend, one or more stock option, stock purchase, stock bonus, incentive, and compensation plans benefiting any or all officers and employees of this corporation and affiliated banks and corporations; and
- (iii) to authorize affiliated banks and companies, on behalf of this corporation as a stockholder therein, to adopt, and from time to time to amend, any of said types of plans enumerated in clause (i) of this Article THIRTEENTH benefiting any or all officers and employees and former officers and employees thereof and any of said types of plans enumerated in clause (ii) of this Article THIRTEENTH benefiting any or all officers and employees thereof.

No action shall be taken under this Article except by the affirmative vote of a majority of the directors in office at the time such action is taken, and such majority shall not include any director who is a salaried officer of the corporation or of any affiliated bank or company.

FOURTEENTH: (a) Elimination of Certain Liability of Directors. A director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in

good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

(b)(1) Right to Indemnification. Each person who was or is made a party or is threatened to be a made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a “proceeding”), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action or inaction in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than said law permitted the corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in subparagraph (b)(2), the corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the corporation. The right to indemnification conferred in this paragraph (b) shall be a contract right and shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this paragraph (b) or otherwise. The corporation may, by action of its Board of Directors, provide indemnification to employees and agents of the corporation with the same scope and effect as the foregoing indemnification of directors and officers.

(2) Right of Claimant to Bring Suit. If a claim under subparagraph (b)(1) is not paid in full by the corporation within 30 days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be

on the corporation. Neither the failure of the corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(3) Non-Exclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this paragraph (b) shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, by-law, agreement, vote of stockholders or disinterested directors or otherwise.

(4) Insurance. The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

IN WITNESS WHEREOF, this Restated Certificate of Incorporation is executed on behalf of the corporation by its Chairman and attested by its Secretary this 28<sup>th</sup> day of September, 2006.

/s/ Richard M. Kovacevich  
Richard M. Kovacevich, Chairman

Attest: /s/ Laurel A. Holschuh  
Laurel A. Holschuh, Secretary

[As filed with the Delaware Secretary of State on September 28, 2006.]

**WELLS FARGO & COMPANY  
CERTIFICATE OF DESIGNATIONS  
Pursuant to Section 151(g) of the  
General Corporation Law  
of the State of Delaware**

**DIVIDEND EQUALIZATION PREFERRED SHARES  
(Without Par Value)**

WELLS FARGO & COMPANY, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), HEREBY CERTIFIES that, pursuant to authority conferred upon the Board of Directors of the Corporation (the "Board of Directors") by the provisions of the Restated Certificate of Incorporation of the Corporation, as amended, which authorizes the issuance of not more than 20,000,000 shares of Preferred Stock, without par value, and pursuant to authority conferred upon the Securities Committee of the Board of Directors (the "Committee") in accordance with Section 141(c) of the General Corporation Law of the State of Delaware (the "General Corporation Law"), the following resolutions were duly adopted by the Committee pursuant to the written consent of the Committee duly adopted on November 20, 2008, in accordance with Section 141(f) of the General Corporation Law:

RESOLVED, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated October 2, 2008, the provisions of the Restated Certificate of Incorporation, the By-laws of the Corporation and applicable law, a series of Preferred Stock, no par value, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

1. Designation.

(a) The shares of such series of Preferred Stock shall be designated Dividend Equalization Preferred Shares ("DEPs"), and the number of shares constituting such series shall be 97,000.

(b) DEPs redeemed, purchased or otherwise acquired by the Corporation or any of its subsidiaries (other than in a bona fide fiduciary capacity) shall be cancelled and may not be reissued. DEPs may be issued in fractional shares which are whole number multiples of one one-millionth of a share, which fractional shares shall entitle the holder, in proportion to such holder's fractional share, to all rights of a holder of a whole share of DEPs.

(c) DEPs shall, with respect to distributions upon the liquidation, winding-up and dissolution of the Corporation, rank (x) senior to the Common Stock for the Liquidation Preference stated and defined in Section 3(a) below and (y) junior to each class or series of preferred stock issued in exchange for preferred stock of Wachovia Corporation established by the board of directors of Wachovia Corporation after September 1, 2001 and each class or series of preferred stock established by the Board of Directors after the date hereof.



2. Dividends. DEPs shall not entitle the holders thereof to any dividends, whether payable in cash, property, stock or otherwise.

3. Liquidation.

(a) In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, the holders of full and fractional DEPs shall be entitled, before any distribution or payment is made on any date to the holders of the Common Stock or any other stock of the Corporation ranking junior to the DEPs upon liquidation, to be paid in full an amount per whole share of DEPs equal to \$10.00 (the "Liquidation Preference"), together with accrued dividends to such distribution or payment date, whether or not earned or declared. If such payment shall have been made in full to all holders of DEPs, the holders of DEPs as such shall have no right or claim to any of the remaining assets of the Corporation.

(b) In the event the assets of the Corporation available for distribution to the holders of DEPs upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such holders are entitled pursuant to Section 3(a), no such distribution shall be made on account of any shares of any other class or series of Preferred Stock ranking on a parity with the DEPs upon such liquidation, dissolution or winding up unless proportionate distributive amounts shall be paid on account of the DEPs, ratably in proportion to the full distributable amounts for which holders of all such parity shares are respectively entitled upon such liquidation, dissolution or winding up.

(c) Upon the liquidation, dissolution or winding up of the Corporation, the holders of DEPs then outstanding shall be entitled to be paid out of assets of the Corporation available for distribution to its shareholders all amounts to which such holders are entitled pursuant to the first paragraph of this Section 3 before any payment shall be made to the holders of Common Stock or any other stock of the Corporation ranking junior upon liquidation to the DEPs.

(d) For the purposes of this Section 3, the consolidation or merger of, or binding statutory share exchange by, the Corporation with any other corporation shall not be deemed to constitute a liquidation, dissolution or winding up of the Corporation.

4. Redemption, Conversion, Exchange.

(a) The DEPs shall not be convertible or exchangeable. Other than as described in the next sentence, the DEPs shall not be redeemable. The DEPs shall be redeemable by the Corporation, at the Corporation's option and in its sole discretion, for an amount in cash equal to the Liquidation Preference per share of DEPs, after December 31, 2021.

(b) In case of redemption of less than all of the DEPs at the time outstanding, the shares to be redeemed shall be selected pro rata or by lot as determined by the Corporation in its sole discretion, provided that the Corporation may redeem all shares held by holders of fewer than 0.100 DEPs (or by holders that would hold fewer than 0.100 DEPs following such redemption) prior to its redemption of other DEPs.

(c) Notice of any redemption shall be sent by or on behalf of the Corporation no less than 30 nor more than 60 days prior to the date specified for redemption in such notice (the "Redemption Date"), by first class mail, postage prepaid, to all holders of record of the DEPs at their last addresses as they appear on the books of the Corporation; provided, however, that no failure to give such notice or any defect therein or in the mailing thereof shall affect the validity of the proceedings for the redemption of any DEPs except as to the holder to whom the Corporation has failed to give notice or except as to the holder to whom notice was defective. In addition to any information required by applicable law or regulation or the rules of any exchange upon which the DEPs may be listed or admitted to trading, such notice shall state (1) that such redemption is being made pursuant to the redemption provisions of this Section 5, (2) the Redemption Date, (3) the redemption price, (4) the total number of DEPs to be redeemed and, if less than all shares held by such holder are to be redeemed, the number of such shares to be redeemed, and (5) the place or places where certificates for such shares are to be surrendered for payment of the redemption price, including any procedures applicable to redemption to be accomplished through book-entry transfers. Upon the mailing of any such notice of redemption, the Corporation shall become obligated to redeem, on the Redemption Date, all shares called for redemption.

5. Voting Rights. Except as otherwise required by applicable law or regulation or the rules of a securities exchange upon which the DEPs may be listed or quoted, holders of the DEPs shall have no voting rights.

**IN WITNESS WHEREOF, WELLS FARGO & COMPANY** has caused this Certificate of Designations to be signed by Barbara S. Brett, its Senior Vice President and Assistant Treasurer, and Laurel A. Holschuh, its Secretary, this 30<sup>th</sup> day of December, 2008.

WELLS FARGO & COMPANY

By:           /s/ Barbara S. Brett          

Barbara S. Brett, Senior Vice President  
and Assistant Treasurer

          /s/ Laurel A. Holschuh            
Laurel A. Holschuh, Secretary

[As filed with the Delaware Secretary of State on December 30, 2008.]

**WELLS FARGO & COMPANY**  
**CERTIFICATE OF DESIGNATIONS**  
**Pursuant to Section 151(g) of the**  
**General Corporation Law**  
**of the State of Delaware**

**CLASS A PREFERRED STOCK, SERIES I**  
**(Without Par Value)**

WELLS FARGO & COMPANY, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), HEREBY CERTIFIES that, pursuant to authority conferred upon the Board of Directors of the Corporation (the "Board of Directors") by the provisions of the Restated Certificate of Incorporation of the Corporation, as amended, which authorizes the issuance of not more than 20,000,000 shares of Preferred Stock, without par value, and pursuant to authority conferred upon the Securities Committee of the Board of Directors (the "Committee") in accordance with Section 141(c) of the General Corporation Law of the State of Delaware (the "General Corporation Law"), the following resolutions were duly adopted by the Committee pursuant to the written consent of the Committee duly adopted on November 20, 2008, in accordance with Section 141(f) of the General Corporation Law:

RESOLVED, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated October 2, 2008, the provisions of the Restated Certificate of Incorporation, the By-laws of the Corporation and applicable law, a series of Preferred Stock, no par value, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

Section 1. Designation. The shares of such series of Preferred Stock shall be designated Class A Preferred Stock, Series I, with no par value and a liquidation preference of \$100,000 per share (hereinafter referred to as the "Series I Preferred Stock"). Each share of Series I Preferred Stock shall be identical in all respects to every other share of Series I Preferred Stock. Series I Preferred Stock will rank equally with Parity Stock, if any, and will rank senior to Junior Stock with respect to the payment of dividends and the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

Section 2. Number of Shares. The number of shares of Series I Preferred Stock shall be 25,010. Such number may from time to time be increased (but not in excess of the total number of authorized shares of preferred stock) or decreased (but not below the number of shares of Series I Preferred Stock then outstanding) by the board of directors. Shares of Series I Preferred Stock that are redeemed, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of preferred stock undesignated as to series. The Corporation shall have the authority to issue fractional shares of Series I Preferred Stock.

Section 3. Definitions. As used herein with respect to Series I Preferred Stock:

"Business Day" means each Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions in Charlotte, North Carolina or New York, New York are not authorized or obligated by law, regulation or executive order to close.

"Depository Company" shall have the meaning set forth in Section 6(d).

“Dividend Payment Date” shall have the meaning set forth in Section 4(a).

“Dividend Period” shall have the meaning set forth in Section 4(a).

“DTC” means The Depository Trust Company, together with its successors and assigns.

“Junior Stock” means the Corporation’s common stock and any other class or series of stock of the Corporation hereafter authorized over which Series I Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

“London Banking Day” means any day on which commercial banks are open for general business (including dealings in deposits in U.S. dollars) in London.

“Parity Stock” means any other class or series of stock of the Corporation that ranks on a par with Series I Preferred Stock in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

“Series I Preferred Stock” shall have the meaning set forth in Section 1.

“Telerate Page 3750” means the display page so designated on the Moneyline/Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices comparable to London Interbank Offered Rate for U.S. dollar deposits).

“Three-Month LIBOR” means, with respect to any Dividend Period, the rate (expressed as a percentage *per annum*) for deposits in U.S. dollars for a three-month period commencing on the first day of that Dividend Period that appears on Telerate Page 3750 as of 11:00 a.m. (London time) on the second London Banking Day preceding the first day of that Dividend Period. If such rate does not appear on Telerate Page 3750, Three-Month LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars for a three-month period commencing on the first day of that Dividend Period and in a principal amount of not less than \$1,000,000 are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the Corporation, at approximately 11:00 a.m., London time on the second London Banking Day preceding the first day of that Dividend Period. Wachovia Bank, National Association, as calculation agent for the Preferred Stock, will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, Three-Month LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of such quotations. If fewer than two quotations are provided, Three-Month LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of the rates quoted by three major banks in New York City selected by the calculation agent, at approximately 11:00 a.m., New York City time, on the first day of that Dividend Period for loans in U.S. dollars to leading European banks for a three-month period commencing on the first day of that Dividend Period and in a principal amount of not less than \$1,000,000. However, if the banks selected by the calculation agent to provide quotations are not quoting as described above, Three-Month LIBOR for that Dividend Period will be the same as Three-Month LIBOR as determined for the previous Dividend Period, or in the case of the first Dividend Period, the most recent rate that could have been determined in accordance with the first sentence of this paragraph had Series I Preferred Stock been outstanding. The calculation agent’s establishment of Three-Month LIBOR and calculation of the amount of dividends for each Dividend Period will be on file at the principal offices of the Corporation, will be made available to any holder of Series I Preferred Stock upon request and will be final and binding in the absence of manifest error.

#### Section 4. Dividends.

(a) Rate. Holders of Series I Preferred Stock shall be entitled to receive, when, as and if declared by the board of directors, but only out of funds legally available therefor, non-cumulative cash dividends on the liquidation preference of \$100,000 per share of Series I Preferred Stock, and no more, payable: (1) if the Series I Preferred Stock is issued prior to March 15, 2011, semi-annually in arrears on each March 15 and September 15 through March 15, 2011 and (2) from and including the later of March 15, 2011 and the date of issuance, quarterly in arrears on each March 15, June 15, September 15 and December 15. If any date prior to March 15, 2011 specified pursuant to the preceding sentence is not a Business Day, then dividends will be payable on the first Business Day following such date, without accrual to the actual payment date; if any date on or after March 15, 2011 specified pursuant the preceding sentence is not a Business Day, then dividends will be payable on the first Business Day following such date and dividends shall accrue to the actual payment date. The term "Dividend Payment Date" means each of the following dates occurring after the date of issuance of the Series I Preferred Stock: (i) each March 15 and September 15 through September 15, 2010 and (ii) each March 15, June 15, September 15 and December 15, or if any such day in the case of this clause (ii) is not a Business Day, the next Business Day. The term "Dividend Period" means each period from and including a Dividend Payment Date (or the date of issuance of the Series I Preferred Stock for the first Dividend Payment Date) to but excluding the next Dividend Payment Date. For any Dividend Period ending prior to the Dividend Payment Date in March 2011 dividends will accrue at a rate per annum equal to 5.80%, and for any Dividend Period ending after the Dividend Payment Date in March 2011, dividends will accrue at a rate per annum equal to the greater of (x) Three-Month LIBOR for the related Dividend Period plus 0.93% and (y) 5.56975%. The amount of dividends payable for any Dividend Period (1) ending prior to the Dividend Payment Date in March 2011 shall be computed on the basis of a 360-day year consisting of twelve 30-day months and (2) beginning on or after the Dividend Payment Date in March 2011 shall be computed on the basis of a 360-day year and the actual number of days elapsed.

(b) Non-Cumulative Dividends. Dividends on shares of Series I Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series I Preferred Stock on any Dividend Payment Date are not declared and paid, in full or otherwise, on such Dividend Payment Date, then such unpaid dividends shall not cumulate and shall cease to accrue and be payable and the Corporation shall have no obligation to pay, and the holders of Series I Preferred Stock shall have no right to receive, dividends accrued for the Dividend Period ending immediately prior to such Dividend Payment Date after such Dividend Payment Date or to pay interest with respect to such dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series I Preferred Stock, Parity Stock, Junior Stock or any other class or series of authorized preferred stock of the Corporation. Holders of Series I Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of full dividends for each Dividend Period on the Series I Preferred Stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any Dividend Payment or Dividend Payments or failure to make any Dividend Payment or Dividend Payments.

(c) Priority of Dividends. So long as any share of Series I Preferred Stock remains outstanding, (i) no dividend shall be declared or paid or set aside for payment and no distribution shall be declared or made or set aside for payment on any Junior Stock, other than a dividend payable solely in Junior Stock, (ii) no shares of Junior Stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock,

and other than through the use of the proceeds of a substantially contemporaneous sale of other shares of Junior Stock), nor shall any monies be paid to or made available for a sinking fund for the redemption of any such securities by the Corporation, and (iii) no shares of Parity Stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series I Preferred Stock and such Parity Stock except by conversion into or exchange for Junior Stock, unless full dividends on all outstanding shares of Series I Preferred Stock for the then-current Dividend Period have been paid in full or declared and set aside for payment. The foregoing shall not restrict the ability of the Corporation, or any affiliate of the Corporation, to engage in any market-making transactions in the Junior Stock or Parity Stock in the ordinary course of business. When dividends are not paid in full upon the shares of Series I Preferred Stock and any Parity Stock, all dividends declared upon shares of Series I Preferred Stock and any Parity Stock shall be declared on a proportional basis so that the amount of dividends declared per share will bear to each other the same ratio that accrued dividends for the then-current Dividend Period per share on Series I Preferred Stock, and accrued dividends, including any accumulations on Parity Stock, bear to each other. No interest will be payable in respect of any dividend payment on such offered stock that may be in arrears. If the board of directors determines not to pay any dividend or a full dividend on a Dividend Payment Date, the Corporation will provide written notice to the holders of the Series I Preferred Stock prior to such date. Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the board of directors may be declared and paid on any Junior Stock from time to time out of any funds legally available therefor, and the shares of Series I Preferred Stock shall not be entitled to participate in any such dividend.

#### Section 5. Liquidation Rights.

(a) Liquidation. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series I Preferred Stock shall be entitled, before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of any Junior Stock and subject to the rights of the holders of any class or series of securities ranking senior to or on parity with Series I Preferred Stock upon liquidation and the rights of the Corporation's depositors and other creditors, to receive in full a liquidation preference in an amount equal to \$100,000 per share, plus an amount equal to all accrued and unpaid dividends for the then-current Dividend Period to the date of liquidation. The holder of Series I Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

(b) Partial Payment. If the assets of the Corporation are not sufficient to pay in full the liquidation preference to all holders of Series I Preferred Stock and the liquidation preferences of any Parity Stock to all holders of such Parity Stock, the amounts paid to the holders of Series I Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preferences of Series I Preferred Stock and all such Parity Stock.

(c) Residual Distributions. If the liquidation preference has been paid in full to all holders of Series I Preferred Stock and all holders of any Parity Stock, the holders of Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

(d) Merger, Consolidation and Sale of Assets Not Liquidation. For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the

affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

Section 6. Redemption.

(a) Optional Redemption. So long as full dividends for all outstanding shares of Series I Preferred Stock for the then-current Dividend Period have been paid or declared and a sum sufficient for the payment thereof set aside, the Corporation, at the option of the board of directors, may redeem in whole or in part the shares of Series I Preferred Stock at the time outstanding, at any time on or after the later of March 15, 2011 and the date of original issuance of the Series I Preferred Stock, upon notice given as provided in Subsection (b) below, at the redemption price in effect at the redemption date as provided in this Section 6. The redemption price for shares of Series I Preferred Stock shall be \$100,000 per share plus dividends that have been declared but not paid plus accrued and unpaid dividends for the then-current Dividend Period to the redemption date.

(b) Notice of Redemption. Notice of every redemption of shares of Series I Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of the shares to be redeemed at their respective last addresses appearing on the books of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Notwithstanding the foregoing, if the Series I Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC. Any notice mailed as provided in this Subsection shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series I Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series I Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series I Preferred Stock to be redeemed; (iii) the redemption price; (iv) the place or places where the Series I Preferred Stock are to be redeemed; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date.

(c) Partial Redemption. In case of any redemption of only part of the shares of Series I Preferred Stock at the time outstanding, the shares of Series I Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series I Preferred Stock in proportion to the number of Series I Preferred Stock held by such holders or by lot or in such other manner as the board of directors may determine to be fair and equitable. Subject to the provisions hereof, the board of directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series I Preferred Stock shall be redeemed from time to time.

(d) Effectiveness of Redemption. If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other funds, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the board of directors (the "Depository Company") in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease

to be outstanding, all dividends with respect to such shares shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company at any time after the redemption date the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depositary Company any interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released or repaid to the Corporation, and in the event of such repayment to the Corporation, the holders of record of the shares so called for redemption shall be deemed to be unsecured creditors of the Corporation for an amount equivalent to the amount deposited as stated above for the redemption of such shares and so repaid to the Corporation, but shall in no event be entitled to any interest.

Section 7. Voting Rights. The holders of Series I Preferred Stock will have no voting rights and will not be entitled to elect any directors, except as expressly provided by law.

Section 8. Conversion. The holders of Series I Preferred Stock shall not have any rights to convert such Series I Preferred Stock into shares of any other class of capital stock of the Corporation.

Section 9. Rank. Notwithstanding anything set forth in the Restated Certificate of Incorporation of the Corporation or this Certificate of Designations to the contrary, the board of directors, without the vote of the holders of the Series I Preferred Stock, may authorize and issue additional shares of Junior Stock, Parity Stock or any class of securities ranking senior to the Series I Preferred Stock as to dividends and upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

Section 10. Repurchase. Subject to the limitations imposed herein, the Corporation may purchase and sell Series I Preferred Stock from time to time to such extent, in such manner, and upon such terms as the board of directors may determine; provided, however, that the Corporation shall not use any of its funds for any such purchase when there are reasonable grounds to believe that the Corporation is, or by such purchase would be, rendered insolvent.

Section 11. Unissued or Reacquired Shares. Shares of Series I Preferred Stock not issued or which have been issued and converted, redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of Preferred Stock without designation as to series.

Section 12. No Sinking Fund. Shares of Series I Preferred Stock are not subject to the operation of a sinking fund.

**IN WITNESS WHEREOF, WELLS FARGO & COMPANY** has caused this Certificate of Designations to be signed by Barbara S. Brett, its Senior Vice President and Assistant Treasurer, and Laurel A. Holschuh, its Secretary, this 30<sup>th</sup> day of December, 2008.

WELLS FARGO & COMPANY

By:           /s/ Barbara S. Brett            
Barbara S. Brett, Senior Vice President



and Assistant Treasurer

/s/ Laurel A. Holschuh  
Laurel A. Holschuh, Secretary

[As filed with the Delaware Secretary of State on December 30, 2008.]

**WELLS FARGO & COMPANY**  
**CERTIFICATE OF DESIGNATIONS**  
**Pursuant to Section 151(g) of the**  
**General Corporation Law**  
**of the State of Delaware**

**7.50% NON-CUMULATIVE PERPETUAL CONVERTIBLE**  
**CLASS A PREFERRED STOCK, SERIES L**  
**(Without Par Value)**

WELLS FARGO & COMPANY, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), HEREBY CERTIFIES that, pursuant to authority conferred upon the Board of Directors of the Corporation (the "Board of Directors") by the provisions of the Restated Certificate of Incorporation of the Corporation, as amended, which authorizes the issuance of not more than 20,000,000 shares of Preferred Stock, without par value, and pursuant to authority conferred upon the Securities Committee of the Board of Directors (the "Committee") in accordance with Section 141(c) of the General Corporation Law of the State of Delaware (the "General Corporation Law"), the following resolutions were duly adopted by the Committee pursuant to the written consent of the Committee duly adopted on November 20, 2008, in accordance with Section 141(f) of the General Corporation Law:

RESOLVED, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated October 2, 2008, the provisions of the Restated Certificate of Incorporation, the By-laws of the Corporation and applicable law, a series of Preferred Stock, no par value, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

Section 1. Designation. The shares of such series of Preferred Stock shall be designated 7.50% Non-Cumulative Perpetual Convertible Class A Preferred Stock, Series L, with no par value and a liquidation preference of \$1,000 per share (hereinafter referred to as the "Series L Preferred Stock"). Each share of Series L Preferred Stock shall be identical in all respects to every other share of Series L Preferred Stock. Series L Preferred Stock will rank equally with Parity Stock, if any, and will rank senior to Junior Stock with respect to the payment of dividends and the distribution of assets in the event of any voluntary or involuntary dissolution, winding-up and liquidation of the Corporation.

Section 2. Number of Shares. The authorized number of shares of Series L Preferred Stock shall be 4,025,000. Such number may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock) or decreased (but not below the number of shares of Series L Preferred Stock then outstanding) by the board of directors. Shares of Series L Preferred Stock that are converted in accordance with the terms hereof, purchased or otherwise acquired by the Corporation shall be cancelled and shall revert to authorized but unissued shares of Preferred Stock undesignated as to series. The Corporation shall have the authority to issue fractional shares of Series L Preferred Stock.

Section 3. Definitions. As used herein with respect to Series L Preferred Stock:

“Applicable Conversion Price” at any given time means, for each share of Series L Preferred Stock, the price equal to \$1,000 divided by the Applicable Conversion Rate in effect at such time.

“Applicable Conversion Rate” means the Conversion Rate in effect at any given time.

“Base Price” has the meaning set forth in Section 13(d)(i).

“Business Day” means each Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions in Charlotte, North Carolina or New York, New York are not authorized or obligated by law, regulation or executive order to close.

“Capital Stock” of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any preferred stock, excluding any debt securities convertible into such equity.

“Closing Price” of the Common Stock on any date of determination means the closing sale price or, if no closing sale price is reported, the last reported sale price of the shares of the Common Stock on the New York Stock Exchange on that date. If the Common Stock is not traded on the New York Stock Exchange on any date of determination, the Closing Price of the Common Stock on such date of determination means the closing sale price as reported in the composite transactions for the principal U.S. national or regional securities exchange or securities exchange in the European Economic Area on which the Common Stock is so listed or quoted, or, if no closing sale price is reported, the last reported sale price on the principal U.S. national or regional securities exchange or securities exchange in the European Economic Area on which the Common Stock is so listed or quoted, or if the Common Stock is not so listed or quoted on a U.S. national or regional securities exchange or securities exchange in the European Economic Area, the last quoted bid price for the Common Stock in the over-the-counter market as reported by Pink Sheets LLC or a similar organization, or, if that bid price is not available, the market price of the Common Stock on that date as determined by a nationally recognized independent investment banking firm (unaffiliated with the Corporation) retained by the Corporation for this purpose. The “Closing Price” for any other share of Capital Stock shall be determined on a comparable basis, *mutatis mutandis*.

For purposes of this Certificate of Designations, all references herein to the “Closing Price” and “last reported sale price” of the Common Stock on the New York Stock Exchange shall be such closing sale price and last reported sale price as reflected on the website of the New York Stock Exchange (<http://www.nyse.com>) and as reported by Bloomberg Professional Service; provided that in the event that there is a discrepancy between the closing sale price or last reported sale price as reflected on the website of the New York Stock Exchange and as reported by Bloomberg Professional Service, the closing sale price and last reported sale price on the website of the New York Stock Exchange will govern.

For purposes of calculating the Closing Price, if a Reorganization Event has occurred and (1) the Exchange Property consists only of shares of common securities, the Closing Price shall be based on the Closing Price of such common securities; (2) the Exchange

Property consists only of cash, the Closing Price shall be the cash amount paid per share; and (3) the Exchange Property consists of securities, cash and/or other property, the Closing Price shall be based on the sum, as applicable, of (x) the Closing Price of such common securities, (y) the cash amount paid per share of Common Stock and (z) the value (as determined by the board of directors from time-to-time) of any other securities or property paid to holders of Common Stock in connection with the Reorganization Event.

“Common Stock” means the common stock, \$1-2/3 par value per share, of the Corporation.

“Conversion Agent” means American Stock Transfer & Trust Company acting in its capacity as conversion agent for the Series L Preferred Stock, and its successors and assigns or any other conversion agent appointed by the Corporation.

“Conversion Date” has the meaning set forth in Section 13(a)(iv)(B).

“Conversion Rate” means for each share of Series L Preferred Stock, 6.3814 shares of Common Stock, plus cash in lieu of fractional shares, subject to adjustment as set forth herein.

“Current Market Price” per share of Common Stock on any date of determination means the average of the VWAP per share of Common Stock on each of the 10 consecutive VWAP Trading Days ending on the earlier of the day in question and the day before the Ex-Date or other specified date with respect to the issuance or distribution requiring such computation, appropriately adjusted to take into account the occurrence during such period of any event described in Section 14(a)(i) through (v).

“Depository” means DTC or its nominee or any successor depository appointed by the Corporation.

“Dividend Payment Date” has the meaning set forth in Section 4(a).

“Dividend Period” has the meaning set forth in Section 4(a).

“Dividend Threshold Amount” has the meaning set forth in Section 14(a)(iv).

“DTC” means The Depository Trust Company, together with its successors and assigns.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Exchange Property” has the meaning set forth in Section 15(a).

“Ex-Date” when used with respect to any issuance or distribution, means the first date on which such shares of Common Stock or other securities trade without the right to receive an issuance or distribution with respect thereto.

“Expiration Time” has the meaning set forth in Section 12(a)(v).

“Expiration Date” has the meaning set forth in Section 14(a)(v).

“Fiscal Quarter” means, with respect to the Corporation, the fiscal quarter publicly disclosed by the Corporation.

“Fundamental Change” has the meaning set forth in Section 13(d)(i).

“Holder” means the Person in whose name the shares of Series L Preferred Stock are registered, which may be treated by the Corporation, Transfer Agent, Registrar, paying agent and Conversion Agent as the absolute owner of the shares of Series L Preferred Stock for the purpose of making payment and settling conversions and for all other purposes.

“Junior Stock” means the Common Stock and any other class or series of stock of the Corporation hereafter authorized over which Series L Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets in the event of any voluntary or involuntary dissolution, liquidation or winding-up of the affairs of the Corporation.

“Make-Whole Acquisition” means the occurrence, prior to any Conversion Date, of one of the following:

(a) “person” or “group” within the meaning of Section 13(d) of the Exchange Act files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect ultimate “beneficial owner,” as defined in Rule 13d-3 under the Exchange Act, of common equity of the Corporation representing more than 50% of the voting power of the Common Stock; or

(b) consummation of any consolidation or merger of the Corporation or similar transaction or any sale, lease or other transfer in one transaction or a series of related transactions of all or substantially all of the consolidated assets of the Corporation and its subsidiaries, taken as a whole, to any Person other than one of the Corporation’s subsidiaries, in each case, pursuant to which the Common Stock will be converted into cash, securities, or other property, other than pursuant to a transaction in which the Persons that “beneficially owned” (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly, Voting Shares immediately prior to such transaction beneficially own, directly or indirectly, Voting Shares representing a majority of the total voting power of all outstanding classes of Voting Shares of the continuing or surviving Person immediately after the transaction; *provided, however* that a Make-Whole Acquisition will not be deemed to have occurred if at least 90% of the consideration received by holders of the Common Stock in the transaction or transactions (as determined by the board of directors) consists of shares of common securities of a Person or American Depositary Receipts in respect of such common securities that are traded on a U.S. national securities exchange or a securities exchange in the European Economic Area or that will be traded on a U.S. national securities exchange or a securities exchange in the European Economic Area when issued or exchanged in connection with a Make-Whole Acquisition.

“Make-Whole Acquisition Conversion” has the meaning set forth in Section 13(c)(i).

“Make-Whole Acquisition Conversion Period” has the meaning set forth in Section 13(c)(i).

“Make-Whole Acquisition Effective Date” has the meaning set forth in Section 13(c)(i).

“Make-Whole Acquisition Stock Price” means the price paid per share of Common Stock in the event of a Make-Whole Acquisition. If the holders of shares of Common Stock receive only cash in the Make-Whole Acquisition in a single per-share amount, other than with respect to appraisal and similar rights, the Make-Whole Acquisition Stock Price shall be the cash amount paid per share of Common Stock. For purposes of the preceding sentence as applied to a Make-Whole Acquisition of the type set forth in clause (a) of the definition Make-Whole Acquisition, a single price per share of Common Stock shall be deemed to have been paid only if the transaction or transactions that caused the Make-Whole Acquisition to occur was a tender offer for more than 50% of the then-outstanding Common Stock. Otherwise, the Make-Whole Acquisition Stock Price shall be the average of the Closing Price per share of Common Stock on the ten Trading Days up to, but not including, the Make-Whole Acquisition Effective Date.

“Make-Whole Shares” has the meaning set forth in Section 13(c)(i).

“Mandatory Conversion Date” has the meaning set forth in Section 13(b)(iii).

“Market Disruption Event” means any of the following events that has occurred:

(a) change or quotation system on which the VWAP is determined pursuant to the definition of the VWAP Trading Day (a “Relevant Exchange”) during the one-hour period prior to the close of trading for the regular trading session on the Relevant Exchange (or for purposes of determining the VWAP per share of Common Stock any period or periods aggregating one half-hour or longer during the regular trading session on the relevant day) and whether by reason of movements in price exceeding limits permitted by the Relevant Exchange, or otherwise relating to Common Stock or in futures or options contracts relating to the Common Stock on the Relevant Exchange;

(b) any event (other than an event described in clause (c)) that disrupts or impairs (as determined by the Corporation in its reasonable discretion) the ability of market participants during the one-hour period prior to the close of trading for the regular trading session on the Relevant Exchange (or for purposes of determining the VWAP per share of Common Stock any period or periods aggregating one half-hour or longer during the regular trading session on the relevant day) in general to effect transactions in, or obtain market values for, the Common Stock on the Relevant Exchange or to effect transactions in, or obtain market values for, futures or options contracts relating to the Common Stock on the Relevant Exchange;  
or

(c) the failure to open of the Relevant Exchange on which futures or options contracts relating to the Common Stock, are traded or the closure of such Relevant Exchange prior to its respective scheduled closing time for the regular trading session on such day (without regard to after hours or any other trading outside of the regular trading session hours) unless such earlier closing time is announced by such Relevant Exchange at least one hour prior to the earlier of the actual closing time for the regular trading session on such day and the submission deadline for orders to be entered into such Relevant Exchange for execution at the actual closing time on such day.

“Nonpayment Event” has the meaning set forth in Section 7(a).

“Notice of Mandatory Conversion” has the meaning set forth in Section 13(b)(iii).

“Parity Stock” means any other class or series of stock of the Corporation that ranks on a par with Series L Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) or in the distribution of assets in the event of any voluntary or involuntary dissolution, winding-up and liquidation of the Corporation.

“Person” means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint-stock company, limited liability company or trust.

“Preferred Stock Directors” has the meaning set forth in Section 7(a).

“Purchased Shares” has the meaning set forth in Section 12(a)(v).

“Record Date” has the meaning set forth in Section 12(d), except for purposes of Section 14.

“Reference Price” means the applicable Make-Whole Acquisition Stock Price.

“Registrar” means American Stock Transfer & Trust Company acting in its capacity as registrar for the Series L Preferred Stock, and its successors and assigns or any other registrar appointed by the Corporation.

“Relevant Exchange” has the meaning set forth above in the definition of Market Disruption Event.

“Reorganization Event” has the meaning set forth in Section 15(a).

“Series L Preferred Stock” has the meaning set forth in Section 1.

“Trading Day” means a day on which the shares of Common Stock:

(a) are not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business; and

(b) have traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of the Common Stock.

“Transfer Agent” shall mean American Stock Transfer & Trust Company acting in its capacity as transfer agent for the Series L Preferred Stock, and its successors and assigns or any other transfer agent appointed by the Corporation.

“Voting Parity Stock” means any Parity Stock having similar voting rights as the Series L Preferred Stock.

“Voting Shares” of a Person means shares of all classes of Capital Stock of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of the board of directors of such Person.

“VWAP” per share of the Common Stock on any VWAP Trading Day means the per share volume-weighted average price as displayed under the heading Bloomberg VWAP on Bloomberg page WFC<equity>AQR (or its equivalent successor if such page is not available) in respect of the period from the open of trading on the relevant VWAP Trading Day until the close of trading on the relevant VWAP Trading Day (or if such volume-weighted average price is unavailable, the market price of one share of Common Stock on such VWAP Trading Days determined, using a volume-weighted average method, by a nationally recognized investment banking firm (unaffiliated with the Corporation) retained for this purpose by the Corporation). The VWAP for any other share of Capital Stock shall be determined on a comparable basis,*mutatis mutandis*.

“VWAP Trading Day” means, for purposes of determining a VWAP per share of Common Stock, a Business Day on which the Relevant Exchange (as defined in the definition of Market Disruption Event) is scheduled to be open for business and on which there has not occurred or does not exist a Market Disruption Event.

#### Section 4. Dividends.

(a) Rate. Holders of Series L Preferred Stock shall be entitled to receive, if, as and when declared by the board of directors, but only out of funds legally available therefor, non-cumulative cash dividends on the liquidation preference of \$1,000 per share of Series L Preferred Stock, and no more, from the date of issuance at a rate *per annum* equal to 7.50%, payable quarterly in arrears on each March 15, June 15, September 15 and December 15, commencing June 15, 2008. The term “Dividend Payment Date” means March 15, June 15, September 15 and December 15. If any date specified pursuant the preceding sentence is not a Business Day, then dividends will be payable on the first Business Day following such date and dividends shall be payable to the actual payment date and no interest or other payment shall be paid with respect of such delay. The term “Dividend Period” means each period from and including a Dividend Payment Date (or the date of issuance of the Series L Preferred Stock for the first Dividend Payment Date) to but excluding the next Dividend Payment Date;provided that the first Dividend Period shall be deemed to have commenced on December 15, 2008. The amount of dividends payable for any Dividend Period shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

(b) Non-Cumulative Dividends. Dividends on shares of Series L Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series L Preferred Stock on any Dividend Payment Date are not declared and paid, in full or otherwise, on such Dividend Payment Date, then such unpaid dividends shall not cumulate and shall cease to be payable and the Corporation shall have no obligation to pay, and the holders of Series L Preferred Stock shall have no right to receive, dividends payable in respect of the Dividend Period ending immediately prior to such Dividend Payment Date after such Dividend Payment Date, whether or not dividends are declared for any subsequent Dividend Period with respect to the Series L Preferred Stock, any Parity Stock, any Junior Stock or any other class or series of authorized preferred stock of the Corporation. Holders of Series L Preferred Stock shall



not be entitled to any dividends, whether payable in cash, property or stock, in excess of full dividends for each Dividend Period on the Series L Preferred Stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any Dividend Payment or Dividend Payments or failure to make any Dividend Payment or Dividend Payments.

(c) Priority of Dividends. So long as any share of Series L Preferred Stock remains outstanding and, as to any Junior Stock or Parity Stock then outstanding, unless full dividends on all outstanding shares of Series L Preferred Stock for the Dividend Period ending on or immediately prior to the dividend payment date or other payment date for such Junior Stock or Parity Stock have been paid in full or declared and set aside for payment, (i) no dividend shall be declared or paid or set aside for payment and no distribution shall be declared or made or set aside for payment on such Junior Stock (other than a dividend payable solely in Junior Stock) or on such Parity Stock, subject to the immediately following paragraph in the case of Parity Stock, (ii) no shares of Junior Stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than (1) as a result of a reclassification of Junior Stock for or into Junior Stock, (2) the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock, (3) through the use of the proceeds of a substantially contemporaneous sale of other shares of Junior Stock or (4) in connection with the satisfaction of the Corporation's obligations pursuant to any contract entered into in the ordinary course prior to the beginning of such Dividend Period), nor shall any monies be paid to or made available for a sinking fund for the redemption of any such securities by the Corporation, and (iii) no shares of Parity Stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than (1) as a result of a reclassification of Parity Stock for or into Parity Stock or Junior Stock, (2) the exchange or conversion of one share of Parity Stock for or into another share of Parity Stock or for or into Junior Stock, (3) through the use of the proceeds of a substantially contemporaneous sale of other shares of Parity Stock or Junior Stock or (4) in connection with the satisfaction of the Corporation's obligations pursuant to any contract entered into in the ordinary course prior to the beginning of such Dividend Period), nor shall any monies be paid to or made available for a sinking fund for the redemption of any such securities by the Corporation (other than through the use of the proceeds of a substantially contemporaneous sale described in clause (ii)(3) or (iii) (3) above), otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series L Preferred Stock and such Parity Stock.

When dividends are not paid in full upon the Series L Preferred Stock and any Parity Stock, dividends upon shares of the Series L Preferred Stock and such Parity Stock will be declared on a proportional basis, based upon the ratio of the amount of dividends declared on the Series L Preferred Stock and such Parity Stock to the amount that, if declared, would be full dividends (including accrued and unpaid dividends as to any Parity Stock that bears dividends on a cumulative basis) on the Series L Preferred Stock and such Parity Stock through the next succeeding applicable dividend payment date. If the board of directors determines not to pay any dividend or a full dividend on a Dividend Payment Date, the Corporation will provide written notice to the holders of the Series L Preferred Stock prior to such date. Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the board of directors may be declared and paid on any Junior Stock from time to time out of any funds legally available therefor, and the shares of Series L Preferred Stock shall not be entitled to participate in any such dividend.

#### Section 5. Liquidation Rights.

(a) Liquidation. In the event of any voluntary or involuntary dissolution, winding-up and liquidation of the Corporation, holders of Series L Preferred Stock shall be entitled, before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of any Junior Stock and subject to the rights of the holders of any Parity Stock or class or series of securities ranking senior to or on parity with the Series L Preferred Stock upon liquidation and the rights of the Corporation's creditors, to receive in full a liquidation preference in an amount equal to \$1,000 per share, plus an amount equal to all declared and unpaid dividends for the then-current Dividend Period to the date of liquidation. The holder of Series L Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary dissolution, winding-up and liquidation of the Corporation other than what is expressly provided for in this Section 5.

(b) Partial Payment. If the assets of the Corporation are not sufficient to pay in full the liquidation preference to all holders of Series L Preferred Stock and the liquidation preferences of any Parity Stock to all holders of such Parity Stock, the amounts paid to the holders of Series L Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preferences of Series L Preferred Stock and all such Parity Stock.

(c) Residual Distributions. If the applicable liquidation preference has been paid in full to all holders of Series L Preferred Stock and all holders of any Parity Stock, the holders of Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

(d) Merger, Consolidation and Sale of Assets Not Liquidation. For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding-up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding-up of the affairs of the Corporation.

Section 6. Redemption. The shares of Series L Preferred Stock shall not be redeemable.

Section 7. Voting Rights. The holders of Series L Preferred Stock shall not have any voting rights except as set forth below or as otherwise from time to time required by applicable law.

(a) Right To Elect Two Directors Upon Nonpayment Events. If after the issuance of the Series L Preferred Stock the Corporation fails to pay, or declare and set aside for payment, full dividends on the Series L Preferred Stock or any class or series of Voting Parity Stock for six Dividend Periods or their equivalent (whether or not consecutive) (a "Nonpayment Event"), the number of directors then constituting the board of directors shall automatically be increased by two and the holders of Series L Preferred Stock, voting together as a single and separate class with the holders of all outstanding shares of Voting Parity Stock, shall be entitled

to elect the two additional directors (the “Preferred Stock Directors”) by a plurality of the votes cast; provided that it shall be a qualification for election for any such Preferred Stock Director that the election of such director shall not cause the Corporation to violate the corporate governance requirement of the New York Stock Exchange (or any other securities exchange or other trading facility on which securities of the Corporation may then be listed or traded) that listed or traded companies must have a majority of independent directors; and provided further that the board of directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Parity Stock are entitled to elect pursuant to like voting rights).

In the event that the holders of Series L Preferred Stock and such other holders of Voting Parity Stock shall be entitled to vote for the election of the Preferred Stock Directors following a Nonpayment Event, such directors shall be initially elected following such Nonpayment Event at the Corporation’s next annual meeting of shareholders, and, except as provided below, at each subsequent annual meeting of shareholders of the Corporation.

When dividends have been paid in full on the Series L Preferred Stock and any and all Voting Parity Stock for at least four consecutive Dividend Periods or their equivalent after a Nonpayment Event, then the right of the holders of Series L Preferred Stock to elect the Preferred Stock Directors shall cease (but subject always to revesting of such rights in the case of any future Nonpayment Event), and, if and when all rights of holders of Series L Preferred Stock and Voting Parity Stock to elect the Preferred Stock Directors shall have ceased, the terms of office of all the Preferred Stock Directors shall forthwith terminate and the number of directors constituting the board of directors shall automatically be reduced accordingly.

Any Preferred Stock Director may be removed at any time without cause by the holders of a majority of the outstanding shares of Series L Preferred Stock and Voting Parity Stock, when they have the voting rights described above (voting together as a single and separate class). In case any vacancy shall occur among the Preferred Stock Directors, a successor shall be elected by a plurality of the votes cast by the holders of Series L Preferred Stock and Voting Parity Stock having the voting rights described above, voting together as a single and separate class. The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the board of directors for a vote.

(b) Other Voting Rights. So long as any shares of Series L Preferred Stock are outstanding, the vote or consent of the holders of at least 66 2/3 % of the shares of Series L Preferred Stock at the time outstanding and entitled to vote thereon, voting separately as a single class with all other classes or series of preferred stock ranking equally with the Series L Preferred Stock and entitled to vote thereon, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating any of the following actions, whether or not such approval is required by Delaware law:

(i) Amendment Affecting Series L Preferred Stock. Any amendment, alteration or repeal of any provision of the certificate of incorporation or bylaws so as to adversely affect the rights, preferences, privileges or voting powers of the Series L Preferred Stock.

(ii) Authorization or Issuance of Senior Stock. Any amendment or alteration of any provision of the certificate of incorporation or bylaws to authorize, create or increase the authorized amount of, or any issuance of, any shares of, or any securities convertible into shares of, any class or series of Capital Stock of the Corporation ranking senior to the Series L Preferred Stock with respect to either the payment of dividends or the distribution of assets in the event of any voluntary or involuntary dissolution, winding-up and liquidation of the affairs of the Corporation; or

(iii) Share Exchanges, Reclassifications, Mergers and Consolidations. Any consummation of a binding share exchange or reclassification involving the Series L Preferred Stock, or of a merger or consolidation of the Corporation with another Person, unless in each case (x) the shares of Series L Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting Person, are converted into or exchanged for preference securities of the surviving or resulting Person or a Person controlling such Person, and (y) such Series L Preferred Stock shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Series L Preferred Stock, taken as a whole; *provided, however,* that any authorization, creation or increase in the authorized amount of or issuance of Series L Preferred Stock or any class or series of Parity Stock or Junior Stock or any securities convertible into any class or series of Parity Stock (whether dividends payable in respect of such Parity Stock are cumulative or non-cumulative) or Junior Stock will be deemed not to adversely affect the rights, preferences, privileges or voting powers of the Series L Preferred Stock, and holders of the Series L Preferred Stock shall have no right to vote thereon.

If any amendment, alteration, repeal, share exchange, reclassification, merger or consolidation specified in this Section 7(b) would adversely affect one or more but not all series of voting preferred stock (including the Series L Preferred Stock), then only those series affected by and entitled to vote on the matter shall vote on the matter together as a single class (in lieu of all other series of preferred stock).

(c) Changes for Clarification. Without the consent of the holders of Series L Preferred Stock, so long as such action does not adversely affect the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series L Preferred Stock, the Corporation may amend, alter, supplement or repeal any terms of the Series L Preferred Stock:

(i) to cure any ambiguity, or to cure, correct or supplement any provision contained in this Certificate of Designations that may be defective or inconsistent; or

(ii) to make any provision with respect to matters or questions arising with respect to the Series L Preferred Stock that is not inconsistent with the provisions of this Certificate of Designations.

(d) Procedures for Voting and Consents. The rules and procedures for calling and conducting any meeting of the holders of Series L Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard

to such a meeting or such consents shall be governed by any rules the board of directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the certificate of incorporation, the bylaws, applicable law and any national securities exchange or other trading facility in which the Series L Preferred Stock is listed or traded at the time. Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of Series L Preferred Stock and any Voting Parity Stock has been cast or given on any matter on which the holders of shares of Series L Preferred Stock are entitled to vote shall be determined by the Corporation by reference to the specified liquidation amounts of the shares voted or covered by the consent.

For purposes of determining the voting rights of the holders of Series L Preferred Stock under this Section 7, each holder will be entitled to one vote for each \$1,000 of liquidation preference to which his or her shares are entitled. Holders of shares of Series L Preferred Stock will be entitled to one vote for each such share of Series L Preferred Stock held by them.

Section 8. Rank. Notwithstanding anything set forth in the certificate of incorporation or this Certificate of Designations to the contrary, the board of directors, without the vote of the holders of the Series L Preferred Stock, may authorize and issue additional shares of Junior Stock or Parity Stock.

Section 9. Repurchase. Subject to the limitations imposed herein, the Corporation may purchase and sell Series L Preferred Stock from time to time to such extent, in such manner, and upon such terms as the board of directors may determine; *provided, however*, that the Corporation shall not use any of its funds for any such purchase when there are reasonable grounds to believe that the Corporation is, or by such purchase would be, rendered insolvent.

Section 10. Unissued or Reacquired Shares. Shares of Series L Preferred Stock not issued or which have been issued and converted in accordance with the terms hereof or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of Preferred Stock without designation as to series.

Section 11. No Sinking Fund. Shares of Series L Preferred Stock are not subject to the operation of a sinking fund.

Section 12. Right to Convert. Each Holder shall have the right, at such Holder's option, at any time, to convert all or any portion of such Holder's Series L Preferred Stock into shares of Common Stock at the Applicable Conversion Rate (subject to the conversion procedures set forth in Section 13 herein) plus cash in lieu of fractional shares.

Section 13. Conversion.

(a) Conversion Procedures.

(i) Effective immediately prior to the close of business on the Mandatory Conversion Date or any applicable Conversion Date, dividends shall no longer be declared on any converted shares of Series L Preferred Stock and such shares of Series L Preferred Stock shall cease to be outstanding, in each case, subject to the right of Holders to receive any declared and unpaid dividends on such shares and any other payments to which they

are otherwise entitled pursuant to Section 12, Section 13(b), Section 13(c), Section 13(d), Section 15 or Section 16, as applicable.

(ii) Prior to the close of business on the Mandatory Conversion Date or any applicable Conversion Date, shares of Common Stock issuable upon conversion of, or other securities issuable upon conversion of, any shares of Series L Preferred Stock shall not be deemed outstanding for any purpose, and Holders shall have no rights with respect to the Common Stock or other securities issuable upon conversion (including voting rights, rights to respond to tender offers for the Common Stock and rights to receive any dividends or other distributions on the Common Stock and/or other securities issuable upon conversion), by virtue of holding shares of Series L Preferred Stock.

(iii) The Person or Persons entitled to receive the Common Stock and/or other securities issuable upon conversion of Series L Preferred Stock shall be treated for all purposes as the record holder(s) of such shares of Common Stock and/or such other securities as of the close of business on the Mandatory Conversion Date or any applicable Conversion Date except to the extent that all or a portion of such Common Stock is subject to the limitations set forth in Section 18. In the event that a Holder shall not by written notice designate the name in which shares of Common Stock and/or cash, other securities or other property (including payments of cash in lieu of fractional shares) to be issued or paid upon conversion of shares of Series L Preferred Stock should be registered or paid or the manner in which such shares should be delivered, the Corporation shall be entitled to register and deliver such shares, and make such payment, in the name of the Holder and in the manner shown on the records of the Corporation through book-entry transfer through the Depository.

(iv) Conversion into shares of Common Stock will occur on the Mandatory Conversion Date or any applicable Conversion Date as follows:

(A) On the Mandatory Conversion Date or applicable Conversion Date, certificates or evidence of shares in book-entry form representing shares of Common Stock shall be issued and delivered to Holders or their designee upon presentation and surrender of the certificate evidencing the Series L Preferred Stock to the Conversion Agent if shares of the Series L Preferred Stock are held in certificated form, and, if required, the furnishing of appropriate endorsements and transfer documents and the payment of all transfer and similar taxes. If a Holder's interest is a beneficial interest in a global certificate representing Series L Preferred Stock, a book-entry transfer through the Depository will be made by the Conversion Agent upon compliance with the Depository's procedures for converting a beneficial interest in a global security.

(B) On the date of any conversion at the option of Holders pursuant to Section 12, Section 13(c) or Section 13(d), if a Holder's interest is in certificated form, a Holder must do each of the following in order to convert:

(1) complete and manually sign the conversion notice provided by the Conversion Agent, or a facsimile of the conversion notice, and deliver this irrevocable notice to the Conversion Agent;

(2) surrender the shares of Series L Preferred Stock to the Conversion Agent;

endorsements and transfer documents;

(3) if required, furnish appropriate

and

(4) if required, pay all transfer or similar taxes;

(5) if required, pay funds equal to any declared  
and unpaid dividend payable on the next Dividend Payment Date.

If a Holder's interest is a beneficial interest in a global certificate representing Series L Preferred Stock, in order to convert a Holder must comply with clauses (3) through (5) listed above and comply with the Depository's procedures for converting a beneficial interest in a global security.

The date on which a Holder complies with the procedures in this clause (v) is the "Conversion Date."

(C) Conversion Agent shall, on a Holder's behalf, convert the Series L Preferred Stock into shares of Common Stock and/or cash, other securities or other property (involving payments of cash in lieu of fractional shares), in accordance with the terms of the notice delivered by such Holder described in clause (B) above. If a Conversion Date on which a Holder elects to convert Series L Preferred Stock is prior to the Record Date relating to any declared dividend for the Dividend Period, such Holder will not have the right to receive any declared dividends for that Dividend Period. If a Conversion Date on which a Holder elects to convert Series L Preferred Stock or the Mandatory Conversion Date is after the Record Date for any declared dividend and prior to the Dividend Payment Date, such Holder shall receive that dividend on the relevant Dividend Payment Date if such Holder was the Holder of record on the Record Date for that dividend. Notwithstanding the preceding sentence, if the Conversion Date is after the Record Date and prior to the Dividend Payment Date, whether or not such Holder was the Holder of record on the Record Date, the Holder must pay to the Conversion Agent upon conversion of the shares of Series L Preferred Stock an amount in cash equal to the full dividend actually paid on the Dividend Payment Date for the then-current Dividend Period on the shares of Series L Preferred Stock being converted, unless the Holder's shares of Series L Preferred Stock are being converted pursuant to Section 13(b), Section 13(c) or Section 13(d).

(b) Mandatory Conversion at the Corporation's Option.

(i) On or after March 15, 2013, the Corporation may, at its option, at any time or from time to time, cause some or all of the Series L Preferred Stock to be converted into shares of Common Stock at the Applicable Conversion Rate if, for 20 Trading Days during any period of 30 consecutive Trading Days, including the last Trading Day of such period, the Closing Price of the Common Stock exceeds 130% of the Applicable Conversion Price of the Series L Preferred Stock. The Corporation will provide Notice of Mandatory Conversion as set forth in Section 13(b)(iii) within three Trading Days after the end of the 30 consecutive Trading Day period.

(ii) If the Corporation elects to cause less than all of the Series L Preferred Stock to be converted under clause (i) above, the Conversion Agent will select the

Series L Preferred Stock to be converted by lot, or on a *pro rata* basis or by another method the Conversion Agent considers fair and appropriate, including any method required by the Depository (so long as such method is not prohibited by the rules of any stock exchange or quotation association on which the Series L Preferred Stock is then traded or quoted). If the Conversion Agent selects a portion of a Holder's Series L Preferred Stock for partial conversion at the Corporation's option and such Holder converts a portion of its shares of Series L Preferred Stock at the same time, the portion converted at such Holder's option will reduce the portion selected for conversion at the Corporation's option under this Section 13(b).

(iii) If the Corporation exercises the optional conversion right described in this Section 13(b), the Corporation shall give notice (such notice a "Notice of Mandatory Conversion") by (i) providing a notice of such conversion by first class mail to each Holder of record for the shares of Series L Preferred Stock to be converted or (ii) issuing a press release and making this information available on its website. The Conversion Date shall be a date selected by the Corporation (the "Mandatory Conversion Date"), not less than 10 days, and not more than 20 days, after the date on which the Corporation provides the Notice of Mandatory Conversion. In addition to any information required by applicable law or regulation, the Notice of Mandatory Conversion shall state, as appropriate:

(A) the Mandatory Conversion Date;

(B) the number of shares of Common Stock to be issued upon conversion of each share of Series L Preferred Stock; and

(C) the aggregate number of shares of Series L Preferred Stock to be converted.

(c) Conversion upon Make-Whole Acquisition.

(i) In the event of a Make-Whole Acquisition occurring prior to a Mandatory Conversion Date or Conversion Date, each Holder shall have the option to convert its shares of Series L Preferred Stock (a "Make-Whole Acquisition Conversion") during the period (the "Make-Whole Acquisition Conversion Period") beginning on the effective date of the Make-Whole Acquisition (the "Make-Whole Acquisition Effective Date") and ending on the date that is 30 days after the Make-Whole Acquisition Effective Date and receive an additional number of shares of Common Stock (the "Make-Whole Shares") as set forth in clause (ii) below.

(ii) The number of Make-Whole Shares per share of Series L Preferred Stock shall be determined by reference to the table below for the applicable Make-Whole Acquisition Effective Date and the applicable Make-Whole Acquisition Stock Price:

**Make-Whole Acquisition Stock Price**



<u>Effective Date</u>	<u>\$ 120.54</u>	<u>\$ 125.57</u>	<u>\$ 138.12</u>	<u>\$ 150.68</u>	<u>\$ 156.71</u>	<u>\$ 175.79</u>	<u>\$ 203.72</u>	<u>\$ 226.02</u>	<u>\$ 251.13</u>	<u>\$ 301.36</u>	<u>\$ 401.81</u>	<u>\$ 502.26</u>
<b>April 17, 2008.....</b>	1.9153	1.8855	1.5191	1.1110	0.9497	0.6471	0.3962	0.2847	0.2091	0.1354	0.0757	<b>0.0458</b>
<b>March 15, 2009.....</b>	1.9153	1.8775	1.5052	1.0951	0.9437	0.6331	0.3763	0.2588	0.1852	0.1175	0.0697	<b>0.0438</b>
<b>March 15, 2010.....</b>	1.9153	1.8397	1.4913	1.0871	0.9378	0.6073	0.3365	0.2210	0.1533	0.0956	0.0577	<b>0.0358</b>
<b>March 15, 2011.....</b>	1.9153	1.7899	1.4694	1.0731	0.9238	0.5794	0.2887	0.1712	0.1075	0.0657	0.0398	<b>0.0259</b>
<b>March 15, 2012.....</b>	1.9153	1.7561	1.4355	1.0652	0.9139	0.5356	0.2051	0.0896	0.0458	0.0299	0.0199	<b>0.0119</b>
<b>March 15, 2013.....</b>	1.9153	1.6704	1.4275	1.0592	0.9119	0.5097	0.0916	0.0000	0.0000	0.0000	0.0000	<b>0.0000</b>
<b>Thereafter... ..</b>	<b>1.9153</b>	<b>1.6704</b>	<b>1.4275</b>	<b>1.0592</b>	<b>0.9119</b>	<b>0.5097</b>	<b>0.0916</b>	<b>0.0000</b>	<b>0.0000</b>	<b>0.0000</b>	<b>0.0000</b>	<b>0.0000</b>

(A) The exact Make-Whole Acquisition Stock Prices and Make-Whole Acquisition Effective Dates may not be set forth in the table, in which case:

(1) if the Make-Whole Acquisition Stock Price is between two Make-Whole Acquisition Stock Price amounts in the table or the Make-Whole Acquisition Effective Date is between two dates in the table, the number of Make-Whole Shares will be determined by straight-line interpolation between the number of Make-Whole Shares set forth for the higher and lower Make-Whole Acquisition Stock Price amounts and the two Make-Whole Acquisition Effective Dates, as applicable, based on a 365-day year;

(2) if the Make-Whole Acquisition Stock Price is in excess of \$502.26 per share (subject to adjustment pursuant to Section 14), no Make-Whole Shares will be issued upon conversion of the Series L Preferred Stock; and

(3) if the Make-Whole Acquisition Stock Price is less than \$120.54 per share (subject to adjustment pursuant to Section 14), no Make-Whole Shares will be issued upon conversion of the Series L Preferred Stock.

(B) The Make-Whole Acquisition Stock Prices set forth in the table above are subject to adjustment pursuant to Section 14 hereof and shall be adjusted as of any date the Conversion Rate is adjusted. The adjusted Make-Whole Acquisition Stock Prices will equal the Make-Whole Acquisition Stock Prices applicable immediately prior to such adjustment multiplied by a fraction, the numerator of which is the Conversion Rate immediately prior to the adjustment giving rise to the Make-Whole Acquisition Stock Prices adjustment and the denominator of which is the Conversion Rate as so adjusted. Each of the number of Make-Whole Shares in the table shall also be subject to adjustment in the same manner as the Conversion Rate pursuant to Section 14.

(iii) On or before the twentieth day prior to the date the Corporation anticipates being the effective date for the Make-Whole Acquisition or within two business days of becoming aware of a Make-Whole Acquisition of the type set forth in clause (a) of the definition Make-Whole Acquisition, a written notice shall be sent by or on behalf of the Corporation, by first-class mail, postage prepaid, to the Holders as they appear in the records of the Corporation. Such notice shall contain:

(A) the anticipated effective date or effective date of the Make-Whole Acquisition; and

(B) the date, which shall be 30 days after the Make-Whole Acquisition Effective Date, by which a Make-Whole Acquisition Conversion must be exercised.

(iv) On the Make-Whole Acquisition Effective Date or as soon as practicable thereafter, another written notice shall be sent by or on behalf of the Corporation, by first-class mail, postage prepaid, to the Holders as they appear in the records of the Corporation. Such notice shall contain:

(A) the date that shall be 30 days after the Make-Whole Acquisition Effective Date;

(B) the number of Make-Whole Shares;

(C) the amount of cash, securities and other consideration receivable by a Holder of Series L Preferred Stock upon conversion; and

(D) the instructions a Holder must follow to exercise its conversion option in connection with such Make-Whole Acquisition.

(v) To exercise a Make-Whole Acquisition Conversion option, a Holder must, no later than 5:00 p.m., New York City time on or before the date by which the Make-Whole Acquisition Conversion option must be exercised as specified in the notice delivered under clause (iv) above, comply with the procedures set forth in Section 13(a)(iv)(B).

(vi) If a Holder does not elect to exercise the Make-Whole Acquisition Conversion option in accordance with the provisions specified in this Section 13(c), the shares of Series L Preferred Stock or successor security held by it shall remain outstanding (unless otherwise converted as provided herein), and the Holder will not be eligible to receive Make-Whole Shares.

(vii) Upon a Make-Whole Acquisition Conversion, the Conversion Agent shall, except as otherwise provided in the instructions provided by the Holder thereof in the written notice provided to the Corporation or its successor as set forth in Section 13(a)(iv) above, deliver to the Holder such cash, securities or other property as are issuable with respect to Make-Whole Shares in the Make-Whole Acquisition.

(viii) In the event that a Make-Whole Acquisition Conversion is effected with respect to shares of Series L Preferred Stock or a successor security representing less than all the shares of Series L Preferred Stock or a successor security held by a Holder, upon such Make-Whole Acquisition Conversion the Corporation or its successor shall execute and the Conversion Agent shall, unless otherwise instructed in writing, countersign and deliver to the Holder thereof, at the expense of the Corporation or its successors, a certificate evidencing the shares of Series L Preferred Stock or such successor security held by the Holder as to which a Make-Whole Acquisition Conversion was not effected.

(d) Conversion Upon Fundamental Change.

(i) If the Reference Price in connection with a Make-Whole Acquisition is less than \$120.54 (a “Fundamental Change”), a Holder may elect to convert each share of Series L Preferred Stock during the period beginning on the effective date of the Fundamental Change and ending on the date that is 30 days after the effective date of such Fundamental Change at an adjusted conversion price equal to the greater of (1) the Reference Price and (2) \$60.27, subject to adjustment as described in clause (ii) below (the “Base Price”). If the Reference Price is less than the Base Price, Holders will receive a maximum of 16.5916 shares of Common Stock per share of Series L Preferred Stock converted, subject to adjustment as a result of any adjustment to the Base Price described in clause (ii) below.

(ii) The Base Price shall be adjusted as of any date the Conversion Rate of the Series L Preferred Stock is adjusted pursuant to Section 14. The adjusted Base Price shall equal the Base Price applicable immediately prior to such adjustment multiplied by a fraction, the numerator of which is the Conversion Rate immediately prior to the adjustment giving rise to the Conversion Rate adjustment and the denominator of which is the Conversion Rate as so adjusted.

(iii) In lieu of issuing Common Stock upon conversion in the event of a Fundamental Change, the Corporation may at its option, and if it obtains any necessary regulatory approval, pay an amount in cash (computed to the nearest cent) equal to the Reference Price for each share of Common Stock otherwise issuable upon conversion.

(iv) On or before the twentieth day prior to the date the Corporation anticipates being the effective date for the Fundamental Change or within two business days of becoming aware of the Fundamental Change if it is a Make-Whole Acquisition of the type set forth in clause (a) of the definition Make-Whole Acquisition, a written notice shall be sent by or on behalf of the Corporation, by first-class mail, postage prepaid, to the Holders as they appear in the records of the Corporation. Such notice shall contain:

(A) the anticipated effective date of the Fundamental Change; and

(B) the date, which shall be 30 days after the anticipated effective date of a Fundamental Change, by which a Fundamental Change conversion must be exercised.

(v) On the effective date of a Fundamental Change or as soon as practicable thereafter, another written notice shall be sent by or on behalf of the Corporation, by first-class mail, postage prepaid, to the Holders as they appear in the records of the Corporation. Such notice shall contain:

(A) the date that shall be 30 days after the effective date of the Fundamental Change;

(B) the adjusted conversion price following the Fundamental Change;

(C) the amount of cash, securities and other consideration received by a Holder of Series L Preferred Stock upon conversion; and

(D) the instructions a Holder must follow to exercise its conversion option in connection with such Fundamental Change.

(vi) To exercise its conversion option upon a Fundamental Change, a Holder must, no later than 5:00 p.m., New York City time on or before the date by which the conversion option upon the Fundamental Change must be exercised as specified in the notice delivered under clause (v) above, comply with the procedures set forth in Section 13 (a)(v) (B) and indicate that it is exercising the Fundamental Change conversion option.

(vii) If a Holder does not elect to exercise its conversion option upon a Fundamental Change in accordance with the provisions specified in this Section 13(d), the shares of Series L Preferred Stock or successor security held by it shall remain outstanding (unless otherwise converted as provided herein) and the Holder will not be eligible to convert its shares pursuant to this Section 13(d).

(viii) Upon a conversion upon a Fundamental Change, the Conversion Agent shall, except as otherwise provided in the instructions provided by the Holder thereof in the written notice provided to the Corporation or its successor as set forth in Section 13(a)(iv), deliver to the Holder such cash, securities or other property as are issuable with respect to the adjusted conversion price following the Fundamental Change.

(ix) In the event that a conversion upon a Fundamental Change is effected with respect to shares of Series L Preferred Stock or a successor security representing less than all the shares of Series L Preferred Stock or a successor security held by a Holder, upon such conversion the Corporation or its successor shall execute and the Conversion Agent shall, unless otherwise instructed in writing, countersign and deliver to the Holder thereof, at the expense of the Corporation, a certificate evidencing the shares of Series L Preferred Stock or such successor security held by the Holder as to which a conversion upon a Fundamental Change was not effected.

#### Section 14. Anti-Dilution Adjustments.

(a) Adjustments. The Conversion Rate will be subject to adjustment, without duplication, under the following circumstances:

(i) The issuance of Common Stock as a dividend or distribution to all holders of Common Stock or a subdivision or combination of Common Stock (other than in connection with a Reorganization Event), in which event the Conversion Rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times (OS_1 / OS_0)$$

where,

$CR_0$  = the Conversion Rate in effect at the close of business on the Record Date

$CR_1$  = the Conversion Rate in effect immediately after the Record Date  
 $OS_0$  = the number of shares of Common Stock outstanding at the close of business on the Record Date prior to giving effect to such event  
 $OS_1$  = the number of shares of Common Stock that would be outstanding immediately after, and solely as a result of, such event

Notwithstanding the foregoing, (1) no adjustment will be made for the issuance of Common Stock as a dividend or distribution to all holders of Common Stock that is made in lieu of a quarterly or annual cash dividend or distribution to such holders, to the extent such dividend or distribution does not exceed the applicable Dividend Threshold Amount (with the amount of any such dividend or distribution equaling the number of such shares being issued multiplied by the average of the VWAP of the Common Stock over each of the five consecutive VWAP Trading Days prior to the Ex-Date for such dividend or distribution) and (2) in the event any dividend, distribution, subdivision or combination that is the subject of this Section 14(a)(i) is declared but not so paid or made, the Conversion Rate shall be immediately readjusted, effective as of the date the board of directors publicly announces its decision not to pay or make such dividend or distribution or effect such subdivision or combination, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared or such subdivision or combination had not been announced.

(ii) The issuance to all holders of Common Stock of certain rights or warrants (other than rights issued pursuant to a shareholder rights plan or rights or warrants issued in connection with a Reorganization Event) entitling them for a period expiring 60 days or less from the date of issuance of such rights or warrants to purchase shares of Common Stock (or securities convertible into Common Stock) at less than (or having a conversion price per share less than) the Current Market Price as of the Record Date, in which event each Conversion Rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times [(OS_0 + X) / (OS_0 + Y)]$$

where,

$CR_0$  = the Conversion Rate in effect at the close of business on the Record Date  
 $CR_1$  = the Conversion Rate in effect immediately after the Record Date  
 $OS_0$  = the number of shares of Common Stock outstanding at the close of business on the Record Date  
 $X$  = the total number of shares of Common Stock issuable pursuant to such rights or warrants (or upon conversion of such securities)  
 $Y$  = the number of shares equal to the quotient of the aggregate price payable to exercise such rights or warrants (or the conversion price for such securities paid upon conversion) divided by the average of the VWAP of the Common Stock over each of the ten consecutive VWAP Trading Days prior to the Business Day immediately preceding the announcement of the issuance of such rights or warrants

Notwithstanding the foregoing, (1) in the event that such rights or warrants described in this Section 14(a)(ii) are not so issued, the Conversion Rate shall be immediately readjusted, effective as of the date the board of directors publicly announces its decision not to issue such rights or warrants, to the Conversion Rate that would then be in effect if such issuance had not been declared and (2) to the extent that such rights or warrants are not

exercised prior to their expiration or shares of the Common Stock are otherwise not delivered pursuant to such rights or warrants upon the exercise of such rights or warrants, the Conversion Rate shall be readjusted to the Conversion Rate that would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of delivery of only the number of shares of Common Stock actually delivered.

In determining the aggregate price payable for such shares of the Common Stock, there shall be taken into account any consideration received by the Corporation for such rights or warrants and the value of such consideration (if other than cash, to be determined by the board of directors). If an adjustment to the Conversion Rate may be required pursuant to this Section 14(a)(ii), delivery of any additional shares of Common Stock that may be deliverable upon conversion as a result of an adjustment required pursuant to this Section 14(a)(ii) shall be delayed to the extent necessary in order to complete the calculations provided for in this Section 14(a)(ii).

(iii) The dividend or other distribution to all holders of Common Stock of shares of capital stock of the Corporation (other than Common Stock) or evidences of its indebtedness or its assets (excluding any dividend, distribution or issuance covered by clauses (a)(i) or (a)(ii) above or (a)(iv) below, any dividend or distribution in connection with a Reorganization Event or any spin-off to which the provisions set forth below in this clause (a)(iii) apply) in which event the Conversion Rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times [SP_0 / (SP_0 - FMV)]$$

where,

$CR_0$  = the Conversion Rate in effect at the close of business on the Record Date  
 $CR_1$  = the Conversion Rate in effect immediately after the Record Date  
 $SP_0$  = the Current Market Price as of the Record Date  
 $FMV$  = the fair market value (as determined by the board of directors) on the Record Date of the shares of capital stock of the Corporation, evidences of indebtedness or assets so distributed, applicable to one share of Common Stock

However, if the transaction that gives rise to an adjustment pursuant to this clause (iii) is one pursuant to which the payment of a dividend or other distribution on Common Stock consists of shares of capital stock of the Corporation of, or similar equity interests in, a subsidiary or other business unit of the Corporation (*i.e.*, a spin-off) that are, or, when issued, will be, traded on the New York Stock Exchange, the Nasdaq Stock Market or any other national or regional securities exchange or market, then the Conversion Rate will instead be adjusted based on the following formula:

$$CR_1 = CR_0 \times [(FMV_0 + MP_0) / MP_0]$$

where,

$CR_0$  = the Conversion Rate in effect at the close of business on the Record Date  
 $CR_1$  = the Conversion Rate in effect immediately after the Record Date  
 $FMV_0$  = the average of the VWAP of the Capital Stock distributed to holders of Common Stock applicable to one share of Common Stock over each of the 10 consecutive

VWAP Trading Days commencing on and including the third VWAP Trading Day after the date on which “ex-distribution trading” commences for such dividend or distribution on the NYSE or such other national or regional exchange or association or over-the-counter market, or, if not so traded or quoted, the fair market value of the capital stock or similar equity interests distributed to holders of Common Stock applicable to one share of Common Stock as determined by the board of directors

$MP_0$  = the average of the VWAP of the Common Stock over each of the 10 consecutive VWAP Trading Days commencing on and including the third VWAP Trading Day after the date on which “ex-distribution trading” commences for such dividend or distribution on the NYSE or such other national or regional exchange or association or over-the-counter market on which Common Stock is then traded or quoted

Notwithstanding the foregoing, (1) if any dividend or distribution of the type described in this Section 14(a)(iii) is declared but not so paid or made, the Conversion Rate shall be immediately readjusted, effective as of the date the board of directors publicly announces its decision not to pay such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared. If an adjustment to the Conversion Rate may be required under this Section 14(a)(iii), delivery of any additional shares of Common Stock that may be deliverable upon conversion as a result of an adjustment required under this Section 14(a)(iii) shall be delayed to the extent necessary in order to complete the calculations provided for in this Section 14(a)(iii).

(iv) The Corporation makes a distribution consisting exclusively of cash to all holders of Common Stock, excluding (a) any regular cash dividend on Common Stock to the extent that the aggregate cash dividend per share of Common Stock does not exceed \$1.8835 in any fiscal quarter (the “Dividend Threshold Amount”) and (b) any consideration payable in connection with a tender or exchange offer made by the Corporation or any its subsidiaries referred to in clause (v) below, in which event, the Conversion Rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times [SP_0 / (SP_0 - C)]$$

where,

$CR_0$  = the Conversion Rate in effect at the close of business on the Record Date  
 $CR_1$  = the Conversion Rate in effect immediately after the Record Date  
 $SP_0$  = the Current Market Price as of the Record Date  
 $C$  = the amount in cash per share equal to (1) in the case of a regular quarterly dividend, the amount the Corporation distributes to holders or pays, less the Dividend Threshold Amount or (2) in any other case, the amount the Corporation distributes to holders or pays

The Dividend Threshold Amount is subject to adjustment on an inversely proportional basis whenever the Conversion Rate is adjusted; provided that no adjustment will be made to the Dividend Threshold Amount for any adjustment made to the Conversion Rate pursuant to this clause (iv).

Notwithstanding the foregoing, if any dividend or distribution of the type described in this Section 14(a)(iv) is declared but not so paid or made, the Conversion Rate shall

be immediately readjusted, effective as of the date the board of directors publicly announces its decision not to pay such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(v) The Corporation or one or more of its subsidiaries make purchases of Common Stock pursuant to a tender offer or exchange offer by the Corporation or a subsidiary of the Corporation for Common Stock to the extent that the cash and value (as determined by the board of directors) of any other consideration included in the payment per share of Common Stock validly tendered or exchanged exceeds the VWAP per share of Common Stock on the VWAP Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer (the “Expiration Date”), in which event the Conversion Rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times [(FMV + (SP_1 \times OS_1)) / (SP_1 \times OS_0)]$$

where,

$CR_0$  = the Conversion Rate in effect at the close of business on the Expiration Date

$CR_1$  = the Conversion Rate in effect immediately after the Expiration Date

$FMV$  = the fair market value (as determined by the board of directors), on the Expiration Date, of the aggregate value of all cash and any other consideration paid or payable for shares validly tendered or exchanged and not withdrawn as of the Expiration Date (the “Purchased Shares”)

$OS_1$  = the number of shares of Common Stock outstanding as of the last time tenders or exchanges may be made pursuant to such tender or exchange offer (the “Expiration Time”) less any Purchased Shares

$OS_0$  = the number of shares of Common Stock outstanding at the Expiration Time, including any Purchased Shares

$SP_1$  = the average of the VWAP of the Common Stock over each of the ten consecutive VWAP Trading Days commencing with the VWAP Trading Day immediately after the Expiration Date.

Notwithstanding the foregoing, if the Corporation, or one of its subsidiaries, is obligated to purchase shares of Common Stock pursuant to any such tender or exchange offer, but the Corporation or such subsidiary is permanently prevented by applicable law from effecting any such purchases, or all such purchases are rescinded, then the Conversion Rate shall be readjusted to be the Conversion Rate that would then be in effect if such tender or exchange offer had not been made. If an adjustment to the Conversion Rate may be required under this Section 14(a)(v), delivery of any additional shares of Common Stock that may be deliverable upon conversion as a result of an adjustment required under this Section 14(a)(v) shall be delayed to the extent necessary in order to complete the calculations provided for in this Section 14(a)(v).

(b) Calculation of Adjustments. All adjustments to the Conversion Rate shall be calculated by the Corporation to the nearest 1/10,000th of one share of Common Stock (or if there is not a nearest 1/10,000th of a share, to the next lower 1/10,000th of a share). No adjustment to the Conversion Rate will be required unless such adjustment would require an increase or decrease of at least one percent; *provided, however*, that any such minor adjustments



that are not required to be made will be carried forward and taken into account in any subsequent adjustment, and provided further that any such adjustment of less than one percent that has not been made will be made prior to any conversion pursuant to Section 13(b), Section 13(c) or Section 13(d).

(c) When No Adjustment Required.

(i) Except as otherwise provided in this Section 14, the Conversion Rate will not be adjusted for the issuance of Common Stock or any securities convertible into or exchangeable for Common Stock or carrying the right to purchase any of the foregoing or for the repurchase of Common Stock.

(ii) Rights Plans. To the extent that the Corporation has a stockholders' rights plan in effect upon conversion of the Series L Preferred Stock into Common Stock, Holders will receive, in addition to any of Common Stock deliverable and in lieu of any adjustment to the Conversion Rate, the rights under the stockholders' rights plan, unless prior to any conversion, the rights have separated from Common Stock, in which case the Conversion Rate will be adjusted at the time of separation as if we distributed to all holders of Common Stock, shares of the Corporation's Capital Stock, evidences of indebtedness or assets as described in Section 14(a)(iii). A further adjustment will occur as described in Section 14(a)(iii), if such rights become exercisable to purchase different securities, evidences of indebtedness or assets, subject to readjustment in the event of the expiration, termination or redemption of such rights.

(iii) No adjustment to the Conversion Rate need be made:

(A) upon the issuance of any shares of Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on securities of the Corporation and the investment of additional optional amounts in Common Stock under any plan;

(B) upon the issuance of any shares of Common Stock or options or rights to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Corporation or any of its subsidiaries; or

(C) upon the issuance of any shares of Common Stock pursuant to any option, warrant, right, or exercisable, exchangeable or convertible security outstanding as of the date the Series L Preferred Stock was first issued.

(iv) No adjustment to the Conversion Rate need be made for a transaction referred to in Section 14(a)(i) through (v) if Holders may participate in the transaction on a basis and with notice that the board of directors determines to be fair and appropriate in light of the basis and notice on which holders of Common Stock participate in the transaction.

(v) No adjustment to the Conversion Rate need be made for a change in the par value or no par value of the Common Stock.

(vi) No adjustment to the Conversion Rate will be made to the extent that such adjustment would result in the Conversion Price being less than the par value of the Common Stock.

(d) Record Date. For purposes of this Section 14, “Record Date” means, with respect to any dividend, distribution or other transaction or event in which the holders of the Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of holders of the Common Stock entitled to receive such cash, securities or other property (whether such date is fixed by the board of directors or by statute, contract or otherwise).

(e) Successive Adjustments. After an adjustment to the Conversion Rate under this Section 14, any subsequent event requiring an adjustment under this Section 14 shall cause an adjustment to such Conversion Rate as so adjusted.

(f) Multiple Adjustments. For the avoidance of doubt, if an event occurs that would trigger an adjustment to the Conversion Rate pursuant to this Section 14 under more than one subsection hereof, such event, to the extent fully taken into account in a single adjustment, shall not result in multiple adjustments hereunder.

(g) Other Adjustments. The Corporation may (but is not required to) make such increases in the Conversion Rate, in addition to those required by Section 14(a)(i) through (v), as the board of directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

In addition to the foregoing, to the extent permitted by applicable law and subject to the applicable rules of the New York Stock Exchange, the Corporation from time to time may increase the Conversion Rate by any amount for any period of time if the period is at least 20 business days, the increase is irrevocable during the period and the board of directors shall have made a determination that such increase would be in the best interests of the Corporation, which determination shall be conclusive.

(h) Notice of Adjustments. Whenever a Conversion Rate is adjusted as provided under Section 14, the Corporation shall within 10 Business Days following the occurrence of an event that requires such adjustment (or if the Corporation is not aware of such occurrence, as soon as reasonably practicable after becoming so aware) or within 15 calendar days of the date the Corporation makes an adjustment pursuant to Section 14(g):

(i) compute the adjusted applicable Conversion Rate in accordance with Section 14 and prepare and transmit to the Conversion Agent an Officers’ Certificate setting forth the applicable Conversion Rate, as the case may be, the method of calculation thereof in reasonable detail, and the facts requiring such adjustment and upon which such adjustment is based; and

(ii) provide a written notice to the Holders of the occurrence of such event and a statement in reasonable detail setting forth the method by which the

adjustment to the applicable Conversion Rate was determined and setting forth the adjusted applicable Conversion Rate.

(i) Conversion Agent. The Conversion Agent shall not at any time be under any duty or responsibility to any Holder to determine whether any facts exist that may require any adjustment of the applicable Conversion Rate or with respect to the nature or extent or calculation of any such adjustment when made, or with respect to the method employed in making the same. The Conversion Agent shall be fully authorized and protected in relying on any Officers' Certificate delivered pursuant to Section 14(h) and any adjustment contained therein and the Conversion Agent shall not be deemed to have knowledge of any adjustment unless and until it has received such certificate. The Conversion Agent shall not be accountable with respect to the validity or value (or the kind or amount) of any shares of Common Stock, or of any securities or property, that may at the time be issued or delivered with respect to any of the Series L Preferred Stock; and the Conversion Agent makes no representation with respect thereto. The Conversion Agent shall not be responsible for any failure of the Corporation to issue, transfer or deliver any shares of Common Stock pursuant to a the conversion of the Series L Preferred Stock or to comply with any of the duties, responsibilities or covenants of the Corporation contained in this Section 14.

#### Section 15. Reorganization Events.

(a) In the event of:

(i) any consolidation or merger of the Corporation with or into another Person, in each case pursuant to which the Common Stock will be converted into cash, securities, or other property of the Corporation or another Person;

(ii) any sale, transfer, lease, or conveyance to another Person of all or substantially all of the consolidated assets of the Corporation and its subsidiaries, taken as a whole, in each case pursuant to which the Common Stock will be converted into cash, securities, or other property; or

(iii) any reclassification of the Common Stock into securities, including securities other than the Common Stock; or

(iv) any statutory exchange of the Corporation's securities with another Person (other than in connection with a merger or acquisition); (any such event specified in this Section 15(a), a "Reorganization Event"); each share of Series L Preferred Stock outstanding immediately prior to such Reorganization Event shall, without the consent of Holders, become convertible into the types and amounts of securities, cash, and other property that is or was receivable in such Reorganization Event by a holder of the shares of Common Stock that was not the counterparty to the Reorganization Event or an affiliate of such other party in exchange for such Common Stock (such securities, cash, and other property, the "Exchange Property").

(b) In the event that holders of the shares of the Common Stock have the opportunity to elect the form of consideration to be received in such transaction, the consideration that the Holders are entitled to receive upon conversion shall be deemed to be the types and amounts of consideration received by the majority of the holders of the shares of the

Common Stock that affirmatively make an election (or of all such holders if none make an election). On each Conversion Date following a Reorganization Event, the Conversion Rate then in effect will be applied to the value on such Conversion Date of the securities, cash, or other property received per share of Common Stock, determined as set forth above. The amount of Exchange Property receivable upon conversion of any Series L Preferred Stock in accordance with Section 12, Section 13(b), Section 13(c) or Section 13(d) hereof shall be determined based upon the then Applicable Conversion Rate.

(c) The above provisions of this Section 15 shall similarly apply to successive Reorganization Events and the provisions of Section 14 shall apply to any shares of Capital Stock of the Corporation (or any successor) received by the holders of the Common Stock in any such Reorganization Event.

(d) The Corporation (or any successor) shall, within 20 days of the occurrence of any Reorganization Event, provide written notice to the Holders of such occurrence of such event and of the type and amount of the cash, securities or other property that constitutes the Exchange Property. Failure to deliver such notice shall not affect the operation of this Section 15.

#### Section 16. Fractional Shares.

(a) No fractional shares of Common Stock will be issued as a result of any conversion of shares of Series L Preferred Stock.

(b) In lieu of any fractional share of Common Stock otherwise issuable in respect of any conversion at the Corporation's option pursuant to Section 13(b) hereof or any conversion at the option of the Holder pursuant to Section 12, Section 13(c) or Section 13(d) hereof, the Corporation shall pay an amount in cash (computed to the nearest cent) equal to the same fraction of the Closing Price of the Common Stock determined as of the second Trading Day immediately preceding the effective date of conversion.

(c) If more than one share of the Series L Preferred Stock is surrendered for conversion at one time by or for the same Holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of the Series L Preferred Stock so surrendered.

#### Section 17. Reservation of Common Stock.

(a) The Corporation shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for issuance upon the conversion of shares of Series L Preferred Stock as provided in this Certificate of Designations, free from any preemptive or other similar rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of Series L Preferred Stock then outstanding, calculated assuming the Applicable Conversion Price equals the Base Price, subject to adjustment as described under Section 14. For purposes of this Section 17(a), the number of shares of Common Stock that shall be deliverable upon the conversion of all outstanding shares of Series L Preferred Stock shall be computed as if at the time of computation all such outstanding shares were held by a single Holder.

(b) All shares of Common Stock delivered upon conversion of the Series L Preferred Stock shall be duly authorized, validly issued, fully paid and non-assessable, free and clear of all liens, claims, security interests and other encumbrances (other than liens, charges, security interests and other encumbrances created by the Holders).

(c) Prior to the delivery of any securities that the Corporation shall be obligated to deliver upon conversion of the Series L Preferred Stock, the Corporation shall use its reasonable best efforts to comply with all federal and state laws and regulations thereunder requiring the registration of such securities with, or any approval of or consent to the delivery thereof by, any governmental authority.

(d) The Corporation hereby covenants and agrees that, so long as the Common Stock shall be listed on the New York Stock Exchange or any other national securities exchange or automated quotation system, the Corporation will, if permitted by the rules of such exchange or automated quotation system, list and keep listed all the Common Stock issuable upon conversion of the Series L Preferred Stock; *provided, however*, that if the rules of such exchange or automated quotation system permit the Corporation to defer the listing of such Common Stock until the first conversion of Series L Preferred Stock into Common Stock in accordance with the provisions hereof, the Corporation covenants to list such Common Stock issuable upon conversion of the Series L Preferred Stock in accordance with the requirements of such exchange or automated quotation system at such time.

Section 18. Limitations on Beneficial Ownership. Notwithstanding anything to the contrary contained herein, and subject to the last sentence of this Section 18, no holder of Series L Preferred Stock will be entitled to receive shares of Common Stock upon conversion pursuant to Section 12 and Section 13 hereof to the extent, but only to the extent, that such receipt would cause such converting holder to become, directly or indirectly, a “beneficial owner” (within the meaning of Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder) of more than 9.9% of the shares of Common Stock outstanding at such time. Any delivery of shares of Common Stock upon a purported conversion of Series L Preferred Stock shall be void and have no effect and such shares shall for all purposes continue to represent outstanding shares of Series L Preferred Stock to the extent (but only to the extent) that such delivery would result in the converting holder becoming the beneficial owner of more than 9.9% of the shares of Common Stock outstanding at such time. If any delivery of shares of Common Stock owed to a holder upon conversion of Series L Preferred Stock is not made, in whole or in part, as a result of this limitation, the Corporation’s obligation to make such delivery shall not be extinguished and the Corporation shall deliver such shares as promptly as practicable after any such converting holder gives notice to the Corporation that such delivery would not result in it being the beneficial owner of more than 9.9% of the shares of Common Stock outstanding at such time. Notwithstanding anything in this paragraph to the contrary, these limitations on beneficial ownership shall not be applicable to or limit the number of shares of Series L Preferred Stock to be converted as a result of a mandatory conversion by the Corporation pursuant to Section 13(b).

Section 19. Preemptive or Subscription Rights. The Holders of Series L Preferred Stock shall not have any preemptive or subscription rights.

**IN WITNESS WHEREOF, WELLS FARGO & COMPANY** has caused this Certificate of Designations to be signed by Barbara S. Brett, its Senior Vice President and Assistant Treasurer, and Laurel A. Holschuh, its Secretary, this 30<sup>th</sup> day of December, 2008.

WELLS FARGO & COMPANY

By:           /s/ Barbara S. Brett            
Barbara S. Brett, Senior Vice President  
and Assistant Treasurer

          /s/ Laurel A. Holschuh            
Laurel A. Holschuh, Secretary

[As filed with the Delaware Secretary of State on December 30, 2008.]

WELLS FARGO & COMPANY

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CERTIFICATE OF AMENDMENT  
OF  
CERTIFICATE OF INCORPORATION

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Pursuant to Section 242 of the  
General Corporation Law of the State of Delaware

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Laurel A. Holschuh, Senior Vice President, and Rachelle M. Graham, Assistant Secretary, of Wells Fargo & Company, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Company"), do hereby certify:

FIRST: That at a meeting of the Board of Directors of the Company duly held on February 23, 2010, a resolution was duly adopted setting forth a proposed amendment of the Restated Certificate of Incorporation of the Company, declaring the advisability of the amendment, and directing that the amendment be presented to stockholders of the Company for their consideration at the next annual meeting of the stockholders to be held on April 27, 2010. The resolution setting forth the proposed amendment is as follows:

RESOLVED that an amendment to ARTICLE FOURTH of the Company's Restated Certificate of Incorporation, as amended, to increase the authorized common stock to 9,000,000,000 shares is hereby proposed and declared advisable, and the following amendment to the first sentence of ARTICLE FOURTH is hereby directed to be presented to the stockholders of the Company for consideration at the annual meeting of stockholders to be held on April 27, 2010:

FOURTH: The total number of shares of all classes of stock which the corporation shall have authority to issue is Nine Billion Twenty-Four Million (9,024,000,000), consisting of Twenty Million (20,000,000) shares of Preferred Stock without par value, Four Million (4,000,000) shares of Preference Stock without par value, and Nine Billion (9,000,000,000) shares of Common Stock of the par value of \$1 2/3 per share.

SECOND: That at such annual meeting of stockholders, duly called and held upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware, which notice set forth in full the proposed amendment, a majority of the outstanding shares of common stock of the Company were voted in favor of the amendment.

THIRD: That the amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, WELLS FARGO & COMPANY has caused this Certificate to be signed by Laurel A. Holschuh, its Senior Vice President, and attested by Rachelle M. Graham, its Assistant Secretary, this 29<sup>th</sup> day of April, 2010.

WELLS FARGO & COMPANY:

(Corporate Seal)

By: /s/ Laurel A. Holschuh  
Senior Vice President

ATTEST:

By: /s/ Rachelle M. Graham  
Assistant Secretary

[As filed with the Delaware Secretary of State on April 29, 2010.]



WELLS FARGO & COMPANY

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CERTIFICATE OF DESIGNATIONS  
Pursuant to Section 151 of the  
General Corporation Law of the State of Delaware

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2012 ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK  
(Without Par Value)

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WELLS FARGO & COMPANY, a corporation organized and existing under the laws of the State of Delaware (the “Company”), HEREBY CERTIFIES that, pursuant to authority conferred upon the Board of Directors of the Company (the “Board”) by the provisions of the Restated Certificate of Incorporation of the Company, as amended, which authorizes the issuance of not more than 20,000,000 shares of Preferred Stock, without par value (the “Preferred Stock”), and pursuant to authority conferred upon the ESOP Preferred Stock Committee I of the Board (the “ESOP Committee”) in accordance with Section 141(c) of the General Corporation Law of the State of Delaware (the “General Corporation Law”) and by the resolutions of the Board set forth herein, the following resolutions were duly adopted by the Board at meetings of the Board duly held on January 25, 2000 and February 24, 2009, and by the ESOP Committee pursuant to the written consent of the ESOP Committee duly adopted on January 9, 2012, in accordance with Section 141(f) of the General Corporation Law:

1. On January 25, 2000, the Board adopted the following resolutions (the “ESOP Board Resolutions”) appointing the ESOP Committee and delegating to the ESOP Committee the full powers of the Board, subject to the ESOP Board Resolutions, in all matters relating to issuance of one or more series of Preferred Stock (“ESOP Preferred Stock”) to the trustee on behalf of the Company’s 401(k) Plan hereinafter referred to:

RESOLVED that a committee of one member of the Board of the Company is hereby appointed by the Board as the ESOP Preferred Stock Committee I (the “First Committee”), which shall have and may exercise the full powers of the Board, subject to these resolutions, to issue from time to time one or more series of ESOP Preferred Stock, including any shares of Company common stock (\$1 2/3 par value) issuable upon conversion of ESOP Preferred Stock, and in connection therewith, to fix the designations, voting powers, preferences, and all other rights, qualifications and restrictions of such ESOP Preferred Stock, to sell such ESOP Preferred Stock to the Plan on such terms and conditions and for such purchase price as the First Committee in its discretion shall approve, and to take any and all actions as the First Committee shall deem necessary or appropriate.

2. Pursuant to resolutions adopted on February 24, 2009, the Board designated John G. Stumpf as the sole member of the ESOP Committee, effective April 29, 2009.

3. On January 9, 2012, pursuant to authority conferred upon it by the Board in the ESOP Board Resolutions, the ESOP Committee adopted the following resolutions by written consent in accordance with Section 141(f) of the General Corporation Law:

RESOLVED that the issuance of a series of Preferred Stock, without par value, of the Company is hereby authorized and the designation, voting powers, preferences, and relative, participating, optional, and other special rights, and qualifications, limitations and restrictions thereof, in addition to those set forth in the Restated Certificate of Incorporation of the Company, as amended, are hereby fixed as follows:

## 2012 ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK

### 1. Designation and Number of Shares; Restricted Issue.

(a) The designation of the series of Preferred Stock, without par value, provided for herein shall be “2012 ESOP Cumulative Convertible Preferred Stock” (hereinafter referred to as the “2012 ESOP Preferred Stock”) and the number of authorized shares constituting the 2012 ESOP Preferred Stock is 940,000, based on an offering price for the 2012 ESOP Preferred Stock of \$1,094.00 per share. Each share of 2012 ESOP Preferred Stock shall have a stated value of \$1,000.00 per share. The number of authorized shares of 2012 ESOP Preferred Stock may be reduced by further resolution duly adopted by the Board or the Securities Committee and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such reduction has been so authorized, provided, however, that the authorized number of shares of 2012 ESOP Preferred Stock shall not be decreased below the then outstanding number of such shares, and provided further that the number of authorized shares of 2012 ESOP Preferred Stock shall not be increased. All shares of the 2012 ESOP Preferred Stock purchased, redeemed, or converted by the Company shall be retired and canceled and shall be restored to the status of authorized but unissued shares of Preferred Stock, without designation as to series, and may thereafter be issued, but not as shares of 2012 ESOP Preferred Stock.

(b) Shares of 2012 ESOP Preferred Stock shall be issued only to a trustee (the “Trustee”) acting on behalf of the Wells Fargo & Company 401(k) Plan, or any successor to such plan (the “Plan”). All references to the holder of shares of 2012 ESOP Preferred Stock shall mean the Trustee or any company with which or into which the Trustee may merge or any successor trustee under the trust agreement with respect to the Plan. In the event of any transfer of record ownership of shares of 2012 ESOP Preferred Stock to any person other than any successor trustee under the Plan, the shares of 2012 ESOP Preferred Stock so transferred, upon such transfer and without any further action by the Company or the holder thereof, shall be automatically converted into shares of the common stock, par value \$1-2/3 per share, of the Company (the “Common Stock”) on the terms otherwise provided for the conversion of the shares of 2012 ESOP Preferred Stock into shares of Common Stock pursuant to paragraph (a) of Section 4 hereof, and no such transferee shall have any of the voting powers, preferences, and relative, participating, optional or special rights ascribed to shares of 2012 ESOP Preferred Stock hereunder but, rather, only the powers and rights pertaining to the Common Stock into which such shares of 2012 ESOP Preferred Stock shall be so converted. In the event of such a conversion, the transferee of the shares of 2012 ESOP Preferred Stock shall be treated for all purposes as the record holder of the shares of Common Stock into which such shares of 2012 ESOP Preferred Stock have been automatically converted as of the date of such transfer. Shares of 2012 ESOP Preferred Stock may be certificated or uncertificated, at the Company’s option. Certificates representing shares of 2012 ESOP Preferred Stock shall bear a legend to reflect the foregoing provisions. In the case of uncertificated 2012 ESOP Preferred Stock, the transfer

agent for the 2012 ESOP Preferred Stock shall note the foregoing provisions on each 2012 ESOP Preferred Stock book entry account. The Company may require that, as a condition to transferring record ownership of any uncertificated 2012 ESOP Preferred Stock, the proposed transferee acknowledge in writing that the shares of 2012 ESOP Preferred Stock are subject to the foregoing provisions. Notwithstanding the foregoing provisions of this paragraph (b) of Section 1, shares of 2012 ESOP Preferred Stock (i)(A) shall be converted into shares of Common Stock as provided in paragraph (a) of Section 4 hereof, and (B) may be converted into shares of Common Stock as provided by paragraph (b) of Section 4 hereof and the shares of Common Stock issued upon such conversion may be transferred by the holder thereof as permitted by law and (ii) shall be redeemable by the Company upon the terms and conditions provided in Sections 5 and 6(c) hereof.

2. Voting Rights. No shares of 2012 ESOP Preferred Stock shall have voting rights except such voting rights as may from time to time be required by law and as set forth in this Section 2, as follows:

(a) Whenever, at any time or times, dividends payable on shares of 2012 ESOP Preferred Stock shall be in arrears for such number of dividend periods which shall in the aggregate contain not less than 540 days, the holders of the outstanding shares of 2012 ESOP Preferred Stock shall have the exclusive right, voting together as a class with holders of shares of any one or more other series of Preferred Stock ranking on a parity with the shares of 2012 ESOP Preferred Stock, either as to dividends or on the distribution of assets upon liquidation, dissolution or winding up, and upon which like voting rights have been conferred and are exercisable, to elect two directors of the Company at the Company's next annual meeting of stockholders and at each subsequent annual meeting of stockholders. At elections for such directors, each holder of the shares of 2012 ESOP Preferred Stock shall be entitled to one vote for each share held (the holders of shares of any other series of Preferred Stock ranking on such a parity being entitled to such number of votes, if any, for each share of Preferred Stock held as may be granted to them). Upon the vesting of such right of such holders, the maximum authorized number of members of the Board shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of such outstanding shares of 2012 ESOP Preferred Stock (together with the holders of shares of any one or more other series of Preferred Stock ranking on such a parity and upon which like voting rights have been conferred and are exercisable) as herein set forth. The right of such holders of such shares of 2012 ESOP Preferred Stock (voting together as a class with the holders of shares of any one or more other series of Preferred Stock ranking on such a parity and upon which like voting rights have been conferred and are exercisable) to elect members of the Board as aforesaid shall continue until such time as all dividends accumulated on such shares of 2012 ESOP Preferred Stock shall have been paid in full, at which time such right with respect to such shares of 2012 ESOP Preferred Stock shall terminate, except as herein or by law expressly provided, subject to reversion in the event of each and every subsequent default of the character above mentioned.

(b) Upon any termination of the right of the holders of all shares of Preferred Stock entitled to vote for directors as herein provided, the term of office of all directors then in office elected by such holders voting as a class shall terminate immediately. If the office of any director elected by such holders voting as a class becomes vacant by reason of death, resignation, retirement, disqualification, removal from office or otherwise, the remaining director elected by such holders may choose a successor to fill such vacancy, which such successor shall hold office for the unexpired term in respect of which such vacancy occurred.

Whenever the term of office of the directors elected by such holders voting as a class shall end and the special voting powers vested in such holders as provided in this resolution shall have expired, the number of directors shall be such number as may be provided for in the By-Laws of the Company irrespective of any increase made pursuant to the provisions of this resolution.

(c) So long as any shares of 2012 ESOP Preferred Stock remain outstanding, the consent of the holders of the outstanding shares of 2012 ESOP Preferred Stock and outstanding shares of all other series of Preferred Stock ranking on a parity with such shares of 2012 ESOP Preferred Stock either as to dividends or the distribution of assets upon liquidation, dissolution or winding up and upon which like voting rights have been conferred and are exercisable, by a vote of at least two-thirds of all such outstanding shares of 2012 ESOP Preferred Stock and such other series of Preferred Stock voting together as a class, given in person or by proxy, either in writing or at any special or annual meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following:

(i) the authorization, creation or issuance, or any increase in the authorized or issued amount, of any class or series of stock ranking prior to shares of 2012 ESOP Preferred Stock with respect to payment of dividends or the distribution of assets on liquidation, dissolution or winding up, or

(ii) the amendment, alteration or repeal, whether by merger, consolidation or otherwise, of any of the provisions of the Restated Certificate of Incorporation or of the resolutions set forth in a Certificate of Designations designating shares of 2012 ESOP Preferred Stock and the preferences and relative, participating, optional and other special rights and qualifications, limitations and restrictions thereof which would materially and adversely affect any right, preference, privilege or voting power of the shares of 2012 ESOP Preferred Stock or of the holders thereof; provided, however, that any increase in the amount of authorized Preferred Stock, or the creation and issuance of other series of Preferred Stock, or any increase in the amount of authorized shares of any series of Preferred Stock, in each case ranking on a parity with or junior to the shares of 2012 ESOP Preferred Stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

(d) The foregoing voting provisions shall not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of 2012 ESOP Preferred Stock shall have been redeemed or sufficient funds shall have been deposited in trust to effect such redemption.

3. Dividends. (a)(i) Holders of shares of 2012 ESOP Preferred Stock will be entitled to receive, when and as declared by the Board or a duly authorized committee thereof, out of assets of the Company legally available for payment, an annual cash dividend of \$100.00 (the "Base Dividend") per share, which Base Dividend shall be subject to adjustment from time to time as provided in this Section 3.

(ii) The Base Dividend shall be adjusted, effective on December 1, 2013 and on each December 1 thereafter until December 1, 2021, as follows:

(1) If the Current Market Price (as hereinafter defined) of one share of Common Stock on November 30 (or the next preceding Trading Day (as hereinafter

defined) if November 30 is not a Trading Day) of any year listed in the Dividend Adjustment Table below is equal to or greater than the First Target Price but less than the Second Target Price shown opposite that year in such table, then holders of shares of the 2012 ESOP Preferred Stock will be entitled to receive a cash dividend for the immediately following twelve month period equal to \$105.00 per share (the “First Adjusted Dividend”).

(2) If the Current Market Price of one share of Common Stock on November 30 (or the next preceding Trading Day if November 30 is not a Trading Day) of any year listed in the Dividend Adjustment Table below is equal to or greater than the Second Target Price shown opposite that year in such table, then holders of shares of 2012 ESOP Preferred Stock will be entitled to receive a cash dividend for the immediately following twelve month period equal to \$110.00 per share (the “Second Adjusted Dividend”).

(3) If the Current Market Price of one share of Common Stock on November 30 (or next preceding Trading Day if November 30 is not a Trading Day) of any year listed in the Dividend Adjustment Table below is less than the First Target Price shown opposite that year in such table, then the holders of shares of 2012 ESOP Preferred Stock will be entitled to receive a cash dividend for the immediately following twelve month period equal to the Base Dividend.

**Dividend Adjustment Table**

<b><u>Closing Price on 11/30</u></b>	<b><u>First Target Price</u></b>	<b><u>Second Target Price</u></b>
2013	28.424	30.617
2014	31.124	34.980
2015	34.081	39.964
2016	37.319	45.659
2017	40.864	52.166
2018	44.746	59.599
2019	48.997	68.092
2020	53.652	77.795

(4) As an example of the adjustments described in subparagraphs (1) through (3) above, if on November 30, 2013, the Current Market Price of one share of Common Stock is \$30.00, then the cash dividend payable for the immediately following twelve month period per share of 2012 ESOP Preferred Stock would equal \$105.00, with the first quarterly payment of such \$105.00 dividend to be made on March 1, 2014. If on November 30, 2014, the Current Market Price of one share of Common Stock is \$40.00, then the cash dividend payable for the immediately following twelve month period per share of 2012 ESOP Preferred Stock would equal \$110.00, with the first quarterly payment of such \$110.00 dividend to be made on March 1, 2015. If on November 30, 2015, the Current Market Price of one share of Common Stock is \$30.00, then the cash dividend payable for the immediately following twelve month period per share of 2012 ESOP Preferred Stock would equal \$100.00, with the first quarterly payment of such \$100.00 dividend to be made on March 1, 2016.

(5) For purposes of this Section 3, the terms “First Adjusted Dividend” and “Second Adjusted Dividend” are sometimes referred to as an “Adjusted Dividend;” the term “Current Market Price” shall have the meaning given to it in Section 4(c)(iv); and the term “Trading Day” shall have the meaning given to it in Section 4(c)(vi).

(iii) If one share of Common Stock in any year listed in the Dividend Adjustment Table shall be changed into a different number of shares or a different class of shares by reason of any reclassification, recapitalization, split-up, combination, exchange of shares or readjustment, or if a stock dividend thereon shall be declared with a record date within such period, then the First Target Price and the Second Target Price listed in such table for that year and each subsequent year will be appropriately and proportionately adjusted.

(iv) Dividends payable on shares of the 2012 ESOP Preferred Stock (whether such dividends are equal to the Base Dividend or to an Adjusted Dividend) shall be payable quarterly on March 1, June 1, September 1, and December 1 of each year, commencing March 1, 2012. Dividends on shares of the 2012 ESOP Preferred Stock will be cumulative from the date of initial issuance of such shares of 2012 ESOP Preferred Stock. Dividends will be payable, in arrears, to holders of record as they appear on the stock books of the Company on such record dates, not more than 30 days nor less than 15 days preceding the payment dates thereof, as shall be fixed by the Board or a duly authorized committee thereof. The amount of dividends payable per share for each dividend period shall be computed by dividing by four the Base Dividend or the Adjusted Dividend, whichever is then applicable. The amount of dividends payable for the initial dividend period or any period shorter than a full dividend period shall be calculated on the basis of actual days elapsed in a 360-day year of twelve 30-day months.

(b)(i) No full dividends shall be declared or paid or set apart for payment on any stock of the Company ranking, as to dividends, on a parity with or junior to the 2012 ESOP Preferred Stock for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been set apart for such payment on shares of 2012 ESOP Preferred Stock for all dividend payment periods terminating on or prior to the date of payment of such full cumulative dividends. When dividends are not paid in full, as aforesaid, upon the shares of 2012 ESOP Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends with 2012 ESOP Preferred Stock, all dividends declared upon shares of 2012 ESOP Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends with 2012 ESOP Preferred Stock shall be declared pro rata so that the amount of dividends declared per share on 2012 ESOP Preferred Stock and such other series of Preferred Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the shares of 2012 ESOP Preferred Stock and such other series of Preferred Stock bear to each other. Holders of shares of 2012 ESOP Preferred Stock shall not be entitled to any dividend, whether payable in cash, property, or stock, in excess of full cumulative dividends, as herein provided, on 2012 ESOP Preferred Stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on 2012 ESOP Preferred Stock which may be in arrears.

(ii) So long as any shares of 2012 ESOP Preferred Stock are outstanding, no dividend (other than dividends or distributions paid in shares of, or options, warrants, or rights to subscribe for or purchase shares of, Common Stock or any other stock ranking junior to 2012 ESOP Preferred Stock as to dividends or upon liquidation and other than as provided in paragraph (b)(i) of this Section 3) shall be declared or paid or set aside for payment or other

distribution declared or made upon Common Stock or any other capital stock of the Company ranking junior to or on a parity with 2012 ESOP Preferred Stock as to dividends or upon liquidation, nor shall any Common Stock or any other capital stock of the Company ranking junior to or on a parity with 2012 ESOP Preferred Stock as to dividends or upon liquidation be redeemed, purchased, or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Company (except by conversion into or exchange for stock of the Company ranking junior to 2012 ESOP Preferred Stock as to dividends or upon liquidation), unless, in each case, the full cumulative dividends on all outstanding shares of 2012 ESOP Preferred Stock shall have been paid or declared and set aside for payment of the then current dividend payment period and all past dividend payment periods.

4. Conversion. Shares of 2012 ESOP Preferred Stock are convertible from time to time hereafter pursuant to the provisions of paragraphs (a) or (b) of this Section 4 into that number of shares of Common Stock determined by dividing the stated value of each share of 2012 ESOP Preferred Stock by the then applicable Conversion Price, (as determined in accordance with the provisions of paragraph (c)(iii) of this Section 4), as follows:

(a) Each share of 2012 ESOP Preferred Stock released from the unallocated reserve of the Plan in accordance with the terms thereof shall be automatically converted, without any further action by the Company or the holder thereof, as of the date such release occurs (the "Release Date"), into fully paid and nonassessable shares of Common Stock at the then applicable Conversion Price for the 2012 ESOP Preferred Stock provided for in paragraph (c) of this Section 4.

(b) Subject to and upon compliance with the provisions of this Section 4, a holder of 2012 ESOP Preferred Stock shall be entitled at any time, prior to the close of business on the date fixed for redemption of such shares pursuant to Sections 5 or 6 hereof, to cause any or all of the shares of 2012 ESOP Preferred Stock held by such holder to be converted into fully paid and nonassessable shares of Common Stock at the then applicable Conversion Price for 2012 ESOP Preferred Stock provided for in paragraph (c) of this Section 4.

(c) For purposes of these resolutions, the following terms shall have the meanings set forth below:

(i) The "Average Current Market Price" per share of Common Stock on any date shall be deemed to be the average of the Current Market Price for one share of Common Stock for the twenty (20) consecutive Trading Days ending on the Trading Day occurring prior to the date the "Purchase Offer" is made (as that term is defined in Section 6(d) hereof).

(ii) A "Business Day" means each day that is not a Saturday, Sunday, or a day on which state or federally chartered banking institutions in the State of New York are not required to be open.

(iii) (A) For purposes of a mandatory conversion of shares of 2012 ESOP Preferred Stock into shares of Common Stock pursuant to the provisions of paragraph (a) of this Section 4, the "Conversion Price" for such shares of 2012 ESOP Preferred Stock shall be the Current Market Price of one share of Common Stock on the relevant Release Date.

(B) For purposes of an optional conversion of shares of 2012 ESOP Preferred Stock into shares of Common Stock pursuant to the provisions of paragraph (b) of this Section 4, the “Conversion Price” for such shares of 2012 ESOP Preferred Stock shall be the Current Market Price of one share of Common Stock on the date the Conversion Notice (as that term is defined in paragraph (d) of this Section 4) is received by the Company, by the transfer agent for the 2012 ESOP Preferred Stock or by any agent for conversion of the 2012 ESOP Preferred Stock designated as such pursuant to paragraph (d) of this Section 4.

(C) For purposes of a conversion of shares of 2012 ESOP Preferred Stock into shares of Common Stock in connection with a “Purchase Offer” (as defined in Section 6(d) hereof), the “Conversion Price” for such shares of 2012 ESOP Preferred Stock shall be the Average Current Market Price of one share of Common Stock.

Each share of 2012 ESOP Preferred Stock shall be valued at its stated value of \$1,000.00 for purposes of computing, based on the applicable Conversion Price, the number of shares of Common Stock into which the shares of 2012 ESOP Preferred Stock will be converted.

(iv) The “Current Market Price” of publicly traded shares of Common Stock or any other class of capital stock or other security of the Company or any other issuer for any day shall mean the reported last sale price, regular way, or, in case no sale takes place on such day, the average of the reported closing bid and asked prices, regular way, in either case as reported on the New York Stock Exchange only or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which the Common Stock is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the National Market System of the National Association of Securities Dealers, Inc. Automated Quotations System (“NASDAQ”) or, if the Common Stock is not quoted on such National Market System, the average of the closing bid and asked prices on such day in the over-the-counter market as reported by NASDAQ or, if bid and asked prices for the Common Stock on each such day shall not have been reported through NASDAQ, the average of the bid and asked prices for such day as furnished by any New York Stock Exchange member firm regularly making a market in the Common Stock selected for such purpose by the Board or a committee thereof or, if no such quotations are available, the fair market value of the Common Stock as determined by a New York Stock Exchange member firm regularly making a market in the Common Stock selected for such purpose by the Board or a committee thereof.

(v) “Common Stock” shall mean the Common Stock of the Company as the same exists at the date of this Certificate of Designations or as such stock may be constituted from time to time.

(vi) “Trading Day” with respect to Common Stock means (x) if the Common Stock is listed or admitted for trading on the New York Stock Exchange or another national securities exchange, a day on which the New York Stock Exchange or such other national securities exchange is open for business or (y) if the Common Stock is quoted on the National Market System of NASDAQ, a day on which trades may be made on such National Market System or (z) otherwise, any Business Day.

(d) In connection with any conversion of 2012 ESOP Preferred Stock pursuant to this Section 4, a written notice of conversion (the “Conversion Notice”) shall be delivered to the Company at its principal executive office or the offices of the transfer agent for the 2012 ESOP Preferred Stock or such office or offices in the continental United States of an agent for



conversion as may from time to time be designated by notice to the holders of the 2012 ESOP Preferred Stock by the Company or the transfer agent for the 2012 ESOP Preferred Stock, which notice shall be accompanied by (a) in the case of certificated 2012 ESOP Preferred Stock, the certificate or certificates representing the shares of 2012 ESOP Preferred Stock being converted pursuant to this Section 4, duly assigned or endorsed for transfer to the Company (or accompanied by duly executed stock powers relating thereto) and (b) in the case of uncertificated 2012 ESOP Preferred Stock, duly executed assignment and transfer documents for the shares of 2012 ESOP Preferred Stock being converted pursuant to this Section 4. Each Conversion Notice shall specify (i)(y) in the case of a mandatory conversion pursuant to paragraph (a) of this Section 4, the number of shares of 2012 ESOP Preferred Stock released from the unallocated reserve of the Plan on the Release Date or (z) in the case of an optional conversion pursuant to paragraph (b) of this Section 4, the number of shares of 2012 ESOP Preferred Stock being converted, and (ii) in connection with any conversion hereunder, (x) the name or names in which such holder wishes the certificate or certificates for Common Stock and, in the case of certificated 2012 ESOP Preferred Stock, for any shares of 2012 ESOP Preferred Stock not to be so converted to be issued, (y) the address to which such holder wishes delivery to be made of such new certificates to be issued upon such conversion, and (z) such other information as the Company or its agents may reasonably request.

(e) Upon delivery to the Company or the transfer agent for the 2012 ESOP Preferred Stock of the Conversion Notice and all other documentation and certificates required to effect the conversion, as provided in paragraph (d) of this Section 4, the Company shall issue and send by hand delivery, by courier or by first-class mail (postage prepaid) to the holder thereof or to such holder's designee, at the address designated by such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled upon conversion. If there shall have been surrendered a certificate or certificates representing shares of 2012 ESOP Preferred Stock only part of which are to be converted, the Company shall issue and deliver to such holder or such holder's designee, in the manner set forth in the preceding sentence, a new certificate or certificates representing the number of shares of 2012 ESOP Preferred Stock which shall not have been converted.

(f) The issuance by the Company of shares of Common Stock upon a conversion of shares of 2012 ESOP Preferred Stock into shares of Common Stock made pursuant to this Section 4 shall be effective (i) in the case of a mandatory conversion of shares of 2012 ESOP Preferred Stock pursuant to paragraph (a) of this Section 4, as of the Release Date; and (ii) in the case of an optional conversion of such shares pursuant to paragraph (b) of this Section 4, as of the earlier of (A) the delivery to such holder or such holder's designee of the certificates representing the shares of Common Stock issued upon conversion thereof or (B) the commencement of business on the second Business Day after the delivery to the Company or the transfer agent for the 2012 ESOP Preferred Stock of the Conversion Notice and all other documentation and certificates required to effect the conversion, as provided in paragraph (d) of this Section 4. On and after the effective date of conversion, the person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock, but no allowance or adjustment shall be made in respect of dividends payable to holders of Common Stock in respect of any period prior to such effective date. The Company shall not be obligated to pay any dividends which shall have accrued or have been declared and shall be payable to holders of shares of 2012 ESOP Preferred Stock if the date on which such dividends are paid is on or after the effective date of conversion of such shares.

(g) The Company shall not be obligated to deliver to holders of 2012 ESOP Preferred Stock any fractional share or shares of Common Stock issuable upon any conversion of such shares of 2012 ESOP Preferred Stock, but in lieu thereof may make a cash payment in respect thereof in any manner permitted by law.

(h) The Company shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for issuance upon the conversion of shares of 2012 ESOP Preferred Stock as herein provided, free from any preemptive rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of 2012 ESOP Preferred Stock then outstanding.

(i) The Company will use its best efforts to cause the listing of the shares of Common Stock required to be delivered upon conversion of the 2012 ESOP Preferred Stock prior to distribution to Plan participants on the national securities exchange, if any, upon which the outstanding Common Stock is listed at the time of such delivery.

(j) The Company will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock on conversions of the 2012 ESOP Preferred Stock pursuant hereto; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock in a name other than that of the holder of the 2012 ESOP Preferred Stock to be converted and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that such tax has been paid.

5. Redemption At the Option of the Company. (a) The 2012 ESOP Preferred Stock shall be redeemable, in whole or in part, at the option of the Company at any time, at a redemption price per share of 2012 ESOP Preferred Stock equal to the higher of (x) \$1,000.00 per share, plus an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption, and (y) the Fair Market Value (as that term is defined in paragraph (d) of this Section 5) per share of 2012 ESOP Preferred Stock on the date fixed for redemption. Payment of the redemption price shall be made by the Company in cash or shares of Common Stock, or a combination thereof, as permitted by paragraph (c) of this Section 5. From and after the date fixed for redemption, dividends on shares of 2012 ESOP Preferred Stock called for redemption will cease to accrue and all rights in respect of such shares of the Company shall cease, except the right to receive the redemption price. Upon payment of the redemption price, such shares shall be deemed to have been transferred to the Company, to be retired as provided in paragraph (a) of Section 1. If the full cumulative dividends have not been paid, or contemporaneously declared and set aside for payment, on all outstanding shares of 2012 ESOP Preferred Stock, the Company may not redeem fewer than all the outstanding shares of 2012 ESOP Preferred Stock pursuant to this Section 5.

(b) Unless otherwise required by law, notice of any redemption pursuant to this Section 5 will be sent to the holders of 2012 ESOP Preferred Stock at the address shown on the books of the Company or any transfer agent for the 2012 ESOP Preferred Stock by hand delivery, by courier, by standard form of telecommunication or by first-class mail (postage prepaid) delivered, sent or mailed, as the case may be, not less than twenty (20) days nor more

than sixty (60) days prior to the redemption date. Each such notice shall state: (i) the redemption date; (ii) the total number of shares of the 2012 ESOP Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) whether the redemption price shall be paid in cash or in shares of Common Stock, or in a combination of such Common Stock and cash; (v) in the case of certificated 2012 ESOP Preferred Stock the place or places where certificates for such shares are to be surrendered for payment of the redemption price; (vi) that dividends on the shares to be redeemed will cease to accrue on such redemption date; and (vii) the conversion rights of the shares to be redeemed, the period within which conversion rights may be exercised and the manner in which the number of shares of Common Stock issuable upon conversion of a share of 2012 ESOP Preferred Stock will be determined. The Company shall redeem shares so called for redemption and not previously converted at the date fixed for redemption and at the redemption price set forth in this Section 5, provided that, in the case of certificated 2012 ESOP Preferred Stock, the Company shall not be obligated to pay the redemption price until the certificates for the shares to be redeemed are surrendered (properly endorsed or assigned for transfer, if the Board of Directors of the Company shall so require and the notice shall so state).

(c) The Company, at its option, may make payment of the redemption price required upon redemption of shares of 2012 ESOP Preferred Stock in cash or in shares of Common Stock, or in a combination of such Common Stock and cash, any such shares of Common Stock to be valued for such purposes at their Fair Market Value (as defined in paragraph (d)(ii) of this Section 5) or their Current Market Price, in either case as of the date fixed for redemption of the 2012 ESOP Preferred Stock, whichever value will result in the issuance of the greater number of shares of Common Stock to the holder of the 2012 ESOP Preferred Stock then being redeemed.

(d) For purposes of these resolutions, the following terms shall have the meanings set forth below:

(i) "Adjustment Period" shall mean the period of five (5) consecutive Trading Days preceding the date as of which the Fair Market Value of a security is to be determined.

(ii) "Fair Market Value" shall mean, as to shares of Common Stock or any other class of capital stock or securities of the Company or any other issue which are publicly traded, the average of the Current Market Prices of such shares or securities for each day of the Adjustment Period. The "Fair Market Value" of any security which is not publicly traded (other than the 2012 ESOP Preferred Stock) or of any other property shall mean the fair value thereof on the date as of which the Fair Market Value of the security is to be determined, as determined by an independent investment banking or appraisal firm experienced in the valuation of such securities or property selected in good faith by the Board or a committee thereof. The "Fair Market Value" of the 2012 ESOP Preferred Stock for purposes of paragraph (a) of Section 5, and for purposes of paragraph (c) of Section 6 shall mean the fair market value thereof determined by an independent appraiser, appointed by the Trustee of the Plan in accordance with the provisions of the Plan, as of the date fixed for redemption of the 2012 ESOP Preferred Stock (in the case of a redemption pursuant to Section 5) or as of the date specified in paragraph (c) of Section 6 (in the case of a redemption under that section). For purposes of determining the Fair Market Value of the 2012 ESOP Preferred Stock, the independent appraiser shall assume (i) that

all dividends on the 2012 ESOP Preferred Stock would have been paid when due, and (ii) that the mandatory conversion of shares of 2012 ESOP Preferred Stock held by the Plan into shares of Common Stock pursuant to Section 4(a) hereof would have occurred when and as payments of principal (together with accrued interest thereon) would have been made by the Trustee of the Plan in accordance with the terms of that certain 2012 ESOP Cumulative Convertible Preferred Stock Note Agreement dated on or about January 12, 2012 between the Company and the Plan (including any amendments or modifications thereto).

6. Consolidation, Merger, etc. (a) If the Company consummates any consolidation or merger or similar business combination, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged solely for or changed, reclassified or converted solely into stock of any successor or resulting corporation (including the Company) that constitutes “qualifying employer securities” with respect to a holder of 2012 ESOP Preferred Stock within the meaning of Section 409(1) of the Internal Revenue Code of 1986, as amended, and Section 407(d)(5) of the Employee Retirement Income Security Act of 1974, as amended, or any successor provisions of law, and, if applicable, for a cash payment in lieu of fractional shares, if any, the shares of 2012 ESOP Preferred Stock of such holder shall, in connection with such consolidation, merger or similar business combination, be assumed by and shall become Preferred Stock of such successor or resulting corporation, having in respect of such corporation, insofar as possible, the same powers, preferences and relative, participating, optional or other special rights (including the redemption rights provided by Sections 5 and 6 hereof), and the qualifications, limitations or restrictions thereon, that the 2012 ESOP Preferred Stock had immediately prior to such transaction, subject to the following:

(1) After such transaction each share of the 2012 ESOP Preferred Stock shall be convertible, otherwise on the terms and conditions provided by Section 4 hereof, into the number and kind of qualifying employer securities so receivable by a holder of the number of shares of Common Stock into which such shares of 2012 ESOP Preferred Stock could have been converted immediately prior to such transaction.

(2) The Company shall not consummate any such merger, consolidation or similar transaction unless all then outstanding shares of 2012 ESOP Preferred Stock shall be assumed and authorized by the successor or resulting corporation as aforesaid.

(b) If the Company consummates any consolidation or merger or similar business combination, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged for or changed, reclassified or converted into other stock or securities or cash or any other property, or any combination thereof, other than any such consideration which is constituted solely of qualifying employer securities (as referred to in paragraph (a) of this Section 6) and cash payments, if applicable, in lieu of fractional shares, outstanding shares of 2012 ESOP Preferred Stock shall, without any action on the part of the Company or any holder thereof (but subject to paragraph (c) of this Section 6), be automatically converted by virtue of such merger, consolidation or similar transaction immediately prior to such consummation into the number of shares of Common Stock into which such shares of 2012 ESOP Preferred Stock could have been converted at such time so that each share of 2012 ESOP Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in like kind) receivable by a holder of the number of shares of Common Stock into which such shares of 2012 ESOP Preferred Stock could have been converted immediately

prior to such transaction. However, if by virtue of the structure of such transaction, a holder of Common Stock is required to make an election with respect to the nature and kind of consideration to be received in such transaction, which election cannot practicably be made by the holders of the 2012 ESOP Preferred Stock, then the shares of 2012 ESOP Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in kind) receivable by a holder of the number of shares of Common Stock into which such shares of 2012 ESOP Preferred Stock could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election as to the kind or amount of stock, securities, cash or other property receivable upon such transaction. If the kind or amount of stock, securities, cash or other property receivable upon such transaction is not the same for each non-electing share, then the kind and amount of stock, securities, cash or other property receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of the non-electing shares.

(c) In the event the Company shall enter into any agreement providing for any consolidation or merger or similar business combination described in paragraph (b) of this Section 6 (a “Business Combination”), then the Company shall as soon as practicable thereafter (and in any event at least fifteen (15) Business Days before consummation of such transaction) give notice of such agreement and the material terms thereof to each holder of 2012 ESOP Preferred Stock and each such holder shall have the right to elect, by written notice to the Company, to receive, upon consummation of such transaction (if and when such transaction is consummated), from the Company or the successor of the Company, in redemption and retirement of such 2012 ESOP Preferred Stock, a cash payment per share of 2012 ESOP Preferred Stock equal to the higher of (x) \$1,000.00, plus accrued and unpaid dividends thereon to the date of consummation of such transaction or (y) the Fair Market Value per share of 2012 ESOP Preferred Stock, as of the last Business Day (as defined in paragraph (c) of Section 4 hereof) immediately preceding the date the Business Combination is consummated. No such notice of redemption shall be effective unless given to the Company prior to the close of business on the last Business Day prior to consummation of such transaction, unless the Company or the successor of the Company shall waive such prior notice, but any notice of redemption so given prior to such time may be withdrawn by notice of withdrawal given to the Company prior to the close of business on the last Business Day prior to consummation of such transaction.

(d) In the event that a Purchase Offer (as defined below) shall have been made and shall be continuing, each holder of 2012 ESOP Preferred Stock shall have the right to convert shares of 2012 ESOP Preferred Stock into shares of Common Stock at the Conversion Price specified in Section 4(c)(iii)(C) hereof until the date the Purchase Offer is terminated, including without limitation because the original Purchase Offer is withdrawn or because the Purchase Offer has expired and is not renewed, upon notice of such conversion given to the Company not later than the close of business on the date the Purchase Offer terminates (the “Purchase Offer Conversion Period”), unless the Company or any successor of the Company shall waive such prior notice, but any notice of conversion so given may be withdrawn by notice of withdrawal given to the Company prior to the end of the Purchase Offer Conversion Period.

For purposes of this paragraph (d), the following terms shall have the meanings set forth below:

(i) “Beneficial Ownership” shall have the meaning ascribed to it in Rule 13d-3 under the Securities Exchange Act of 1934 (the “Exchange Act”) and “person” shall have the meanings specified in Sections 3(a)(9) and 13(d)(3) of the Exchange Act.

(ii) A “Purchase Offer” shall have been made when any person (other than the Company or any affiliate of the Company) shall have “commenced” (as such term is defined in Rule 14d-2 under the Exchange Act) a tender offer or exchange offer to purchase shares of Common Stock, such that, upon consummation of such offer, such person would have Beneficial Ownership (as defined herein) or the right to acquire Beneficial Ownership, of twenty percent (20%) or more of the voting power of the Company.

7. Liquidation Rights. (a) Upon the dissolution, liquidation, or winding up of the Company, the holders of the shares of 2012 ESOP Preferred Stock shall be entitled to receive and to be paid out of the assets of the Company available for distribution to its stockholders, before any payment or distribution shall be made on the Common Stock or any other class of stock ranking junior to 2012 ESOP Preferred Stock upon liquidation, the amount of \$1,000.00 per share, plus a sum equal to all dividends (whether or not earned or declared) on such shares accrued and unpaid thereon to the date of final distribution.

(b) Neither the sale of all or substantially all the property and assets of the Company, nor the merger or consolidation of the Company into or with any other corporation, nor the merger or consolidation of any other corporation into or with the Company shall be deemed to be a dissolution, liquidation, or winding up, voluntary or involuntary, for the purposes of this Section 7.

(c) After the payment to the holders of the shares of 2012 ESOP Preferred Stock of the full preferential amounts provided for in this Section 7, the holders of 2012 ESOP Preferred Stock, as such, shall have no right or claim to any of the remaining assets of the Company.

(d) In the event the assets of the Company available for distribution to the holders of shares of 2012 ESOP Preferred Stock upon any dissolution, liquidation, or winding up of the Company, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such holders are entitled pursuant to paragraph (a) of this Section 7, no such distribution shall be made on account of any shares of any other series of Preferred Stock or other capital stock of the Company ranking on a parity with the shares of 2012 ESOP Preferred Stock upon such dissolution, liquidation, or winding up unless proportionate distributive amounts shall be paid on account of the shares of 2012 ESOP Preferred Stock, ratably, in proportion to the full distributable amounts for which holders of all such parity shares are respectively entitled upon such dissolution, liquidation, or winding up.

(e) Subject to the rights of the holders of the shares of any series or class or classes of stock ranking on a parity with or prior to the shares of 2012 ESOP Preferred Stock upon liquidation, dissolution, or winding up, upon any liquidation, dissolution, or winding up of the Company, after payment shall have been made in full to the holders of the shares of 2012 ESOP Preferred Stock as provided in this Section 7, but not prior thereto, any other series or class or classes of stock ranking junior to the shares of 2012 ESOP Preferred Stock upon liquidation shall, subject to the respective terms and provisions (if any) applying thereto, be

entitled to receive any and all assets remaining to be paid or distributed, and the holders of the shares of 2012 ESOP Preferred Stock shall not be entitled to share therein.

8. Ranking. For the purposes of these resolutions, any stock of any series or class or classes of the Company shall be deemed to rank:

(a) prior to the shares of 2012 ESOP Preferred Stock, either as to dividends or upon liquidation, if the holders of such series or class or classes shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation, or winding up of the Company, as the case may be, in preference or priority to the holders of shares of 2012 ESOP Preferred Stock;

(b) on a parity with shares of 2012 ESOP Preferred Stock, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates, or redemption or liquidation prices per share, or sinking fund provisions, if any, be different from those of 2012 ESOP Preferred Stock, if the holders of such stock shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation, or winding up of the Company, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority, one over the other, as between the holders of such stock and the holders of shares of 2012 ESOP Preferred Stock; and

(c) junior to shares of 2012 ESOP Preferred Stock, either as to dividends or upon liquidation, if such class shall be Common Stock or if the holders of shares of 2012 ESOP Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation, or winding up of the Company, as the case may be, in preference or priority to the holders of shares of such series or class or classes.

9. Priority of 2012 ESOP Preferred Stock. The shares of 2012 ESOP Preferred Stock will rank on a parity, both as to payment of dividends and the distribution of assets upon liquidation, with the Company's 2003 ESOP Cumulative Convertible Preferred Stock, its 2004 ESOP Cumulative Convertible Preferred Stock, its 2005 ESOP Cumulative Convertible Preferred Stock, its 2006 ESOP Cumulative Convertible Preferred Stock, its 2007 ESOP Cumulative Convertible Preferred Stock, its 2008 ESOP Cumulative Convertible Preferred Stock, its 2010 ESOP Cumulative Convertible Preferred Stock and its 2011 ESOP Cumulative Convertible Preferred Stock.

IN WITNESS WHEREOF, the Company has caused this Certificate of Designations to be signed by John G. Stumpf, its Chairman, President and Chief Executive Officer, and attested by Jeannine E. Zahn, its Assistant Secretary, whereby such President and Chief Executive Officer affirms, under penalties of perjury, that this Certificate of Designations is the act and deed of the Company and that the facts stated herein are true, this 10th day of January, 2012.

WELLS FARGO & COMPANY

By     /s/ John G. Stumpf      
John G. Stumpf  
Chairman, President and  
Chief Executive Officer

Attest:

    /s/ Jeannine E. Zahn      
Jeannine E. Zahn  
Assistant Secretary

[As filed with the Delaware Secretary of State on January 10, 2012.]



WELLS FARGO & COMPANY

CERTIFICATE OF DESIGNATION  
Pursuant to Section 151(g) of the  
General Corporation Law  
of the State of Delaware

NON-CUMULATIVE PERPETUAL CLASS A PREFERRED STOCK, SERIES N

(Without Par Value)

WELLS FARGO & COMPANY, a corporation organized and existing under the laws of the State of Delaware (the “*Corporation*”), HEREBY CERTIFIES that, pursuant to authority conferred upon the Board of Directors of the Corporation (the “*Board of Directors*”) by the provisions of the Restated Certificate of Incorporation of the Corporation, as amended, which authorize the issuance of not more than 20,000,000 shares of Preferred Stock, without par value, and pursuant to authority conferred upon the Securities Committee of the Board of Directors (the “*Committee*”) in accordance with Section 141(c) of the General Corporation Law of the State of Delaware (the “*General Corporation Law*”), the following resolutions were duly adopted by the Committee pursuant to the unanimous written consent of the Committee duly adopted on August 14, 2012, in accordance with Section 141(f) of the General Corporation Law:

**Resolved**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated January 27, 2009, the provisions of the Restated Certificate of Incorporation, the By-laws of the Corporation, and applicable law, a series of Preferred Stock, no par value, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

**RIGHTS AND PREFERENCES**

**Section 1. Designation.** The shares of such series of Preferred Stock shall be designated Non-Cumulative Perpetual Class A Preferred Stock, Series N, with no par value and a liquidation preference amount of \$25,000 per share (the “*Series N Preferred Stock*”). Each share of Series N Preferred Stock shall be identical in all respects to every other share of Series N Preferred Stock except with respect to the date from which dividends may accrue. Series N Preferred Stock will rank equally with Parity Stock with respect to the payment of dividends and distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation and will rank senior to Junior Stock with respect to the payment of dividends and/or the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 2. Number of Shares.** The number of authorized shares of Series N Preferred Stock shall be 30,000. Such number may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock) or decreased (but not below the number of shares of Series N Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law stating that such increase or decrease, as the case may be, has been so authorized. The Corporation shall have the authority to issue fractional shares of Series N Preferred Stock.

**Section 3. Definitions.** As used herein with respect to Series N Preferred Stock:

“*Business Day*” means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in New York, New York.

“*Certificate of Designation*” means this Certificate of Designation relating to the Series N Preferred Stock, as it may be amended from time to time.

“*Common Stock*” means the common stock of the Corporation, par value \$1 $\frac{2}{3}$  per share, as the same exists at the date of this Certificate of Designation or as such stock may be constituted from time to time.

“*Depository Company*” has the meaning set forth in Section 6(d) hereof.

“*Dividend Payment Date*” has the meaning set forth in Section 4(a) hereof.

“*Dividend Period*” has the meaning set forth in Section 4(a) hereof.

“*DTC*” means The Depository Trust Company, together with its successors and assigns.

“*Junior Stock*” means the Common Stock and any other class or series of stock of the Corporation now existing or hereafter authorized over which the Series N Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

“*Liquidation Preference*” has the meaning set forth in Section 5(a) hereof.

“*Nonpayment Event*” shall have the meaning set forth in Section 7(b).

“*Parity Stock*” means any other class or series of stock of the Corporation now existing or hereafter authorized that ranks on par with the Series N Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) or in the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

“*Preference Stock*” means any and all series of preference stock, having no par value, of the Corporation.

“*Preferred Stock*” means any and all series of preferred stock, having no par value, of the Corporation, including the Series N Preferred Stock.

“*Preferred Stock Directors*” shall have the meaning set forth in Section 7(b).

“*Regulatory Capital Treatment Event*” means the Corporation’s reasonable determination that as a result of any (i) amendment to, or change (including any announced prospective change) in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any shares of Series N Preferred Stock; (ii) proposed change in those laws or regulations that is announced or becomes effective after the initial issuance of any shares of Series N Preferred Stock; or (iii) official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the initial issuance of any shares of Series N Preferred Stock, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation preference amount of all shares of Series N Preferred Stock then outstanding as Tier 1 capital (or its equivalent) for purposes of the capital adequacy guidelines or regulations of the appropriate federal banking agency, as then in effect and applicable, for as long as any share of Series N Preferred Stock is outstanding.

“*Series N Preferred Stock*” has the meaning set forth in Section 1 hereof.

“*Voting Parity Stock*” means any Parity Stock having similar voting rights as the Series N Preferred Stock.

#### **Section 4. Dividends.**

**(a) Rate.** Dividends on the Series N Preferred Stock will not be mandatory. Holders of Series N Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation, but only out of assets legally available therefor, non-cumulative cash dividends on the liquidation preference amount of \$25,000 per share of the Series N Preferred Stock, payable quarterly in arrears on the 15th day of March, June, September and December of each year (commencing on December 15, 2012); provided, however, if any such day is not a Business Day, then payment of any

dividend otherwise payable on that date will be made on the next succeeding day that is a Business Day, without any interest or other payment in respect of such delay (each such day on which dividends are payable a “*Dividend Payment Date*”). A “*Dividend Period*” means the period from, and including, a Dividend Payment Date to, but excluding, the next succeeding Dividend Payment Date, except for the initial Dividend Period, which will be the period from, and including, August 16, 2012 to, but excluding, December 15, 2012. Dividends on each share of Series N Preferred Stock will accrue at a rate *per annum* equal to 5.20%. The record date for payment of dividends on the Series N Preferred Stock shall be the last Business Day of the calendar month immediately preceding the month during which the Dividend Payment Date falls or such other date as determined by the Corporation’s Board of Directors. The amount of dividends payable shall be computed on the basis of a 360-day year of twelve 30-day months. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward.

**(b) Non-Cumulative Dividends.** Dividends on shares of Series N Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series N Preferred Stock on any Dividend Payment Date are not declared prior to such Dividend Payment Date, then such dividends shall not cumulate and shall cease to accrue and be payable, and the Corporation shall have no obligation to pay, and the holders of Series N Preferred Stock shall have no right to receive, dividends accrued for such Dividend Period on the Dividend Payment Date for such Dividend Period or at any time in the future or interest with respect to such dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series N Preferred Stock or any other series of authorized Preferred Stock, Preference Stock, or Common Stock of the Corporation.

**(c) Priority of Dividends.** So long as any shares of Series N Preferred Stock remain outstanding,

(1) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Common Stock, and no shares of Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Common Stock by the Corporation (other than (i) a dividend payable in Common Stock or (ii) the acquisition of shares of Common Stock in exchange for, or through application of proceeds of the sale of, shares of Common Stock);

(2) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Junior Stock other than Common Stock, and no shares of Junior Stock other than Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Junior Stock other than Common Stock by the Corporation

(other than (i) a dividend payable solely in shares of Junior Stock, (ii) any dividend in connection with the implementation of a stockholder rights plan, or the redemption or repurchase of any rights under any such plan, (iii) any dividend in the form of stock, warrants, options or other rights where the dividend stock or stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks equally with or junior to such stock, (iv) as a result of a reclassification of Junior Stock other than Common Stock for or into other Junior Stock, (v) the exchange or conversion of one share of Junior Stock other than Common Stock for or into another share of Junior Stock, (vi) through the use of proceeds of a substantially contemporaneous sale of other shares of Junior Stock, (vii) any purchase, redemption or other acquisition of Junior Stock other than Common Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after August 9, 2012, (viii) any purchase of fractional interests in shares of Junior Stock other than Common Stock pursuant to the conversion or exchange provisions of such Junior Stock other than Common Stock or the securities being converted or exchanged, (ix) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (x) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business); and

(3) no shares of Parity Stock will be repurchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to pro rata offers to purchase all, or a pro rata portion, of the Series N Preferred Stock and such Parity Stock during a Dividend Period (other than (i) as a result of a reclassification of Parity Stock for or into other Parity Stock or Junior Stock, (ii) the exchange or conversion of one share of Parity Stock for or into another share of Parity Stock or Junior Stock, (iii) through the use of proceeds of a substantially contemporaneous sale of other shares of Parity Stock or Junior Stock, (iv) any purchase, redemption or other acquisition of Parity Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after August 9, 2012, (v) any purchase of fractional interests in shares of Parity Stock pursuant to the conversion or exchange provisions of such Parity Stock or the securities being converted or exchanged, (vi) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (vii) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business), unless, in each case, the full dividends for the then-current Dividend Period on all outstanding shares of the Series N Preferred Stock have been declared and paid or declared and a sum sufficient for the payment of those dividends has been set aside.

Subject to the succeeding sentence, for so long as any shares of Series N Preferred Stock remain outstanding, no dividends shall be declared, paid, or set aside for payment

on any Parity Stock for any period unless full dividends on all outstanding shares of Series N Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. To the extent the Corporation declares dividends on the Series N Preferred Stock and on any Parity Stock but cannot make full payment of those declared dividends, the Corporation will allocate the dividend payments on a proportional basis among the holders of shares of Series N Preferred Stock and the holders of any Parity Stock then outstanding where the terms of such Parity Stock provide similar dividend rights.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the board of Directors of the Corporation may be declared and paid on the Common Stock and any other stock that is Parity Stock or Junior Stock, from time to time out of any assets legally available for such payment, and the shares of Series N Preferred Stock shall not be entitled to participate in any such dividends.

## **Section 5. Liquidation Rights.**

**(a) Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series N Preferred Stock shall be entitled to receive in full out of assets available for distribution to its stockholders before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of the Common Stock or any other Junior Stock, and subject to the rights of the holders of Parity Stock or any stock of the Corporation ranking senior to the Series N Preferred Stock as to such distribution, a liquidating distribution in the amount of \$25,000 per share, plus an amount equal to any dividends which have been declared but not yet paid, without accumulation of any undeclared dividends, to the date of liquidation (the "*Liquidation Preference*"). The holders of Series N Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

**(b) Partial Payment.** If the assets of the Corporation are not sufficient to pay in full the Liquidation Preference to all holders of Series N Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series N Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preference of Series N Preferred Stock and all such Parity Stock.

**(c) Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series N Preferred Stock and all other amounts payable upon liquidation, dissolution or winding up of the Corporation have been paid in full to all holders of any Parity Stock, the holders of Common Stock and any other Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

## **Section 6. Redemption.**

**(a) Optional Redemption.** The Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may redeem, subject to the prior approval of the Federal Reserve Board, out of funds legally available therefor, in whole or in part, the shares of Series N Preferred Stock at the time outstanding, at any time on any Dividend Payment Date on or after September 15, 2017, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series N Preferred Stock shall be \$25,000 per share plus an amount equal to any dividends that have been declared but not paid up to the redemption date without accumulation of any undeclared dividends.

Notwithstanding the foregoing, within 90 days of the Corporation's good faith determination that a Regulatory Capital Treatment Event has occurred, the Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may, subject to the approval of the appropriate federal banking agency, redeem out of funds legally available therefor, in whole, but not in part, the shares of Series N Preferred Stock at the time outstanding, prior to September 15, 2017, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series N Preferred Stock shall be \$25,000 per share plus an amount equal to any dividends that have been declared but not paid, without accumulation of any undeclared dividends.

**(b) Notice of Redemption.** Notice of every redemption of shares of Series N Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the stock register of the Corporation. Such mailing shall be at least 40 days and not more than 70 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(b) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series N Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series N Preferred Stock. Each

notice shall state (i) the redemption date; (ii) the number of shares of Series N Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, if applicable, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where the certificates for those shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date. Notwithstanding the foregoing, if the Series N Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC.

**(c) Partial Redemption.** In case of any redemption of only part of the shares of Series N Preferred Stock at the time outstanding, the shares of Series N Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series N Preferred Stock in proportion to the number of Series N Preferred Stock held by such holders or in such other manner as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine to be fair and equitable. Subject to the provisions of this Section 6, the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series N Preferred Stock shall be redeemed from time to time.

**(d) Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been irrevocably set aside by the Corporation, separate and apart from its other assets, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors (the “*Depository Company*”) in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding, all dividends with respect to such shares shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from the Depository Company at any time after the redemption date from the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depository Company any interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of two years from the redemption date shall, to the extent permitted by law, be released or repaid to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

## **Section 7. Voting Rights.**



**(a) General.** The holders of Series N Preferred Stock shall not be entitled to vote on any matter except as set forth in paragraph 7(b) below or as required by applicable law.

**(b) Right To Elect Two Directors Upon Nonpayment Events.** Whenever dividends payable on any shares of Series N Preferred Stock or any class or series of Voting Parity Stock have not been declared and paid in an aggregate amount equal to, as to any class or series, at least six quarterly Dividend Periods or their equivalent, whether or not for consecutive Dividend Periods (a “*Nonpayment Event*”), the holders of the outstanding Series N Preferred Stock, voting together as a class with holders of Voting Parity Stock whose voting rights are exercisable, will be entitled to vote for the election of two additional directors of the Corporation’s Board of Directors at the Corporation’s next annual meeting of stockholders and at each subsequent annual meeting of stockholders (the “*Preferred Stock Directors*”) by a plurality of the votes cast; *provided* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Parity Stock are entitled to elect pursuant to like voting rights). Upon the vesting of such right of such holders, the maximum authorized number of members of the Board of Directors shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of the outstanding Series N Preferred Stock (together with the holders of shares of any one or more other series of Voting Parity Stock). At elections for such directors, each holder of the Series N Preferred Stock shall be entitled to 25 votes for each share held (the holders of shares of any other series of Voting Parity Stock being entitled to such number of votes, if any, for each share of such stock as may be granted to them). The right of the holders of the Series N Preferred Stock (voting together as a class with the holders of shares of any one or more other series of Voting Parity Stock) to elect Preferred Stock Directors shall continue until such time as the Corporation has paid in full dividends for the equivalent of at least four quarterly Dividend Periods or their equivalent, at which time such right with respect to the Series N Preferred Stock shall terminate, except as provided by law, and subject to re-vesting in the event of each and every subsequent default of the character described in this Section 7(b).

Upon any termination of the right of the holders of all shares of Series N Preferred Stock and Voting Parity Stock to vote for Preferred Stock Directors, the term of office of all Preferred Stock Directors then in office elected by only those holders voting as a class shall terminate immediately. Any Preferred Stock Director may be removed at any time without cause by the holders of a majority of the outstanding shares of Series N Preferred Stock and Voting Parity Stock, when they have the voting rights described above (voting together as a class). In case any vacancy shall occur among the Preferred Stock Directors, a successor may be elected by a plurality of the votes cast by the holders of Series N Preferred Stock and Voting Parity Stock having the voting rights described above, voting together as a class, unless the vacancy has already been filled. The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Whenever the

term of office of the directors elected by such holders voting as a class shall end and the special voting powers vested in such holders as provided in this Section 7(b) shall have expired, the number of directors shall be such number as may be provided for in the By-Laws irrespective of any increase made pursuant to this Section 7(b).

**(c) Other Voting Rights.** In addition to any other vote required by law or the Restated Certificate of Incorporation, so long as any shares of the Series N Preferred Stock remain outstanding, the vote or consent of the holders of the outstanding shares of Series N Preferred Stock and outstanding shares of all other series of Voting Parity Stock entitled to vote on the matter, by a vote of at least 66 2/3% in voting power of all such outstanding Series N Preferred Stock and such Voting Parity Stock, voting together as a class, given in person or by proxy, either in writing without a meeting or at any meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following actions, whether or not such approval is required by Delaware law: (i) the issuance of any class or series of Preferred Stock or Preference Stock ranking senior to the Series N Preferred Stock in the payment of dividends or the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; (ii) any amendment, alteration or repeal of any provision of the Restated Certificate of Incorporation, including the Certificate of Designation, or the Bylaws that would adversely affect the rights, preferences, privileges or voting powers of the Series N Preferred Stock; (iii) any amendment or alteration of the Restated Certificate of Incorporation, including the Certificate of Designation, or Bylaws to authorize, create, or increase the authorized amount of, any shares of, or any securities convertible into shares of, any class or series of the Corporation's capital stock ranking senior to the Series N Preferred Stock with respect to either the payment of dividends or in the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; or (iv) any consummation of a reclassification involving the Series N Preferred Stock or a merger or consolidation with another corporation or other entity, except holders of the Series N Preferred Stock will have no right to vote under this section 7(c)(iv) if in each case (a) the shares of Series N Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (b) such shares of Series N Preferred Stock remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Series N Preferred Stock, taken as a whole; *provided, however*, that any authorization, creation or increase in the authorized amount of or issuance of the Series N Preferred Stock or any Parity Stock or Junior Stock or any securities convertible into any class or series of Parity Stock (whether dividends payable in respect of such Parity Stock are cumulative or non-cumulative) or Junior Stock will be deemed not to adversely affect the rights, preferences, privileges or voting powers of the Series N Preferred Stock, and holders of the Series N Preferred Stock shall have no right to vote thereon.

If any amendment, alteration, repeal, reclassification, merger or consolidation specified in this Section 7(c) would adversely affect one or more but not all series of voting Preferred Stock (including the Series N Preferred Stock), then only those series affected by and entitled to vote on the matter shall vote on the matter together as a class (in lieu of all other series of Preferred Stock).

Each holder of the Series N Preferred Stock will have 25 votes per share on any matter on which holders of the Series N Preferred Stock are entitled to vote, whether separately or together with any other series of stock of the Corporation (the holders of any shares of any other series of stock being entitled to such number of votes, if any, for each share of stock as may be granted to them), pursuant to Delaware law or otherwise, including by written consent.

**(d) Changes after Provision for Redemption.** No vote or consent of the holders of Series N Preferred Stock shall be required pursuant to Section 7(b) or (c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding Series N Preferred Stock shall have been redeemed, or notice of redemption has been given and sufficient funds shall have been irrevocably deposited in trust to effect such redemption.

**(e) Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series N Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Restated Certificate of Incorporation, the Bylaws, applicable law and any national securities exchange or other trading facility in which the Series N Preferred Stock is listed or traded at the time.

**Section 8. Preemption and Conversion.** The holders of Series N Preferred Stock shall not have any rights of preemption or rights to convert such Series N Preferred Stock into shares of any other class of capital stock of the Corporation.

**Section 9. Reacquired Shares.** Shares of Series N Preferred Stock which have been issued and redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of Preferred Stock without designation as to series.

**Section 10. No Sinking Fund.** Shares of Series N Preferred Stock are not subject to the operation of a sinking fund.

**Section 11. Additional Classes or Series of Stock.** Notwithstanding anything set forth in the Restated Certificate of Incorporation or this Certificate of Designation to the contrary, the Board of Directors of the Corporation, or any authorized committee

of the Board of Directors of the Corporation, (i) without the vote of the holders of the Series N Preferred Stock, may authorize and issue additional shares of Junior Stock and Parity Stock and (ii) with the requisite vote of the holders of the Series N Preferred Stock and Parity Stock entitled to vote thereon, may authorize and issue any additional class or series of Preferred Stock or Preference Stock senior to the Series N Preferred Stock as to the payment of dividends and/or the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**In Witness Whereof, Wells Fargo & Company** has caused this Certificate of Designation to be signed by Barbara S. Brett, its Senior Vice President and Assistant Treasurer, and Jeannine E. Zahn, its Assistant Secretary, this 14<sup>th</sup> day of August, 2012.

**Wells Fargo & Company**

By: /s/ Barbara S. Brett

**Barbara S. Brett, Senior Vice  
President and Assistant Treasurer**

/s/ Jeannine E. Zahn

Jeannine E. Zahn, Assistant Secretary

[As filed with the Delaware Secretary of State on August 15, 2012.]

## WELLS FARGO & COMPANY

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### CERTIFICATE OF DESIGNATION

Pursuant to Section 151(g) of the  
General Corporation Law  
of the State of Delaware

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### NON-CUMULATIVE PERPETUAL CLASS A PREFERRED STOCK, SERIES O (Without Par Value)

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WELLS FARGO & COMPANY, a corporation organized and existing under the laws of the State of Delaware (the “*Corporation*”), HEREBY CERTIFIES that, pursuant to authority conferred upon the Board of Directors of the Corporation (the “*Board of Directors*”) by the provisions of the Restated Certificate of Incorporation of the Corporation, as amended, which authorize the issuance of not more than 20,000,000 shares of Preferred Stock, without par value, and pursuant to authority conferred upon the Securities Committee of the Board of Directors (the “*Committee*”) in accordance with Section 141(c) of the General Corporation Law of the State of Delaware (the “*General Corporation Law*”), the following resolutions were duly adopted by the Committee pursuant to the unanimous written consent of the Committee duly adopted on November 16, 2012, in accordance with Section 141(f) of the General Corporation Law:

**Resolved**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated January 27, 2009, the provisions of the Restated Certificate of Incorporation, the By-laws of the Corporation, and applicable law, a series of Preferred Stock, no par value, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

### RIGHTS AND PREFERENCES

**Section 1. Designation.** The shares of such series of Preferred Stock shall be designated Non-Cumulative Perpetual Class A Preferred Stock, Series O, with no par value and a liquidation preference amount of \$25,000 per share (the “*Series O Preferred Stock*”). Each share of Series O Preferred Stock shall be identical in all respects to every other share of Series O Preferred Stock except with respect to the date from which dividends may accrue. Series O Preferred Stock will rank equally with Parity Stock with respect to the payment of dividends and distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation and will rank senior to Junior Stock with respect to the payment of

dividends and/or the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 2. Number of Shares.** The number of authorized shares of Series O Preferred Stock shall be 27,600. Such number may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock) or decreased (but not below the number of shares of Series O Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law stating that such increase or decrease, as the case may be, has been so authorized. The Corporation shall have the authority to issue fractional shares of Series O Preferred Stock.

**Section 3. Definitions.** As used herein with respect to Series O Preferred Stock:

“*Business Day*” means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in New York, New York.

“*Certificate of Designation*” means this Certificate of Designation relating to the Series O Preferred Stock, as it may be amended from time to time.

“*Common Stock*” means the common stock of the Corporation, par value \$1 $\frac{2}{3}$  per share, as the same exists at the date of this Certificate of Designation or as such stock may be constituted from time to time.

“*Depository Company*” has the meaning set forth in Section 6(d) hereof.

“*Dividend Payment Date*” has the meaning set forth in Section 4(a) hereof.

“*Dividend Period*” has the meaning set forth in Section 4(a) hereof.

“*DTC*” means The Depository Trust Company, together with its successors and assigns.

“*Junior Stock*” means the Common Stock and any other class or series of stock of the Corporation now existing or hereafter authorized over which the Series O Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

“*Liquidation Preference*” has the meaning set forth in Section 5(a) hereof.

“*Nonpayment Event*” shall have the meaning set forth in Section 7(b).

“*Parity Stock*” means any other class or series of stock of the Corporation now existing or hereafter authorized that ranks on par with the Series O Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) or in the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

“*Preference Stock*” means any and all series of preference stock, having no par value, of the Corporation.

“*Preferred Stock*” means any and all series of preferred stock, having no par value, of the Corporation, including the Series O Preferred Stock.

“*Preferred Stock Directors*” shall have the meaning set forth in Section 7(b).

“*Regulatory Capital Treatment Event*” means the Corporation’s reasonable determination that as a result of any (i) amendment to, clarification of, or change (including any announced prospective change) in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective on or after November 13, 2012; (ii) proposed change in those laws or regulations that is announced or becomes effective on or after November 13, 2012; or (iii) official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced on or after November 13, 2012, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation preference amount of all shares of Series O Preferred Stock then outstanding as Tier 1 capital (or its equivalent) for purposes of the capital adequacy guidelines or regulations of the appropriate federal banking agency, as then in effect and applicable, for as long as any share of Series O Preferred Stock is outstanding.

“*Series O Preferred Stock*” has the meaning set forth in Section 1 hereof.

“*Voting Parity Stock*” means any Parity Stock having similar voting rights as the Series O Preferred Stock.

#### **Section 4. Dividends.**

**(a) Rate.** Dividends on the Series O Preferred Stock will not be mandatory. Holders of Series O Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation, but only out of assets legally available therefor, non-cumulative cash dividends on the liquidation preference amount of \$25,000 per share of the Series O Preferred Stock, payable quarterly in arrears on the 15th day of March, June, September and December of each year (commencing on March 15, 2013); provided, however, if any such day is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding day that is a

Business Day, without any interest or other payment in respect of such delay (each such day on which dividends are payable a “*Dividend Payment Date*”). A “*Dividend Period*” means the period from, and including, a Dividend Payment Date to, but excluding, the next succeeding Dividend Payment Date, except for the initial Dividend Period, which will be the period from, and including, November 20, 2012 to, but excluding, March 15, 2013. Dividends on each share of Series O Preferred Stock will accrue at a rate *per annum* equal to 5.125%. The record date for payment of dividends on the Series O Preferred Stock shall be the last Business Day of the calendar month immediately preceding the month during which the Dividend Payment Date falls or such other date as determined by the Corporation’s Board of Directors. The amount of dividends payable shall be computed on the basis of a 360-day year of twelve 30-day months. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward.

**(b) Non-Cumulative Dividends.** Dividends on shares of Series O Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series O Preferred Stock on any Dividend Payment Date are not declared prior to such Dividend Payment Date, then such dividends shall not cumulate and shall cease to accrue and be payable, and the Corporation shall have no obligation to pay, and the holders of Series O Preferred Stock shall have no right to receive, dividends accrued for such Dividend Period on the Dividend Payment Date for such Dividend Period or at any time in the future or interest with respect to such dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series O Preferred Stock or any other series of authorized Preferred Stock, Preference Stock, or Common Stock of the Corporation.

**(c) Priority of Dividends.** So long as any shares of Series O Preferred Stock remain outstanding,

(1) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Common Stock, and no shares of Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Common Stock by the Corporation (other than (i) a dividend payable in Common Stock or (ii) the acquisition of shares of Common Stock in exchange for, or through application of proceeds of the sale of, shares of Common Stock);

(2) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Junior Stock other than Common Stock, and no shares of Junior Stock other than Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Junior Stock other than Common Stock by the Corporation (other than (i) a dividend payable solely in shares of Junior Stock, (ii) any dividend in



connection with the implementation of a stockholder rights plan, or the redemption or repurchase of any rights under any such plan, (iii) any dividend in the form of stock, warrants, options or other rights where the dividend stock or stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks equally with or junior to such stock, (iv) as a result of a reclassification of Junior Stock other than Common Stock for or into other Junior Stock, (v) the exchange or conversion of one share of Junior Stock other than Common Stock for or into another share of Junior Stock, (vi) through the use of proceeds of a substantially contemporaneous sale of other shares of Junior Stock, (vii) any purchase, redemption or other acquisition of Junior Stock other than Common Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after November 13, 2012, (viii) any purchase of fractional interests in shares of Junior Stock other than Common Stock pursuant to the conversion or exchange provisions of such Junior Stock other than Common Stock or the securities being converted or exchanged, (ix) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (x) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business); and

(3) no shares of Parity Stock will be repurchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series O Preferred Stock and such Parity Stock during a Dividend Period (other than (i) as a result of a reclassification of Parity Stock for or into other Parity Stock or Junior Stock, (ii) the exchange or conversion of one share of Parity Stock for or into another share of Parity Stock or Junior Stock, (iii) through the use of proceeds of a substantially contemporaneous sale of other shares of Parity Stock or Junior Stock, (iv) any purchase, redemption or other acquisition of Parity Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after November 13, 2012, (v) any purchase of fractional interests in shares of Parity Stock pursuant to the conversion or exchange provisions of such Parity Stock or the securities being converted or exchanged, (vi) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (vii) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business), unless, in each case, the full dividends for the then-current Dividend Period on all outstanding shares of the Series O Preferred Stock have been declared and paid or declared and a sum sufficient for the payment of those dividends has been set aside.

Subject to the succeeding sentence, for so long as any shares of Series O Preferred Stock remain outstanding, no dividends shall be declared, paid, or set aside for payment on any Parity Stock for any period unless full dividends on all outstanding shares of Series

O Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. To the extent the Corporation declares dividends on the Series O Preferred Stock and on any Parity Stock but cannot make full payment of those declared dividends, the Corporation will allocate the dividend payments on a proportional basis among the holders of shares of Series O Preferred Stock and the holders of any Parity Stock then outstanding where the terms of such Parity Stock provide similar dividend rights.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the board of Directors of the Corporation may be declared and paid on the Common Stock and any other stock that is Parity Stock or Junior Stock, from time to time out of any assets legally available for such payment, and the shares of Series O Preferred Stock shall not be entitled to participate in any such dividends.

#### **Section 5. Liquidation Rights.**

**(a) Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series O Preferred Stock shall be entitled to receive in full out of assets available for distribution to its stockholders before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of the Common Stock or any other Junior Stock, and subject to the rights of the holders of Parity Stock or any stock of the Corporation ranking senior to the Series O Preferred Stock as to such distribution, a liquidating distribution in the amount of \$25,000 per share, plus an amount equal to any dividends which have been declared but not yet paid, without accumulation of any undeclared dividends, to the date of liquidation (the "*Liquidation Preference*"). The holders of Series O Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

**(b) Partial Payment.** If the assets of the Corporation are not sufficient to pay in full the Liquidation Preference to all holders of Series O Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series O Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preference of Series O Preferred Stock and all such Parity Stock.

**(c) Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series O Preferred Stock and all other amounts payable upon liquidation, dissolution or winding up of the Corporation have been paid in full to all holders of any Parity Stock, the holders of Common Stock and any other Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

## **Section 6. Redemption.**

**(a) Optional Redemption.** The Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may redeem, subject to the prior approval of the Federal Reserve Board, out of funds legally available therefor, in whole or in part, the shares of Series O Preferred Stock at the time outstanding, at any time on any Dividend Payment Date on or after December 15, 2017, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series O Preferred Stock shall be \$25,000 per share plus an amount equal to any dividends that have been declared but not paid up to the redemption date without accumulation of any undeclared dividends.

Notwithstanding the foregoing, within 90 days of the Corporation's good faith determination that a Regulatory Capital Treatment Event has occurred, the Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may, subject to the approval of the appropriate federal banking agency, redeem out of funds legally available therefor, in whole, but not in part, the shares of Series O Preferred Stock at the time outstanding, prior to December 15, 2017, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series O Preferred Stock shall be \$25,000 per share plus an amount equal to any dividends that have been declared but not paid, without accumulation of any undeclared dividends.

**(b) Notice of Redemption.** Notice of every redemption of shares of Series O Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the stock register of the Corporation. Such mailing shall be at least 40 days and not more than 70 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(b) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series O Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series O Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series O Preferred

Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, if applicable, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where the certificates for those shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date. Notwithstanding the foregoing, if the Series O Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC.

**(c) Partial Redemption.** In case of any redemption of only part of the shares of Series O Preferred Stock at the time outstanding, the shares of Series O Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series O Preferred Stock in proportion to the number of Series O Preferred Stock held by such holders or in such other manner as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine to be fair and equitable. Subject to the provisions of this Section 6, the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series O Preferred Stock shall be redeemed from time to time.

**(d) Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been irrevocably set aside by the Corporation, separate and apart from its other assets, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors (the “*Depository Company*”) in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding, all dividends with respect to such shares shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from the Depository Company at any time after the redemption date from the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depository Company any interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of two years from the redemption date shall, to the extent permitted by law, be released or repaid to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

## **Section 7. Voting Rights.**

**(a) General.** The holders of Series O Preferred Stock shall not be entitled to vote on any matter except as set forth in paragraph 7(b) below or as required by applicable law.

**(b) Right To Elect Two Directors Upon Nonpayment Events.** Whenever dividends payable on any shares of Series O Preferred Stock or any class or series of Voting Parity Stock have not been declared and paid in an aggregate amount equal to, as to any class or series, at least six quarterly Dividend Periods or their equivalent, whether or not for consecutive Dividend Periods (a “*Nonpayment Event*”), the holders of the outstanding Series O Preferred Stock, voting together as a class with holders of Voting Parity Stock whose voting rights are exercisable, will be entitled to vote for the election of two additional directors of the Corporation’s Board of Directors at the Corporation’s next annual meeting of stockholders and at each subsequent annual meeting of stockholders (the “*Preferred Stock Directors*”) by a plurality of the votes cast; *provided* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Parity Stock are entitled to elect pursuant to like voting rights). Upon the vesting of such right of such holders, the maximum authorized number of members of the Board of Directors shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of the outstanding Series O Preferred Stock (together with the holders of shares of any one or more other series of Voting Parity Stock). At elections for such directors, each holder of the Series O Preferred Stock shall be entitled to 25 votes for each share held (the holders of shares of any other series of Voting Parity Stock being entitled to such number of votes, if any, for each share of such stock as may be granted to them). The right of the holders of the Series O Preferred Stock (voting together as a class with the holders of shares of any one or more other series of Voting Parity Stock) to elect Preferred Stock Directors shall continue until such time as the Corporation has paid in full dividends for the equivalent of at least four quarterly Dividend Periods or their equivalent, at which time such right with respect to the Series O Preferred Stock shall terminate, except as provided by law, and subject to re-vesting in the event of each and every subsequent default of the character described in this Section 7(b).

Upon any termination of the right of the holders of all shares of Series O Preferred Stock and Voting Parity Stock to vote for Preferred Stock Directors, the term of office of all Preferred Stock Directors then in office elected by only those holders voting as a class shall terminate immediately. Any Preferred Stock Director may be removed at any time without cause by the holders of a majority of the outstanding shares of Series O Preferred Stock and Voting Parity Stock, when they have the voting rights described above (voting together as a class). In case any vacancy shall occur among the Preferred Stock Directors, a successor may be elected by a plurality of the votes cast by the holders of Series O Preferred Stock and Voting Parity Stock having the voting rights described above, voting together as a class, unless the vacancy has already been filled. The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Whenever the

term of office of the directors elected by such holders voting as a class shall end and the special voting powers vested in such holders as provided in this Section 7(b) shall have expired, the number of directors shall be such number as may be provided for in the By-Laws irrespective of any increase made pursuant to this Section 7(b).

**(c) Other Voting Rights.** In addition to any other vote required by law or the Restated Certificate of Incorporation, so long as any shares of the Series O Preferred Stock remain outstanding, the vote or consent of the holders of the outstanding shares of Series O Preferred Stock and outstanding shares of all other series of Voting Parity Stock entitled to vote on the matter, by a vote of at least 66 2/3% in voting power of all such outstanding Series O Preferred Stock and such Voting Parity Stock, voting together as a class, given in person or by proxy, either in writing without a meeting or at any meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following actions, whether or not such approval is required by Delaware law: (i) the issuance of any class or series of Preferred Stock or Preference Stock ranking senior to the Series O Preferred Stock in the payment of dividends or the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; (ii) any amendment, alteration or repeal of any provision of the Restated Certificate of Incorporation, including the Certificate of Designation, or the Bylaws that would adversely affect the rights, preferences, privileges or voting powers of the Series O Preferred Stock; (iii) any amendment or alteration of the Restated Certificate of Incorporation, including the Certificate of Designation, or Bylaws to authorize, create, or increase the authorized amount of, any shares of, or any securities convertible into shares of, any class or series of the Corporation's capital stock ranking senior to the Series O Preferred Stock with respect to either the payment of dividends or in the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; or (iv) any consummation of a reclassification involving the Series O Preferred Stock or a merger or consolidation with another corporation or other entity, except holders of the Series O Preferred Stock will have no right to vote under this section 7(c)(iv) if in each case (a) the shares of Series O Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (b) such shares of Series O Preferred Stock remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Series O Preferred Stock, taken as a whole; *provided, however*, that any authorization, creation or increase in the authorized amount of or issuance of the Series O Preferred Stock or any Parity Stock or Junior Stock or any securities convertible into any class or series of Parity Stock (whether dividends payable in respect of such Parity Stock are cumulative or non-cumulative) or Junior Stock will be deemed not to adversely affect the rights, preferences, privileges or voting powers of the Series O Preferred Stock, and holders of the Series O Preferred Stock shall have no right to vote thereon.

If any amendment, alteration, repeal, reclassification, merger or consolidation specified in this Section 7(c) would adversely affect one or more but not all series of voting Preferred Stock (including the Series O Preferred Stock), then only those series affected by and entitled to vote on the matter shall vote on the matter together as a class (in lieu of all other series of Preferred Stock).

Each holder of the Series O Preferred Stock will have 25 votes per share on any matter on which holders of the Series O Preferred Stock are entitled to vote, whether separately or together with any other series of stock of the Corporation (the holders of any shares of any other series of stock being entitled to such number of votes, if any, for each share of stock as may be granted to them), pursuant to Delaware law or otherwise, including by written consent.

**(d) Changes after Provision for Redemption.** No vote or consent of the holders of Series O Preferred Stock shall be required pursuant to Section 7(b) or (c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding Series O Preferred Stock shall have been redeemed, or notice of redemption has been given and sufficient funds shall have been irrevocably deposited in trust to effect such redemption.

**(e) Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series O Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Restated Certificate of Incorporation, the Bylaws, applicable law and any national securities exchange or other trading facility in which the Series O Preferred Stock is listed or traded at the time.

**Section 8. Preemption and Conversion.** The holders of Series O Preferred Stock shall not have any rights of preemption or rights to convert such Series O Preferred Stock into shares of any other class of capital stock of the Corporation.

**Section 9. Reacquired Shares.** Shares of Series O Preferred Stock which have been issued and redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of Preferred Stock without designation as to series.

**Section 10. No Sinking Fund.** Shares of Series O Preferred Stock are not subject to the operation of a sinking fund.

**Section 11. Additional Classes or Series of Stock.** Notwithstanding anything set forth in the Restated Certificate of Incorporation or this Certificate of Designation to the contrary, the Board of Directors of the Corporation, or any authorized committee

of the Board of Directors of the Corporation, (i) without the vote of the holders of the Series O Preferred Stock, may authorize and issue additional shares of Junior Stock and Parity Stock and (ii) with the requisite vote of the holders of the Series O Preferred Stock and Parity Stock entitled to vote thereon, may authorize and issue any additional class or series of Preferred Stock or Preference Stock senior to the Series O Preferred Stock as to the payment of dividends and/or the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

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**In Witness Whereof, Wells Fargo & Company** has caused this Certificate of Designation to be signed by Barbara S. Brett, its Senior Vice President and Assistant Treasurer, and Jeannine E. Zahn, its Assistant Secretary, this 19<sup>th</sup> day of November, 2012.

**Wells Fargo & Company**

**By:** /s/ Barbara S. Brett  
**Barbara S. Brett, Senior Vice President  
and Assistant Treasurer**

/s/ Jeannine E. Zahn  
Jeannine E. Zahn, Assistant Secretary

[As filed with the Delaware Secretary of State on November 19, 2012.]

WELLS FARGO & COMPANY

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CERTIFICATE OF DESIGNATION  
Pursuant to Section 151 of the  
General Corporation Law of the State of Delaware

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2013 ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK  
(Without Par Value)

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WELLS FARGO & COMPANY, a corporation organized and existing under the laws of the State of Delaware (the “Company”), HEREBY CERTIFIES that, pursuant to authority conferred upon the Board of Directors of the Company (the “Board”) by the provisions of the Restated Certificate of Incorporation of the Company, as amended, which authorize the issuance of not more than 20,000,000 shares of Preferred Stock, without par value (the “Preferred Stock”), and pursuant to authority conferred upon the ESOP Preferred Stock Committee I of the Board (the “ESOP Committee”) in accordance with Section 141(c) of the General Corporation Law of the State of Delaware (the “General Corporation Law”) and by the resolutions of the Board set forth herein, the following resolutions were duly adopted by the Board at meetings of the Board duly held on January 25, 2000, January 27, 2009, and February 24, 2009, and by the ESOP Committee pursuant to the written consent of the ESOP Committee duly adopted on January 7, 2013, in accordance with Section 141(f) of the General Corporation Law:

1. On January 25, 2000, the Board adopted the following resolution (the “ESOP Board Resolutions”) appointing the ESOP Committee and delegating to the ESOP Committee the full powers of the Board, subject to the ESOP Board Resolutions, in all matters relating to issuance of one or more series of Preferred Stock (“ESOP Preferred Stock”) to the trustee on behalf of the Company’s 401(k) Plan hereinafter referred to:

RESOLVED that a committee of one member of the Board of the Company is hereby appointed by the Board as the ESOP Preferred Stock Committee I (the “First Committee”), which shall have and may exercise the full powers of the Board, subject to these resolutions, to issue from time to time one or more series of ESOP Preferred Stock, including any shares of Company common stock (\$1 2/3 par value) issuable upon conversion of ESOP Preferred Stock, and in connection therewith, to fix the designations, voting powers, preferences, and all other rights, qualifications and restrictions of such ESOP Preferred Stock, to sell such ESOP Preferred Stock to the Plan on such terms and conditions and for such purchase price as the First Committee in its discretion shall approve, and to take any and all actions as the First Committee shall deem necessary or appropriate.

2. On January 27, 2009, the Board adopted the following resolutions (the “January 2009 Resolutions”) amending the ESOP Board Resolutions to allow the ESOP Committee to establish the voting rights of any series of ESOP Preferred Stock:

RESOLVED that the resolution set forth in the [ESOP Board Resolutions] under the caption “Voting Rights of ESOP Preferred Stock” is hereby deleted in its entirety.

RESOLVED that the [ESOP Board Resolutions] are hereby further amended to delete “Appendix A – Voting Rights” in its entirety.

3. Pursuant to resolutions adopted on February 24, 2009, the Board designated John G. Stumpf as the sole member of the ESOP Committee, effective April 29, 2009.

4. On January 7, 2013, pursuant to authority conferred upon it by the Board in the ESOP Board Resolutions as amended by the January 2009 Resolutions, the ESOP Committee adopted the following resolution by written consent in accordance with Section 141(f) of the General Corporation Law:

RESOLVED that the issuance of a series of Preferred Stock, without par value, of the Company is hereby authorized and the designation, voting powers, preferences, and relative, participating, optional, and other special rights, and qualifications, limitations and restrictions thereof, in addition to those set forth in the Restated Certificate of Incorporation of the Company, as amended, are hereby fixed as follows:

#### 2013 ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK

##### 1. Designation and Number of Shares; Restricted Issue.

(a) The designation of the series of Preferred Stock, without par value, provided for herein shall be “2013 ESOP Cumulative Convertible Preferred Stock” (hereinafter referred to as the “2013 ESOP Preferred Stock”) and the number of authorized shares constituting the 2013 ESOP Preferred Stock is 1,200,000, based on an offering price for the 2013 ESOP Preferred Stock of \$1,090.00 per share. Each share of 2013 ESOP Preferred Stock shall have a stated value of \$1,000.00 per share. The number of authorized shares of 2013 ESOP Preferred Stock may be reduced by further resolution duly adopted by the Board or the Securities Committee and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such reduction has been so authorized, provided, however, that the authorized number of shares of 2013 ESOP Preferred Stock shall not be decreased below the then outstanding number of such shares, and provided further that the number of authorized shares of 2013 ESOP Preferred Stock shall not be increased. All shares of the 2013 ESOP Preferred Stock purchased, redeemed, or converted by the Company shall be retired and canceled and shall be restored to the status of authorized

but unissued shares of Preferred Stock, without designation as to series, and may thereafter be issued, but not as shares of 2013 ESOP Preferred Stock.

(b) Shares of 2013 ESOP Preferred Stock shall be issued only to a trustee (the "Trustee") acting on behalf of the Wells Fargo & Company 401(k) Plan, or any successor to such plan (the "Plan"). All references to the holder of shares of 2013 ESOP Preferred Stock shall mean the Trustee or any company with which or into which the Trustee may merge or any successor trustee under the trust agreement with respect to the Plan. In the event of any transfer of record ownership of shares of 2013 ESOP Preferred Stock to any person other than any successor trustee under the Plan, the shares of 2013 ESOP Preferred Stock so transferred, upon such transfer and without any further action by the Company or the holder thereof, shall be automatically converted into shares of the common stock, par value \$1-2/3 per share, of the Company (the "Common Stock") on the terms otherwise provided for the conversion of the shares of 2013 ESOP Preferred Stock into shares of Common Stock pursuant to paragraph (a) of Section 4 hereof, and no such transferee shall have any of the voting powers, preferences, and relative, participating, optional or special rights ascribed to shares of 2013 ESOP Preferred Stock hereunder but, rather, only the powers and rights pertaining to the Common Stock into which such shares of 2013 ESOP Preferred Stock shall be so converted. In the event of such a conversion, the transferee of the shares of 2013 ESOP Preferred Stock shall be treated for all purposes as the record holder of the shares of Common Stock into which such shares of 2013 ESOP Preferred Stock have been automatically converted as of the date of such transfer. Shares of 2013 ESOP Preferred Stock may be certificated or uncertificated, at the Company's option. Certificates representing shares of 2013 ESOP Preferred Stock shall bear a legend to reflect the foregoing provisions. In the case of uncertificated 2013 ESOP Preferred Stock, the transfer agent for the 2013 ESOP Preferred Stock shall note the foregoing provisions on each 2013 ESOP Preferred Stock book entry account. The Company may require that, as a condition to transferring record ownership of any uncertificated 2013 ESOP Preferred Stock, the proposed transferee acknowledge in writing that the shares of 2013 ESOP Preferred Stock are subject to the foregoing provisions. Notwithstanding the foregoing provisions of this paragraph (b) of Section 1, shares of 2013 ESOP Preferred Stock (i)(A) shall be converted into shares of Common Stock as provided in paragraph (a) of Section 4 hereof, and (B) may be converted into shares of Common Stock as provided by paragraph (b) of Section 4 hereof and the shares of Common Stock issued upon such conversion may be transferred by the holder thereof as permitted by law and (ii) shall be redeemable by the Company upon the terms and conditions provided in Sections 5 and 6(c) hereof.

2. Voting Rights. No shares of 2013 ESOP Preferred Stock shall have voting rights except such voting rights as may from time to time be required by law and as set forth in this Section 2, as follows:

(a) Whenever, at any time or times, dividends payable on shares of 2013 ESOP Preferred Stock shall be in arrears for such number of dividend periods which shall

in the aggregate contain not less than 540 days, the holders of the outstanding shares of 2013 ESOP Preferred Stock shall have the exclusive right, voting together as a class with holders of shares of any one or more series of Voting Parity Stock, as defined in paragraph (e) of this Section 2, whose voting rights are exercisable, to elect two directors of the Company's Board at the Company's next annual meeting of stockholders and at each subsequent annual meeting of stockholders (the "Preferred Stock Directors") by a plurality of the votes cast; provided that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Parity Stock are entitled to elect pursuant to like voting rights). At elections for such directors, each holder of the shares of 2013 ESOP Preferred Stock shall be entitled to one vote for each share held (the holders of shares of any series of Voting Parity Stock being entitled to such number of votes, if any, for each share of Preferred Stock held as may be granted to them). Upon the vesting of such right of such holders, the maximum authorized number of members of the Board shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of such outstanding shares of 2013 ESOP Preferred Stock (together with the holders of shares of any one or more series of Voting Parity Stock whose voting rights are exercisable) as herein set forth. The right of such holders of such shares of 2013 ESOP Preferred Stock (voting together as a class with the holders of shares of any one or more series of Voting Parity Stock whose voting rights are exercisable) to elect Preferred Stock Directors as aforesaid shall continue until such time as all dividends accumulated on such shares of 2013 ESOP Preferred Stock shall have been paid in full, at which time such right with respect to such shares of 2013 ESOP Preferred Stock shall terminate, except as herein or by law expressly provided, subject to re-vesting in the event of each and every subsequent default of the character above mentioned.

(b) Upon any termination of the right of the holders of all shares of 2013 ESOP Preferred Stock and Voting Parity Stock entitled to vote for Preferred Stock Directors, the term of office of all Preferred Stock Directors then in office elected by such holders voting as a class shall terminate immediately. Any Preferred Stock Director may be removed at any time without cause by the holders of a majority of the outstanding shares of 2013 ESOP Preferred Stock and Voting Parity Stock, when they have the voting rights described above (voting together as a class). In case any vacancy shall occur among the Preferred Stock Directors, a successor may be elected by a plurality of the votes cast by the holders of 2013 ESOP Preferred Stock and Voting Parity Stock having the voting rights described above, voting together as a class, unless the vacancy has already been filled. The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Whenever the term of office of the directors elected by such holders voting as a class shall end and the special voting powers vested in such holders as provided in this resolution shall have expired, the number of directors shall be such number as may be provided for in the By-Laws of the Company irrespective of any increase made pursuant to the provisions of this Section 2(b).

(c) In addition to any other vote required by law or the Restated Certificate of Incorporation, so long as any shares of 2013 ESOP Preferred Stock remain outstanding, the vote or consent of the holders of the outstanding shares of 2013 ESOP Preferred Stock and outstanding shares of all series of Voting Parity Stock entitled to vote on the matter, by a vote of at least two-thirds in voting power of all such outstanding shares of 2013 ESOP Preferred Stock and such series of Voting Parity Stock voting together as a class, given in person or by proxy, either in writing or at any special or annual meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following whether or not such approval is required by Delaware law:

(i) the authorization, creation or issuance, or any increase in the authorized or issued amount, of any class or series of stock ranking prior to shares of 2013 ESOP Preferred Stock with respect to payment of dividends or the distribution of assets on the Company's voluntary or involuntary liquidation, dissolution or winding up, or

(ii) the amendment, alteration or repeal, whether by merger, consolidation or otherwise, of any of the provisions of the Restated Certificate of Incorporation or of the resolutions set forth in a Certificate of Designation designating shares of 2013 ESOP Preferred Stock and the preferences, powers and relative, participating, optional and other special rights and qualifications, limitations and restrictions thereof which would materially and adversely affect any right, preference, privilege or voting power of the shares of 2013 ESOP Preferred Stock or of the holders thereof; provided, however, that any increase in the amount of authorized Preferred Stock, or the creation and issuance of other series of Preferred Stock, or any increase in the amount of authorized shares of any series of Preferred Stock, in each case ranking on a parity with or junior to the shares of 2013 ESOP Preferred Stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

(d) The foregoing voting provisions shall not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of 2013 ESOP Preferred Stock shall have been redeemed or sufficient funds shall have been irrevocably deposited in trust to effect such redemption.

(e) As used in this Section 2, "Voting Parity Stock" means any other class or series of stock of the Company now existing or hereafter authorized that ranks on par with the 2013 ESOP Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) or in the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company and having similar voting rights as the 2013 ESOP Preferred Stock.

3. **Dividends.** (a)(i) Holders of shares of 2013 ESOP Preferred Stock will be entitled to receive, when and as declared by the Board or a duly authorized committee thereof, out of assets of the Company legally available for payment, an annual cash dividend of \$85.00 (the “Base Dividend”) per share, which Base Dividend shall be subject to adjustment from time to time as provided in this Section 3.

(ii) The Base Dividend shall be adjusted, effective on December 1, 2014 and on each December 1 thereafter until December 1, 2021, as follows:

(1) If the Current Market Price (as hereinafter defined) of one share of Common Stock on November 30 (or the next preceding Trading Day (as hereinafter defined) if November 30 is not a Trading Day) of any year listed in the Dividend Adjustment Table below is equal to or greater than the First Target Price but less than the Second Target Price shown opposite that year in such table, then holders of shares of the 2013 ESOP Preferred Stock will be entitled to receive a cash dividend for the immediately following twelve month period equal to \$90.00 per share (the “First Adjusted Dividend”).

(2) If the Current Market Price of one share of Common Stock on November 30 (or the next preceding Trading Day if November 30 is not a Trading Day) of any year listed in the Dividend Adjustment Table below is equal to or greater than the Second Target Price shown opposite that year in such table, then holders of shares of 2013 ESOP Preferred Stock will be entitled to receive a cash dividend for the immediately following twelve month period equal to \$95.00 per share (the “Second Adjusted Dividend”).

(3) If the Current Market Price of one share of Common Stock on November 30 (or next preceding Trading Day if November 30 is not a Trading Day) of any year listed in the Dividend Adjustment Table below is less than the First Target Price shown opposite that year in such table, then the holders of shares of 2013 ESOP Preferred Stock will be entitled to receive a cash dividend for the immediately following twelve month period equal to the Base Dividend.

**Dividend Adjustment Table**

<b><u>Closing Price on 11/30</u></b>	<b><u>First Target Price</u></b>	<b><u>Second Target Price</u></b>
2014	\$36.562	\$39.174
2015	\$39.761	\$44.316
2016	\$43.240	\$50.132
2017	\$47.023	\$56.712
2018	\$51.138	\$64.156
2019	\$55.612	\$72.576
2020	\$60.479	\$82.102
2021	\$65.770	\$92.878

(4) As an example of the adjustments described in subparagraphs (1) through (3) above, if on November 30, 2014, the Current Market Price of one share of Common Stock is \$37.00, then the cash dividend payable for the immediately following twelve month period per share of 2013 ESOP Preferred Stock would equal \$90.00, with the first quarterly payment of such \$90.00 dividend to be made on March 1, 2015. If on November 30, 2015, the Current Market Price of one share of Common Stock is \$45.00, then the cash dividend payable for the immediately following twelve month period per share of 2013 ESOP Preferred Stock would equal \$95.00, with the first quarterly payment of such \$95.00 dividend to be made on March 1, 2016. If on November 30, 2016, the Current Market Price of one share of Common Stock is \$40.00, then the cash dividend payable for the immediately following twelve month period per share of 2013 ESOP Preferred Stock would equal \$85.00, with the first quarterly payment of such \$85.00 dividend to be made on March 1, 2017.

(5) For purposes of this Section 3, the terms “First Adjusted Dividend” and “Second Adjusted Dividend” are sometimes referred to as an “Adjusted Dividend;” the term “Current Market Price” shall have the meaning given to it in Section 4(c)(iv); and the term “Trading Day” shall have the meaning given to it in Section 4(c)(vi).

(iii) If one share of Common Stock in any year listed in the Dividend Adjustment Table shall be changed into a different number of shares or a different class of shares by reason of any reclassification, recapitalization, split-up, combination, exchange of shares or readjustment, or if a stock dividend thereon shall be declared with a record date within such period, then the First Target Price and the Second Target Price listed in such table for that year and each subsequent year will be appropriately and proportionately adjusted.

(iv) Dividends payable on shares of the 2013 ESOP Preferred Stock (whether such dividends are equal to the Base Dividend or to an Adjusted Dividend) shall be payable quarterly on March 1, June 1, September 1, and December 1 of each year, commencing March 1, 2013. Dividends on shares of the 2013 ESOP Preferred Stock will be cumulative from the date of initial issuance of such shares of 2013 ESOP Preferred Stock. Dividends will be payable, in arrears, to holders of record as they appear on the stock books of the Company on such record dates, not more than 30 days nor less than 15 days preceding the payment dates thereof, as shall be fixed by the Board or a duly authorized committee thereof. The amount of dividends payable per share for each dividend period shall be computed by dividing by four the Base Dividend or the Adjusted Dividend, whichever is then applicable. The amount of dividends payable for the initial dividend period or any period shorter than a full dividend period shall be calculated on the basis of actual days elapsed in a 360-day year of twelve 30-day months.

(b)(i) No full dividends shall be declared or paid or set apart for payment on any stock of the Company ranking, as to dividends, on a parity with or junior to the 2013 ESOP Preferred Stock for any period unless full cumulative dividends have been or



contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been set apart for such payment on shares of 2013 ESOP Preferred Stock for all dividend payment periods terminating on or prior to the date of payment of such full cumulative dividends. When dividends are not paid in full, as aforesaid, upon the shares of 2013 ESOP Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends with 2013 ESOP Preferred Stock, all dividends declared upon shares of 2013 ESOP Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends with 2013 ESOP Preferred Stock shall be declared pro rata so that the amount of dividends declared per share on 2013 ESOP Preferred Stock and such other series of Preferred Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the shares of 2013 ESOP Preferred Stock and such other series of Preferred Stock bear to each other. Holders of shares of 2013 ESOP Preferred Stock shall not be entitled to any dividend, whether payable in cash, property, or stock, in excess of full cumulative dividends, as herein provided, on 2013 ESOP Preferred Stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on 2013 ESOP Preferred Stock which may be in arrears.

(ii) So long as any shares of 2013 ESOP Preferred Stock are outstanding, no dividend (other than dividends or distributions paid in shares of, or options, warrants, or rights to subscribe for or purchase shares of, Common Stock or any other stock ranking junior to 2013 ESOP Preferred Stock as to dividends or upon liquidation and other than as provided in paragraph (b)(i) of this Section 3) shall be declared or paid or set aside for payment or other distribution declared or made upon Common Stock or any other capital stock of the Company ranking junior to or on a parity with 2013 ESOP Preferred Stock as to dividends or upon liquidation, nor shall any Common Stock or any other capital stock of the Company ranking junior to or on a parity with 2013 ESOP Preferred Stock as to dividends or upon liquidation, dissolution or winding up be redeemed, purchased, or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Company (except by conversion into or exchange for stock of the Company ranking junior to 2013 ESOP Preferred Stock as to dividends or upon liquidation, dissolution or winding up), unless, in each case, the full cumulative dividends on all outstanding shares of 2013 ESOP Preferred Stock shall have been paid or declared and set aside for payment of the then current dividend payment period and all past dividend payment periods.

4. Conversion. Shares of 2013 ESOP Preferred Stock are convertible from time to time hereafter pursuant to the provisions of paragraphs (a) or (b) of this Section 4 into that number of shares of Common Stock determined by dividing the stated value of each share of 2013 ESOP Preferred Stock by the then applicable Conversion Price, (as determined in accordance with the provisions of paragraph (c)(iii) of this Section 4), as follows:

(a) Each share of 2013 ESOP Preferred Stock released from the unallocated reserve of the Plan in accordance with the terms thereof shall be automatically converted, without any further action by the Company or the holder thereof, as of the date such release occurs (the “Release Date”), into fully paid and nonassessable shares of Common Stock at the then applicable Conversion Price for the 2013 ESOP Preferred Stock provided for in paragraph (c) of this Section 4.

(b) Subject to and upon compliance with the provisions of this Section 4, a holder of 2013 ESOP Preferred Stock shall be entitled at any time, prior to the close of business on the date fixed for redemption of such shares pursuant to Sections 5 or 6 hereof, to cause any or all of the shares of 2013 ESOP Preferred Stock held by such holder to be converted into fully paid and nonassessable shares of Common Stock at the then applicable Conversion Price for 2013 ESOP Preferred Stock provided for in paragraph (c) of this Section 4.

(c) For purposes of these resolutions, the following terms shall have the meanings set forth below:

(i) The “Average Current Market Price” per share of Common Stock on any date shall be deemed to be the average of the Current Market Price for one share of Common Stock for the twenty (20) consecutive Trading Days ending on the Trading Day occurring prior to the date the “Purchase Offer” is made (as that term is defined in Section 6(d) hereof).

(ii) A “Business Day” means each day that is not a Saturday, Sunday, or a day on which state or federally chartered banking institutions in the State of New York are not required to be open.

(iii) (A) For purposes of a mandatory conversion of shares of 2013 ESOP Preferred Stock into shares of Common Stock pursuant to the provisions of paragraph (a) of this Section 4, the “Conversion Price” for such shares of 2013 ESOP Preferred Stock shall be the Current Market Price of one share of Common Stock on the relevant Release Date.

(B) For purposes of an optional conversion of shares of 2013 ESOP Preferred Stock into shares of Common Stock pursuant to the provisions of paragraph (b) of this Section 4, the “Conversion Price” for such shares of 2013 ESOP Preferred Stock shall be the Current Market Price of one share of Common Stock on the date the Conversion Notice (as that term is defined in paragraph (d) of this Section 4) is received by the Company, by the transfer agent for the 2013 ESOP Preferred Stock or by any agent for conversion of the 2013 ESOP Preferred Stock designated as such pursuant to paragraph (d) of this Section 4.

(C) For purposes of a conversion of shares of 2013 ESOP Preferred Stock into shares of Common Stock in connection with a “Purchase Offer” (as

defined in Section 6(d) hereof), the “Conversion Price” for such shares of 2013 ESOP Preferred Stock shall be the Average Current Market Price of one share of Common Stock.

Each share of 2013 ESOP Preferred Stock shall be valued at its stated value of \$1,000.00 for purposes of computing, based on the applicable Conversion Price, the number of shares of Common Stock into which the shares of 2013 ESOP Preferred Stock will be converted.

(iv) The “Current Market Price” of publicly traded shares of Common Stock or any other class of capital stock or other security of the Company or any other issuer for any day shall mean the reported last sale price, regular way, or, in case no sale takes place on such day, the average of the reported closing bid and asked prices, regular way, in either case as reported on the New York Stock Exchange only or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which the Common Stock is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the National Market System of the National Association of Securities Dealers, Inc. Automated Quotations System (“NASDAQ”) or, if the Common Stock is not quoted on such National Market System, the average of the closing bid and asked prices on such day in the over-the-counter market as reported by NASDAQ or, if bid and asked prices for the Common Stock on each such day shall not have been reported through NASDAQ, the average of the bid and asked prices for such day as furnished by any New York Stock Exchange member firm regularly making a market in the Common Stock selected for such purpose by the Board or a committee thereof or, if no such quotations are available, the fair market value of the Common Stock as determined by a New York Stock Exchange member firm regularly making a market in the Common Stock selected for such purpose by the Board or a committee thereof.

(v) “Common Stock” shall mean the Common Stock of the Company as the same exists at the date of this Certificate of Designation or as such stock may be constituted from time to time.

(vi) “Trading Day” with respect to Common Stock means (x) if the Common Stock is listed or admitted for trading on the New York Stock Exchange or another national securities exchange, a day on which the New York Stock Exchange or such other national securities exchange is open for business or (y) if the Common Stock is quoted on the National Market System of NASDAQ, a day on which trades may be made on such National Market System or (z) otherwise, any Business Day.

(d) In connection with any conversion of 2013 ESOP Preferred Stock pursuant to this Section 4, a written notice of conversion (the “Conversion Notice”) shall be delivered to the Company at its principal executive office or the offices of the transfer agent for the 2013 ESOP Preferred Stock or such office or offices in the continental United States of an agent for conversion as may from time to time be designated by

notice to the holders of the 2013 ESOP Preferred Stock by the Company or the transfer agent for the 2013 ESOP Preferred Stock, which Conversion Notice shall be accompanied by (a) in the case of certificated 2013 ESOP Preferred Stock, the certificate or certificates representing the shares of 2013 ESOP Preferred Stock being converted pursuant to this Section 4, duly assigned or endorsed for transfer to the Company (or accompanied by duly executed stock powers relating thereto) and (b) in the case of uncertificated 2013 ESOP Preferred Stock, duly executed assignment and transfer documents for the shares of 2013 ESOP Preferred Stock being converted pursuant to this Section 4. Each Conversion Notice shall specify (i)(y) in the case of a mandatory conversion pursuant to paragraph (a) of this Section 4, the number of shares of 2013 ESOP Preferred Stock released from the unallocated reserve of the Plan on the Release Date or (z) in the case of an optional conversion pursuant to paragraph (b) of this Section 4, the number of shares of 2013 ESOP Preferred Stock being converted, and (ii) in connection with any conversion hereunder, (x) the name or names in which such holder wishes the certificate or certificates for Common Stock and, in the case of certificated 2013 ESOP Preferred Stock, for any shares of 2013 ESOP Preferred Stock not to be so converted to be issued, (y) the address to which such holder wishes delivery to be made of such new certificates to be issued upon such conversion, and (z) such other information as the Company or its agents may reasonably request.

(e) Upon delivery to the Company or the transfer agent for the 2013 ESOP Preferred Stock of the Conversion Notice and all other documentation and certificates required to effect the conversion, as provided in paragraph (d) of this Section 4, the Company shall issue and send by hand delivery, by courier or by first-class mail (postage prepaid) to the holder thereof or to such holder's designee, at the address designated by such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled upon conversion. If there shall have been surrendered a certificate or certificates representing shares of 2013 ESOP Preferred Stock only part of which are to be converted, the Company shall issue and deliver to such holder or such holder's designee, in the manner set forth in the preceding sentence, a new certificate or certificates representing the number of shares of 2013 ESOP Preferred Stock which shall not have been converted.

(f) The issuance by the Company of shares of Common Stock upon a conversion of shares of 2013 ESOP Preferred Stock into shares of Common Stock made pursuant to this Section 4 shall be effective (i) in the case of a mandatory conversion of shares of 2013 ESOP Preferred Stock pursuant to paragraph (a) of this Section 4, as of the Release Date; and (ii) in the case of an optional conversion of such shares pursuant to paragraph (b) of this Section 4, as of the earlier of (A) the delivery to such holder or such holder's designee of the certificates representing the shares of Common Stock issued upon conversion thereof or (B) the commencement of business on the second Business Day after the delivery to the Company or the transfer agent for the 2013 ESOP Preferred Stock of the Conversion Notice and all other documentation and certificates required to effect the conversion, as provided in paragraph (d) of this Section 4. On and after the effective date of a conversion, the person or persons entitled to receive the

Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock, but no allowance or adjustment shall be made in respect of dividends payable to holders of Common Stock in respect of any period prior to such effective date. The Company shall not be obligated to pay any dividends which shall have accrued or have been declared and shall be payable to holders of shares of 2013 ESOP Preferred Stock if the date on which such dividends are paid is on or after the effective date of conversion of such shares.

(g) The Company shall not be obligated to deliver to holders of 2013 ESOP Preferred Stock any fractional share or shares of Common Stock issuable upon any conversion of such shares of 2013 ESOP Preferred Stock, but in lieu thereof may make a cash payment in respect thereof in any manner permitted by law.

(h) The Company shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for issuance upon the conversion of shares of 2013 ESOP Preferred Stock as herein provided, free from any preemptive rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of 2013 ESOP Preferred Stock then outstanding.

(i) The Company will use its best efforts to cause the listing of the shares of Common Stock required to be delivered upon conversion of the 2013 ESOP Preferred Stock prior to distribution to Plan participants on the national securities exchange, if any, upon which the outstanding Common Stock is listed at the time of such delivery.

(j) The Company will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock on conversions of the 2013 ESOP Preferred Stock pursuant hereto; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock in a name other than that of the holder of the 2013 ESOP Preferred Stock to be converted and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that such tax has been paid.

5. Redemption At the Option of the Company. (a) The 2013 ESOP Preferred Stock shall be redeemable out of assets legally available therefor, in whole or in part, at the option of the Company at any time, at a redemption price per share of 2013 ESOP Preferred Stock equal to the higher of (x) \$1,000.00 per share, plus an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption, and (y) the Fair Market Value (as that term is defined in paragraph (d) of this Section 5) per share of 2013 ESOP Preferred Stock on the date fixed for redemption. Payment of the redemption price shall be made by the Company in cash or shares of Common Stock, or a combination thereof, as permitted by paragraph (c) of this Section 5. From and after the date fixed for redemption, dividends on shares of 2013 ESOP Preferred Stock called for redemption will cease to accrue and all rights in respect of such shares of the Company

shall cease, except the right to receive the redemption price. Upon payment of the redemption price, such shares shall be deemed to have been transferred to the Company, to be retired as provided in paragraph (a) of Section 1. If the full cumulative dividends have not been paid, or contemporaneously declared and set aside for payment, on all outstanding shares of 2013 ESOP Preferred Stock, the Company may not redeem fewer than all the outstanding shares of 2013 ESOP Preferred Stock pursuant to this Section 5.

(b) Unless otherwise required by law, notice of any redemption pursuant to this Section 5 will be sent to the holders of 2013 ESOP Preferred Stock at the address shown on the books of the Company or any transfer agent for the 2013 ESOP Preferred Stock by hand delivery, by courier, by standard form of telecommunication or by first-class mail (postage prepaid) delivered, sent or mailed, as the case may be, not less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Each such notice shall state: (i) the redemption date; (ii) the total number of shares of the 2013 ESOP Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) whether the redemption price shall be paid in cash or in shares of Common Stock, or in a combination of such Common Stock and cash; (v) in the case of certificated 2013 ESOP Preferred Stock the place or places where certificates for such shares are to be surrendered for payment of the redemption price; (vi) that dividends on the shares to be redeemed will cease to accrue on such redemption date; and (vii) the conversion rights of the shares to be redeemed, the period within which conversion rights may be exercised and the manner in which the number of shares of Common Stock issuable upon conversion of a share of 2013 ESOP Preferred Stock will be determined. The Company shall redeem shares so called for redemption and not previously converted at the date fixed for redemption and at the redemption price set forth in this Section 5, provided that, in the case of certificated 2013 ESOP Preferred Stock, the Company shall not be obligated to pay the redemption price until the certificates for the shares to be redeemed are surrendered (properly endorsed or assigned for transfer, if the Board of Directors of the Company shall so require and the notice shall so state).

(c) The Company, at its option, may make payment of the redemption price required upon redemption of shares of 2013 ESOP Preferred Stock in cash or in shares of Common Stock, or in a combination of such Common Stock and cash, any such shares of Common Stock to be valued for such purposes at their Fair Market Value (as defined in paragraph (d)(ii) of this Section 5) or their Current Market Price, in either case as of the date fixed for redemption of the 2013 ESOP Preferred Stock, whichever value will result in the issuance of the greater number of shares of Common Stock to the holder of the 2013 ESOP Preferred Stock then being redeemed.

(d) For purposes of these resolutions, the following terms shall have the meanings set forth below:

(i) "Adjustment Period" shall mean the period of five (5) consecutive Trading Days preceding the date as of which the Fair Market Value of a security is to be determined.

(ii) "Fair Market Value" shall mean, as to shares of Common Stock or any other class of capital stock or securities of the Company or any other issue which are publicly traded, the average of the Current Market Prices of such shares or securities for each day of the Adjustment Period. The "Fair Market Value" of any security which is not publicly traded (other than the 2013 ESOP Preferred Stock) or of any other property shall mean the fair value thereof on the date as of which the Fair Market Value of the security is to be determined, as determined by an independent investment banking or appraisal firm experienced in the valuation of such securities or property selected in good faith by the Board or a committee thereof. The "Fair Market Value" of the 2013 ESOP Preferred Stock for purposes of paragraph (a) of Section 5, and for purposes of paragraph (c) of Section 6 shall mean the fair market value thereof determined by an independent appraiser, appointed by the Trustee of the Plan in accordance with the provisions of the Plan, as of the date fixed for redemption of the 2013 ESOP Preferred Stock (in the case of a redemption pursuant to Section 5) or as of the date specified in paragraph (c) of Section 6 (in the case of a redemption under that section). For purposes of determining the Fair Market Value of the 2013 ESOP Preferred Stock, the independent appraiser shall assume (i) that all dividends on the 2013 ESOP Preferred Stock would have been paid when due, and (ii) that the mandatory conversion of shares of 2013 ESOP Preferred Stock held by the Plan into shares of Common Stock pursuant to Section 4(a) hereof would have occurred when and as payments of principal (together with accrued interest thereon) would have been made by the Trustee of the Plan in accordance with the terms of that certain 2013 ESOP Cumulative Convertible Preferred Stock Note Agreement dated on or about January 10, 2013 between the Company and the Plan (including any amendments or modifications thereto).

6. Consolidation, Merger, etc. (a) If the Company consummates any consolidation or merger or similar business combination, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged solely for or changed, reclassified or converted solely into stock of any successor or resulting corporation (including the Company) that constitutes "qualifying employer securities" with respect to a holder of 2013 ESOP Preferred Stock within the meaning of Section 409(1) of the Internal Revenue Code of 1986, as amended, and Section 407(d)(5) of the Employee Retirement Income Security Act of 1974, as amended, or any successor provisions of law, and, if applicable, for a cash payment in lieu of fractional shares, if any, the shares of 2013 ESOP Preferred Stock of such holder shall, in connection with such consolidation, merger or similar business combination, be assumed by and shall become Preferred Stock of such successor or resulting corporation, having in respect of such corporation, insofar as possible, the same powers, preferences and relative, participating, optional or other special rights (including the redemption rights provided by Sections 5 and 6 hereof), and the qualifications, limitations or restrictions thereon, that the 2013

ESOP Preferred Stock had immediately prior to such transaction, subject to the following:

(1) After such transaction each share of the 2013 ESOP Preferred Stock shall be convertible, otherwise on the terms and conditions provided by Section 4 hereof, into the number and kind of qualifying employer securities so receivable by a holder of the number of shares of Common Stock into which such shares of 2013 ESOP Preferred Stock could have been converted immediately prior to such transaction.

(2) The Company shall not consummate any such merger, consolidation or similar transaction unless all then outstanding shares of 2013 ESOP Preferred Stock shall be assumed and authorized by the successor or resulting corporation as aforesaid.

(b) If the Company consummates any consolidation or merger or similar business combination, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged for or changed, reclassified or converted into other stock or securities or cash or any other property, or any combination thereof, other than any such consideration which is constituted solely of qualifying employer securities (as referred to in paragraph (a) of this Section 6) and cash payments, if applicable, in lieu of fractional shares, outstanding shares of 2013 ESOP Preferred Stock shall, without any action on the part of the Company or any holder thereof (but subject to paragraph (c) of this Section 6), be automatically converted by virtue of such merger, consolidation or similar transaction immediately prior to such consummation into the number of shares of Common Stock into which such shares of 2013 ESOP Preferred Stock could have been converted at such time so that each share of 2013 ESOP Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in like kind) receivable by a holder of the number of shares of Common Stock into which such shares of 2013 ESOP Preferred Stock could have been converted immediately prior to such transaction. However, if by virtue of the structure of such transaction, a holder of Common Stock is required to make an election with respect to the nature and kind of consideration to be received in such transaction, which election cannot practicably be made by the holders of the 2013 ESOP Preferred Stock, then the shares of 2013 ESOP Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in kind) receivable by a holder of the number of shares of Common Stock into which such shares of 2013 ESOP Preferred Stock could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election as to the kind or amount of stock, securities, cash or other property receivable upon such transaction. If the kind or amount of stock, securities, cash or other property receivable upon such transaction is not the same for each non-electing share, then the kind and amount of stock, securities, cash or other property



receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of the non-electing shares.

(c) In the event the Company shall enter into any agreement providing for any consolidation or merger or similar business combination described in paragraph (b) of this Section 6 (a “Business Combination”), then the Company shall as soon as practicable thereafter (and in any event at least fifteen (15) Business Days before consummation of such transaction) give notice of such agreement and the material terms thereof to each holder of 2013 ESOP Preferred Stock and each such holder shall have the right to elect, by written notice to the Company, to receive, upon consummation of such transaction (if and when such transaction is consummated), from the Company or the successor of the Company, in redemption and retirement of such 2013 ESOP Preferred Stock, a cash payment per share of 2013 ESOP Preferred Stock equal to the higher of (x) \$1,000.00, plus accrued and unpaid dividends thereon to the date of consummation of such transaction or (y) the Fair Market Value per share of 2013 ESOP Preferred Stock, as of the last Business Day (as defined in paragraph (c) of Section 4 hereof) immediately preceding the date the Business Combination is consummated. No such notice of redemption shall be effective unless given to the Company prior to the close of business on the last Business Day prior to consummation of such transaction, unless the Company or the successor of the Company shall waive such prior notice, but any notice of redemption so given prior to such time may be withdrawn by notice of withdrawal given to the Company prior to the close of business on the last Business Day prior to consummation of such transaction.

(d) In the event that a Purchase Offer (as defined below) shall have been made and shall be continuing, each holder of 2013 ESOP Preferred Stock shall have the right to convert shares of 2013 ESOP Preferred Stock into shares of Common Stock at the Conversion Price specified in Section 4(c)(iii)(C) hereof until the date the Purchase Offer is terminated, including without limitation because the original Purchase Offer is withdrawn or because the Purchase Offer has expired and is not renewed, upon notice of such conversion given to the Company not later than the close of business on the date the Purchase Offer terminates (the “Purchase Offer Conversion Period”), unless the Company or any successor of the Company shall waive such prior notice, but any notice of conversion so given may be withdrawn by notice of withdrawal given to the Company prior to the end of the Purchase Offer Conversion Period.

For purposes of this paragraph (d), the following terms shall have the meanings set forth below:

(i) “Beneficial Ownership” shall have the meaning ascribed to it in Rule 13d-3 under the Securities Exchange Act of 1934 (the “Exchange Act”) and “person” shall have the meanings specified in Sections 3(a)(9) and 13(d)(3) of the Exchange Act.

(ii) A “Purchase Offer” shall have been made when any person (other than the Company or any affiliate of the Company) shall have “commenced” (as such term is defined in Rule 14d-2 under the Exchange Act) a tender offer or exchange offer to purchase shares of Common Stock, such that, upon consummation of such offer, such person would have Beneficial Ownership (as defined herein) or the right to acquire Beneficial Ownership, of twenty percent (20%) or more of the voting power of the Company.

7. Liquidation Rights. (a) Upon the dissolution, liquidation, or winding up of the Company, the holders of the shares of 2013 ESOP Preferred Stock shall be entitled to receive and to be paid out of the assets of the Company available for distribution to its stockholders, before any payment or distribution shall be made on or set aside for the Common Stock or any other class of stock ranking junior to 2013 ESOP Preferred Stock and subject to the rights of the holders of the shares of any series or class or classes of stock ranking on parity with or senior to the 2013 ESOP Preferred Stock, the amount of \$1,000.00 per share, plus a sum equal to all dividends (whether or not earned or declared) on such shares accrued and unpaid thereon to the date of final distribution.

(b) Neither the sale of all or substantially all the property and assets of the Company, nor the merger, consolidation or other business combination of the Company into or with any other corporation, nor the merger, consolidation or other business combination of any other corporation into or with the Company shall be deemed to be a dissolution, liquidation, or winding up, voluntary or involuntary, for the purposes of this Section 7.

(c) After the payment to the holders of the shares of 2013 ESOP Preferred Stock of the full preferential amounts provided for in this Section 7, the holders of 2013 ESOP Preferred Stock, as such, shall have no right or claim to any of the remaining assets of the Company.

(d) In the event the assets of the Company available for distribution to the holders of shares of 2013 ESOP Preferred Stock upon any dissolution, liquidation, or winding up of the Company, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such holders are entitled pursuant to paragraph (a) of this Section 7, no such distribution shall be made on account of any shares of any other series of Preferred Stock or other capital stock of the Company ranking on a parity with the shares of 2013 ESOP Preferred Stock upon such dissolution, liquidation, or winding up unless proportionate distributive amounts shall be paid on account of the shares of 2013 ESOP Preferred Stock, ratably, in proportion to the full distributable amounts for which holders of all such parity shares are respectively entitled upon such dissolution, liquidation, or winding up.

(e) Subject to the rights of the holders of the shares of any series or class or classes of stock ranking on parity with or prior to the shares of 2013 ESOP Preferred Stock upon liquidation, dissolution, or winding up, upon any liquidation, dissolution, or

winding up of the Company, after payment shall have been made in full to the holders of the shares of 2013 ESOP Preferred Stock as provided in this Section 7, but not prior thereto, any other series or class or classes of stock ranking junior to the shares of 2013 ESOP Preferred Stock upon liquidation shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the shares of 2013 ESOP Preferred Stock shall not be entitled to share therein.

8. Ranking. For the purposes of these resolutions, any stock of any series or class or classes of the Company shall be deemed to rank:

(a) prior to the shares of 2013 ESOP Preferred Stock, either as to dividends or upon liquidation, dissolution or winding up, if the holders of such series or class or classes shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation, or winding up of the Company, as the case may be, in preference or priority to the holders of shares of 2013 ESOP Preferred Stock;

(b) on a parity with shares of 2013 ESOP Preferred Stock, either as to dividends or upon liquidation, dissolution or winding up, whether or not the dividend rates, dividend payment dates, or redemption or liquidation prices per share, or sinking fund provisions, if any, be different from those of 2013 ESOP Preferred Stock, if the holders of such stock shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation, or winding up of the Company, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority, one over the other, as between the holders of such stock and the holders of shares of 2013 ESOP Preferred Stock; and

(c) junior to shares of 2013 ESOP Preferred Stock, either as to dividends or upon liquidation, dissolution or winding up, if such class shall be Common Stock or if the holders of shares of 2013 ESOP Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation, or winding up of the Company, as the case may be, in preference or priority to the holders of shares of such series or class or classes.

9. Priority of 2013 ESOP Preferred Stock. The shares of 2013 ESOP Preferred Stock will rank on a parity, both as to payment of dividends and the distribution of assets upon liquidation, with the Company's 2004 ESOP Cumulative Convertible Preferred Stock, its 2005 ESOP Cumulative Convertible Preferred Stock, its 2006 ESOP Cumulative Convertible Preferred Stock, its 2007 ESOP Cumulative Convertible Preferred Stock, its 2008 ESOP Cumulative Convertible Preferred Stock, its 2010 ESOP Cumulative Convertible Preferred Stock, its 2011 ESOP Cumulative Convertible Preferred Stock, and its 2012 ESOP Cumulative Convertible Preferred Stock.

IN WITNESS WHEREOF, the Company has caused this Certificate of Designation to be signed by John G. Stumpf, its Chairman, President and Chief Executive Officer, and attested by Jeannine E. Zahn, its Assistant Secretary, on this 9th day of January, 2013.

WELLS FARGO & COMPANY

By     /s/ John G. Stumpf      
John G. Stumpf  
Chairman, President and  
Chief Executive Officer

Attest:

    /s/ Jeannine E. Zahn      
Jeannine E. Zahn  
Assistant Secretary

[As filed with the Delaware Secretary of State on January 9, 2013.]

## WELLS FARGO & COMPANY

### CERTIFICATE OF DESIGNATION

Pursuant to Section 151(g) of the  
General Corporation Law  
of the State of Delaware

### NON-CUMULATIVE PERPETUAL CLASS A PREFERRED STOCK, SERIES P (Without Par Value)

WELLS FARGO & COMPANY, a corporation organized and existing under the laws of the State of Delaware (the “*Corporation*”), HEREBY CERTIFIES that, pursuant to authority conferred upon the Board of Directors of the Corporation (the “*Board of Directors*”) by the provisions of the Restated Certificate of Incorporation of the Corporation, as amended, which authorize the issuance of not more than 20,000,000 shares of Preferred Stock, without par value, and pursuant to authority conferred upon the Securities Committee of the Board of Directors (the “*Committee*”) in accordance with Section 141(c) of the General Corporation Law of the State of Delaware (the “*General Corporation Law*”), the following resolutions were duly adopted by the Committee pursuant to the unanimous written consent of the Committee duly adopted on March 19, 2013, in accordance with Section 141(f) of the General Corporation Law:

**Resolved**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated January 27, 2009, the provisions of the Restated Certificate of Incorporation, the By-laws of the Corporation, and applicable law, a series of Preferred Stock, no par value, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

### RIGHTS AND PREFERENCES

**Section 1. Designation.** The shares of such series of Preferred Stock shall be designated Non-Cumulative Perpetual Class A Preferred Stock, Series P, with no par value and a liquidation preference amount of \$25,000 per share (the “*Series P Preferred Stock*”). Each share of Series P Preferred Stock shall be identical in all respects to every other share of Series P Preferred Stock except with respect to the date from which dividends may accrue. Series P Preferred Stock will rank equally with Parity Stock with respect to the payment of dividends and distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation and will rank senior to Junior Stock with respect to the payment of

dividends and/or the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 2. Number of Shares.** The number of authorized shares of Series P Preferred Stock shall be 26,400. Such number may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock) or decreased (but not below the number of shares of Series P Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law stating that such increase or decrease, as the case may be, has been so authorized. The Corporation shall have the authority to issue fractional shares of Series P Preferred Stock.

**Section 3. Definitions.** As used herein with respect to Series P Preferred Stock:

*“Business Day”* means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in New York, New York.

*“Certificate of Designation”* means this Certificate of Designation relating to the Series P Preferred Stock, as it may be amended from time to time.

*“Common Stock”* means the common stock of the Corporation, par value \$1 $\frac{2}{3}$  per share, as the same exists at the date of this Certificate of Designation or as such stock may be constituted from time to time.

*“Depository Company”* has the meaning set forth in Section 6(d) hereof.

*“Dividend Payment Date”* has the meaning set forth in Section 4(a) hereof.

*“Dividend Period”* has the meaning set forth in Section 4(a) hereof.

*“DTC”* means The Depository Trust Company, together with its successors and assigns.

*“Junior Stock”* means the Common Stock and any other class or series of stock of the Corporation now existing or hereafter authorized over which the Series P Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

*“Liquidation Preference”* has the meaning set forth in Section 5(a) hereof.

*“Nonpayment Event”* shall have the meaning set forth in Section 7(b).

“*Parity Stock*” means any other class or series of stock of the Corporation now existing or hereafter authorized that ranks on par with the Series P Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) or in the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

“*Preference Stock*” means any and all series of preference stock, having no par value, of the Corporation.

“*Preferred Stock*” means any and all series of preferred stock, having no par value, of the Corporation, including the Series P Preferred Stock.

“*Preferred Stock Directors*” shall have the meaning set forth in Section 7(b).

“*Regulatory Capital Treatment Event*” means the Corporation’s reasonable determination that as a result of any (i) amendment to, clarification of, or change (including any announced prospective change) in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective on or after March 15, 2013; (ii) proposed change in those laws or regulations that is announced or becomes effective on or after March 15, 2013; or (iii) official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced on or after March 15, 2013, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation preference amount of all shares of Series P Preferred Stock then outstanding as Tier 1 capital (or its equivalent) for purposes of the capital adequacy guidelines or regulations of the appropriate federal banking agency, as then in effect and applicable, for as long as any share of Series P Preferred Stock is outstanding.

“*Series P Preferred Stock*” has the meaning set forth in Section 1 hereof.

“*Voting Parity Stock*” means any Parity Stock having similar voting rights as the Series P Preferred Stock.

#### **Section 4. Dividends.**

**(a) Rate.** Dividends on the Series P Preferred Stock will not be mandatory. Holders of Series P Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation, but only out of assets legally available therefor, non-cumulative cash dividends on the liquidation preference amount of \$25,000 per share of the Series P Preferred Stock, payable quarterly in arrears on the 15th day of March, June, September and December of each year (commencing on June 15, 2013); provided, however, if any such day is not a Business Day, then payment of any dividend

otherwise payable on that date will be made on the next succeeding day that is a Business Day, without any interest or other payment in respect of such delay (each such day on which dividends are payable a “*Dividend Payment Date*”). A “*Dividend Period*” means the period from, and including, a Dividend Payment Date to, but excluding, the next succeeding Dividend Payment Date, except for the initial Dividend Period, which will be the period from, and including, March 22, 2013 to, but excluding, June 15, 2013. Dividends on each share of Series P Preferred Stock will accrue at a rate *per annum* equal to 5.25%. The record date for payment of dividends on the Series P Preferred Stock shall be the last Business Day of the calendar month immediately preceding the month during which the Dividend Payment Date falls or such other date as determined by the Corporation’s Board of Directors. The amount of dividends payable shall be computed on the basis of a 360-day year of twelve 30-day months. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward.

**(b) Non-Cumulative Dividends.** Dividends on shares of Series P Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series P Preferred Stock on any Dividend Payment Date are not declared prior to such Dividend Payment Date, then such dividends shall not cumulate and shall cease to accrue and be payable, and the Corporation shall have no obligation to pay, and the holders of Series P Preferred Stock shall have no right to receive, dividends accrued for such Dividend Period on the Dividend Payment Date for such Dividend Period or at any time in the future or interest with respect to such dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series P Preferred Stock or any other series of authorized Preferred Stock, Preference Stock, or Common Stock of the Corporation.

**(c) Priority of Dividends.** So long as any shares of Series P Preferred Stock remain outstanding,

(1) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Common Stock, and no shares of Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Common Stock by the Corporation (other than (i) a dividend payable in Common Stock or (ii) the acquisition of shares of Common Stock in exchange for, or through application of proceeds of the sale of, shares of Common Stock);

(2) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Junior Stock other than Common Stock, and no shares of Junior Stock other than Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Junior Stock other than Common Stock by



the Corporation (other than (i) a dividend payable solely in shares of Junior Stock, (ii) any dividend in connection with the implementation of a stockholder rights plan, or the redemption or repurchase of any rights under any such plan, (iii) any dividend in the form of stock, warrants, options or other rights where the dividend stock or stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks equally with or junior to such stock, (iv) as a result of a reclassification of Junior Stock other than Common Stock for or into other Junior Stock, (v) the exchange or conversion of one share of Junior Stock other than Common Stock for or into another share of Junior Stock, (vi) through the use of proceeds of a substantially contemporaneous sale of other shares of Junior Stock, (vii) any purchase, redemption or other acquisition of Junior Stock other than Common Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after March 15, 2013, (viii) any purchase of fractional interests in shares of Junior Stock other than Common Stock pursuant to the conversion or exchange provisions of such Junior Stock other than Common Stock or the securities being converted or exchanged, (ix) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (x) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business); and

(3) no shares of Parity Stock will be repurchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series P Preferred Stock and such Parity Stock during a Dividend Period (other than (i) as a result of a reclassification of Parity Stock for or into other Parity Stock or Junior Stock, (ii) the exchange or conversion of one share of Parity Stock for or into another share of Parity Stock or Junior Stock, (iii) through the use of proceeds of a substantially contemporaneous sale of other shares of Parity Stock or Junior Stock, (iv) any purchase, redemption or other acquisition of Parity Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after March 15, 2013, (v) any purchase of fractional interests in shares of Parity Stock pursuant to the conversion or exchange provisions of such Parity Stock or the securities being converted or exchanged, (vi) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (vii) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business), unless, in each case, the full dividends for the then-current Dividend Period on all outstanding shares of the Series P Preferred Stock have been declared and paid or declared and a sum sufficient for the payment of those dividends has been set aside.

Subject to the succeeding sentence, for so long as any shares of Series P Preferred Stock remain outstanding, no dividends shall be declared, paid, or set aside for payment on any Parity Stock for any period unless full dividends on all outstanding shares of Series P Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. To the extent the Corporation declares dividends on the Series P Preferred Stock and on any Parity Stock but cannot make full payment of those declared dividends, the Corporation will allocate the dividend payments on a proportional basis among the holders of shares of Series P Preferred Stock and the holders of any Parity Stock then outstanding where the terms of such Parity Stock provide similar dividend rights.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the board of Directors of the Corporation may be declared and paid on the Common Stock and any other stock that is Parity Stock or Junior Stock, from time to time out of any assets legally available for such payment, and the shares of Series P Preferred Stock shall not be entitled to participate in any such dividends.

#### **Section 5. Liquidation Rights.**

**(a) Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series P Preferred Stock shall be entitled to receive in full out of assets available for distribution to its stockholders before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of the Common Stock or any other Junior Stock, and subject to the rights of the holders of Parity Stock or any stock of the Corporation ranking senior to the Series P Preferred Stock as to such distribution, a liquidating distribution in the amount of \$25,000 per share, plus an amount equal to any dividends which have been declared but not yet paid, without accumulation of any undeclared dividends, to the date of liquidation (the “*Liquidation Preference*”). The holders of Series P Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

**(b) Partial Payment.** If the assets of the Corporation are not sufficient to pay in full the Liquidation Preference to all holders of Series P Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series P Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preference of Series P Preferred Stock and all such Parity Stock.

**(c) Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series P Preferred Stock and all other amounts payable upon liquidation, dissolution or winding up of the Corporation have been paid in full to all holders of any Parity Stock, the holders of Common Stock and any other Junior Stock shall be entitled

to receive all remaining assets of the Corporation according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

## **Section 6. Redemption.**

**(a) Optional Redemption.** The Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may redeem, subject to the prior approval of the Federal Reserve Board, out of funds legally available therefor, in whole or in part, the shares of Series P Preferred Stock at the time outstanding, at any time on any Dividend Payment Date on or after June 15, 2018, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series P Preferred Stock shall be \$25,000 per share plus an amount equal to any dividends that have been declared but not paid up to the redemption date without accumulation of any undeclared dividends.

Notwithstanding the foregoing, within 90 days of the Corporation's good faith determination that a Regulatory Capital Treatment Event has occurred, the Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may, subject to the approval of the appropriate federal banking agency, redeem out of funds legally available therefor, in whole, but not in part, the shares of Series P Preferred Stock at the time outstanding, prior to June 15, 2018, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series P Preferred Stock shall be \$25,000 per share plus an amount equal to any dividends that have been declared but not paid, without accumulation of any undeclared dividends.

**(b) Notice of Redemption.** Notice of every redemption of shares of Series P Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the stock register of the Corporation. Such mailing shall be at least 40 days and not more than 70 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(b) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of

Series P Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series P Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series P Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, if applicable, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where the certificates for those shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date. Notwithstanding the foregoing, if the Series P Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC.

**(c) Partial Redemption.** In case of any redemption of only part of the shares of Series P Preferred Stock at the time outstanding, the shares of Series P Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series P Preferred Stock in proportion to the number of Series P Preferred Stock held by such holders or in such other manner as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine to be fair and equitable. Subject to the provisions of this Section 6, the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series P Preferred Stock shall be redeemed from time to time.

**(d) Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been irrevocably set aside by the Corporation, separate and apart from its other assets, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors (the “*Depository Company*”) in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding, all dividends with respect to such shares shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from the Depository Company at any time after the redemption date from the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depository Company any interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of two years from the redemption date shall, to the extent permitted by law, be released or repaid to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

## **Section 7. Voting Rights.**

**(a) General.** The holders of Series P Preferred Stock shall not be entitled to vote on any matter except as set forth in paragraph 7(b) below or as required by applicable law.

**(b) Right To Elect Two Directors Upon Nonpayment Events.** Whenever dividends payable on any shares of Series P Preferred Stock or any class or series of Voting Parity Stock have not been declared and paid in an aggregate amount equal to, as to any class or series, at least six quarterly Dividend Periods or their equivalent, whether or not for consecutive Dividend Periods (a “*Nonpayment Event*”), the holders of the outstanding Series P Preferred Stock, voting together as a class with holders of Voting Parity Stock whose voting rights are exercisable, will be entitled to vote for the election of two additional directors of the Corporation’s Board of Directors at the Corporation’s next annual meeting of stockholders and at each subsequent annual meeting of stockholders (the “*Preferred Stock Directors*”) by a plurality of the votes cast; *provided* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Parity Stock are entitled to elect pursuant to like voting rights). Upon the vesting of such right of such holders, the maximum authorized number of members of the Board of Directors shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of the outstanding Series P Preferred Stock (together with the holders of shares of any one or more other series of Voting Parity Stock). At elections for such directors, each holder of the Series P Preferred Stock shall be entitled to 25 votes for each share held (the holders of shares of any other series of Voting Parity Stock being entitled to such number of votes, if any, for each share of such stock as may be granted to them). The right of the holders of the Series P Preferred Stock (voting together as a class with the holders of shares of any one or more other series of Voting Parity Stock) to elect Preferred Stock Directors shall continue until such time as the Corporation has paid in full dividends for the equivalent of at least four quarterly Dividend Periods or their equivalent, at which time such right with respect to the Series P Preferred Stock shall terminate, except as provided by law, and subject to revesting in the event of each and every subsequent default of the character described in this Section 7(b).

Upon any termination of the right of the holders of all shares of Series P Preferred Stock and Voting Parity Stock to vote for Preferred Stock Directors, the term of office of all Preferred Stock Directors then in office elected by only those holders voting as a class shall terminate immediately. Any Preferred Stock Director may be removed at any time without cause by the holders of a majority of the outstanding shares of Series P Preferred Stock and Voting Parity Stock, when they have the voting rights described above (voting together as a class). In case any vacancy shall occur among the Preferred Stock Directors, a successor may be elected by a plurality of the votes cast by the holders of Series P Preferred Stock and Voting Parity Stock having the voting rights described above, voting together as a class, unless the vacancy has already been filled.

The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Whenever the term of office of the directors elected by such holders voting as a class shall end and the special voting powers vested in such holders as provided in this Section 7(b) shall have expired, the number of directors shall be such number as may be provided for in the By-Laws irrespective of any increase made pursuant to this Section 7(b).

**(c) Other Voting Rights.** In addition to any other vote required by law or the Restated Certificate of Incorporation, so long as any shares of the Series P Preferred Stock remain outstanding, the vote or consent of the holders of the outstanding shares of Series P Preferred Stock and outstanding shares of all other series of Voting Parity Stock entitled to vote on the matter, by a vote of at least 66 2/3% in voting power of all such outstanding Series P Preferred Stock and such Voting Parity Stock, voting together as a class, given in person or by proxy, either in writing without a meeting or at any meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following actions, whether or not such approval is required by Delaware law: (i) the issuance of any class or series of Preferred Stock or Preference Stock ranking senior to the Series P Preferred Stock in the payment of dividends or the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; (ii) any amendment, alteration or repeal of any provision of the Restated Certificate of Incorporation, including the Certificate of Designation, or the Bylaws that would adversely affect the rights, preferences, privileges or voting powers of the Series P Preferred Stock; (iii) any amendment or alteration of the Restated Certificate of Incorporation, including the Certificate of Designation, or Bylaws to authorize, create, or increase the authorized amount of, any shares of, or any securities convertible into shares of, any class or series of the Corporation's capital stock ranking senior to the Series P Preferred Stock with respect to either the payment of dividends or in the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; or (iv) any consummation of a reclassification involving the Series P Preferred Stock or a merger or consolidation with another corporation or other entity, except holders of the Series P Preferred Stock will have no right to vote under this section 7(c)(iv) if in each case (a) the shares of Series P Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (b) such shares of Series P Preferred Stock remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Series P Preferred Stock, taken as a whole; *provided, however*, that any authorization, creation or increase in the authorized amount of or issuance of the Series P Preferred Stock or any Parity Stock or Junior Stock or any securities convertible into any class or series of Parity Stock (whether dividends payable in respect of such Parity Stock are cumulative or non-cumulative) or Junior Stock will be deemed not to adversely affect the rights,

preferences, privileges or voting powers of the Series P Preferred Stock, and holders of the Series P Preferred Stock shall have no right to vote thereon.

If any amendment, alteration, repeal, reclassification, merger or consolidation specified in this Section 7(c) would adversely affect one or more but not all series of voting Preferred Stock (including the Series P Preferred Stock), then only those series affected by and entitled to vote on the matter shall vote on the matter together as a class (in lieu of all other series of Preferred Stock).

Each holder of the Series P Preferred Stock will have 25 votes per share on any matter on which holders of the Series P Preferred Stock are entitled to vote, whether separately or together with any other series of stock of the Corporation (the holders of any shares of any other series of stock being entitled to such number of votes, if any, for each share of stock as may be granted to them), pursuant to Delaware law or otherwise, including by written consent.

**(d) Changes after Provision for Redemption.** No vote or consent of the holders of Series P Preferred Stock shall be required pursuant to Section 7(b) or (c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding Series P Preferred Stock shall have been redeemed, or notice of redemption has been given and sufficient funds shall have been irrevocably deposited in trust to effect such redemption.

**(e) Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series P Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Restated Certificate of Incorporation, the Bylaws, applicable law and any national securities exchange or other trading facility in which the Series P Preferred Stock is listed or traded at the time.

**Section 8. Preemption and Conversion.** The holders of Series P Preferred Stock shall not have any rights of preemption or rights to convert such Series P Preferred Stock into shares of any other class of capital stock of the Corporation.

**Section 9. Reacquired Shares.** Shares of Series P Preferred Stock which have been issued and redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of Preferred Stock without designation as to series.

**Section 10. No Sinking Fund.** Shares of Series P Preferred Stock are not subject to the operation of a sinking fund.

**Section 11. Additional Classes or Series of Stock.** Notwithstanding anything set forth in the Restated Certificate of Incorporation or this Certificate of Designation to the contrary, the Board of Directors of the Corporation, or any authorized committee of the Board of Directors of the Corporation, (i) without the vote of the holders of the Series P Preferred Stock, may authorize and issue additional shares of Junior Stock and Parity Stock and (ii) with the requisite vote of the holders of the Series P Preferred Stock and Parity Stock entitled to vote thereon, may authorize and issue any additional class or series of Preferred Stock or Preference Stock senior to the Series P Preferred Stock as to the payment of dividends and/or the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.



**In Witness Whereof, Wells Fargo & Company** has caused this Certificate of Designation to be signed by Barbara S. Brett, its Senior Vice President and Assistant Treasurer, and Jeannine E. Zahn, its Assistant Secretary, this 21<sup>st</sup> day of March, 2013.

**Wells Fargo & Company**

By: /s/ Barbara S. Brett  
Barbara S. Brett, Senior Vice  
President and Assistant Treasurer

/s/ Jeannine E. Zahn  
Jeannine E. Zahn, Assistant Secretary

[As filed with the Delaware Secretary of State on March 21, 2013.]

**WELLS FARGO & COMPANY**

**CERTIFICATE OF DESIGNATION**

Pursuant to Section 151(g) of the  
General Corporation Law  
of the State of Delaware

**5.85% FIXED-TO-FLOATING RATE NON-CUMULATIVE PERPETUAL  
CLASS A PREFERRED STOCK, SERIES Q  
(Without Par Value)**

WELLS FARGO & COMPANY, a corporation organized and existing under the laws of the State of Delaware (the "*Corporation*"), HEREBY CERTIFIES that, pursuant to authority conferred upon the Board of Directors of the Corporation (the "*Board of Directors*") by the provisions of the Restated Certificate of Incorporation of the Corporation, as amended, which authorize the issuance of not more than 20,000,000 shares of Preferred Stock, without par value, and pursuant to authority conferred upon the Securities Committee of the Board of Directors (the "*Committee*") in accordance with Section 141(c) of the General Corporation Law of the State of Delaware (the "*General Corporation Law*"), the following resolutions were duly adopted by the Committee pursuant to the unanimous written consent of the Committee duly adopted on July 19, 2013, in accordance with Section 141(f) of the General Corporation Law:

**Resolved**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated January 27, 2009, the provisions of the Restated Certificate of Incorporation, the By-laws of the Corporation, and applicable law, a series of Preferred Stock, no par value, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

**RIGHTS AND PREFERENCES**

**Section 1. Designation.** The shares of such series of Preferred Stock shall be designated 5.85% Fixed-to-Floating Rate Non-Cumulative Perpetual Class A Preferred Stock, Series Q, with no par value and a liquidation preference amount of \$25,000 per share (the "*Series Q Preferred Stock*"). Each share of Series Q Preferred Stock shall be identical in all respects to every other share of Series Q Preferred Stock except with respect to the date from which dividends may accrue. Series Q Preferred Stock will rank equally with Parity Stock with respect to the payment of dividends and distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation and will rank senior to Junior Stock with respect to the

payment of dividends and/or the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 2. Number of Shares.** The number of authorized shares of Series Q Preferred Stock shall be 69,000. Such number may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock) or decreased (but not below the number of shares of Series Q Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law stating that such increase or decrease, as the case may be, has been so authorized. The Corporation shall have the authority to issue fractional shares of Series Q Preferred Stock.

**Section 3. Definitions.** As used herein with respect to Series Q Preferred Stock:

*“Business Day”* means for dividends payable for the Fixed Rate Period (as defined below) any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in New York, New York, and for dividends payable for the Floating Rate Period (as defined below), it means any date that would be considered a Business Day during the Fixed Rate Period that is also a London Banking Day (as defined below).

*“Calculation Agent”* means Wells Fargo Bank, N.A. or any other successor appointed by the Corporation, acting as Calculation Agent.

*“Certificate of Designation”* means this Certificate of Designation relating to the Series Q Preferred Stock, as it may be amended from time to time.

*“Common Stock”* means the common stock of the Corporation, par value \$1<sup>2</sup>/<sub>3</sub> per share, as the same exists at the date of this Certificate of Designation or as such stock may be constituted from time to time.

*“Depository Company”* has the meaning set forth in Section 6(d) hereof.

*“Designated LIBOR Page”* means the display on Reuters, or any successor service, on page LIBOR01, or any other page as may replace that page on that service, for the purpose of displaying the London interbank rates for U.S. dollars.

*“Dividend Payment Date”* has the meaning set forth in Section 4(a) hereof.

*“Dividend Period”* has the meaning set forth in Section 4(a) hereof.

*“DTC”* means The Depository Trust Company, together with its successors and assigns.

“*Fixed Rate Period*” has the meaning set forth in Section 4(a) hereof.

“*Floating Rate Period*” has the meaning set forth in Section 4(a) hereof.

“*Junior Stock*” means the Common Stock and any other class or series of stock of the Corporation now existing or hereafter authorized over which the Series Q Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

“*LIBOR Determination Date*” means the second London Banking Day immediately preceding the first day of the relevant Dividend Period.

“*Liquidation Preference*” has the meaning set forth in Section 5(a) hereof.

“*London Banking Day*” means any day on which commercial banks and foreign exchange markets settle payments in London.

“*Nonpayment Event*” shall have the meaning set forth in Section 7(b).

“*Parity Stock*” means any other class or series of stock of the Corporation now existing or hereafter authorized that ranks on par with the Series Q Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) or in the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

“*Preference Stock*” means any and all series of preference stock, having no par value, of the Corporation.

“*Preferred Stock*” means any and all series of preferred stock, having no par value, of the Corporation, including the Series Q Preferred Stock.

“*Preferred Stock Directors*” shall have the meaning set forth in Section 7(b).

“*Regulatory Capital Treatment Event*” means the Corporation’s reasonable determination that as a result of any (i) amendment to, clarification of, or change (including any announced prospective change) in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective on or after July 15, 2013; (ii) proposed change in those laws or regulations that is announced or becomes effective on or after July 15, 2013; or (iii) official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced on or after July 15, 2013, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation preference amount of all shares of Series Q

Preferred Stock then outstanding as Tier 1 capital (or its equivalent) for purposes of the capital adequacy guidelines or regulations of the appropriate federal banking agency, as then in effect and applicable, for as long as any share of Series Q Preferred Stock is outstanding.

“*Series Q Preferred Stock*” has the meaning set forth in Section 1 hereof.

“*Three-month LIBOR*” means, for any LIBOR Determination Date, the arithmetic mean of the offered rates for deposits in U.S. dollars for a three-month period commencing on the second London Banking Day immediately following that LIBOR Determination Date that appear on the Designated LIBOR Page as of 11:00 a.m., London time, on that LIBOR Determination Date, if at least two offered rates appear on the Designated LIBOR Page, provided that if the specified Designated LIBOR Page by its terms provides only for a single rate, that single rate will be used. If (i) fewer than two offered rates appear or (ii) no rate appears and the Designated LIBOR Page by its terms provides only for a single rate, then the Calculation Agent will request the principal London offices of each of four major banks in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in U.S. dollars for a three-month period commencing on the second London Banking Day immediately following that LIBOR Determination Date to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that LIBOR Determination Date and in a principal amount that is representative of a single transaction in U.S. dollars in that market at that time. If at least two quotations are provided, Three-month LIBOR determined on that LIBOR Determination Date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, Three-month LIBOR will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., New York City time, on that LIBOR Determination Date by three major banks in New York City selected by the Calculation Agent for loans in U.S. dollars to leading European banks for a three-month period and in a principal amount that is representative of a single transaction in U.S. dollars in that market at that time. If the banks so selected by the Calculation Agent are not quoting as set forth above, Three-month LIBOR for that LIBOR Determination Date will remain Three-month LIBOR for the immediately preceding Dividend Period or, in the case of the Dividend Period beginning September 15, 2023, 5.85%. All percentages used in or resulting from any calculation of Three-month LIBOR will be rounded, if necessary, to the nearest one hundred-thousandth of a percentages point, with .000005% rounded up to .00001%. The determination of Three-month LIBOR for each relevant Dividend Period by the Calculation Agent will (in the absence of manifest error) be final and binding.

“*Voting Parity Stock*” means any Parity Stock having similar voting rights as the Series Q Preferred Stock.

#### **Section 4. Dividends.**

**(a) Rate.** Dividends on the Series Q Preferred Stock will not be mandatory. Holders of Series Q Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation, but only out of assets legally available therefor, non-cumulative cash dividends on the liquidation preference amount of \$25,000 per share of the Series Q Preferred Stock, payable quarterly in arrears on the 15<sup>th</sup> day of March, June, September and December, commencing September 15, 2013. From July 22, 2013 to, but excluding, September 15, 2023 (the “*Fixed Rate Period*”), dividends will accrue at an annual rate of 5.85%, and from, and including, September 15, 2023 (the “*Floating Rate Period*”), dividends will accrue at an annual rate equal to Three-month LIBOR plus 3.09%. Notwithstanding the foregoing, if any date on or prior to September 15, 2023 on which dividends otherwise would be payable is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding day that is a Business Day, without any interest or other payment in respect of such delay, and if any date after September 15, 2023 on which dividends otherwise would be payable is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding Business Day unless that day falls in the next calendar month, in which case payment of any dividend otherwise payable on that date will be the immediately preceding Business Day, and dividends will accrue to the actual payment date (each such day on which dividends are payable a “*Dividend Payment Date*”). A “*Dividend Period*” means the period from, and including, a Dividend Payment Date to, but excluding, the next succeeding Dividend Payment Date, except for the initial Dividend Period, which will be the period from, and including, July 22, 2013 to, but excluding, September 15, 2013. The record date for payment of dividends on the Series Q Preferred Stock shall be the last Business Day of the calendar month immediately preceding the month during which the Dividend Payment Date falls or such other date as determined by the Corporation’s Board of Directors. The amount of dividends payable for the Fixed Rate Period shall be computed on the basis of a 360-day year of twelve 30-day months. The amount of dividends payable for the Floating Rate Period shall be computed on the basis of a 360-day year and the actual number of days elapsed. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward. The Calculation Agent’s determination of any dividend rate, and its calculation of the amount of dividends payable for the Floating Rate Period, will be maintained on file at the Calculation Agent’s principal offices.

**(b) Non-Cumulative Dividends.** Dividends on shares of Series Q Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series Q Preferred Stock on any Dividend Payment Date are not declared prior to such Dividend Payment Date, then such dividends shall not cumulate and shall cease to accrue and be payable, and the Corporation shall have no obligation to pay, and the holders of Series Q Preferred Stock shall have no right to receive, dividends accrued for such Dividend Period on the Dividend Payment Date for such Dividend Period or at any time in the future or interest with respect to such dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series Q Preferred Stock or

any other series of authorized Preferred Stock, Preference Stock, or Common Stock of the Corporation.

**(c) Priority of Dividends.** So long as any shares of Series Q Preferred Stock remain outstanding,

(1) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Common Stock, and no shares of Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Common Stock by the Corporation (other than (i) a dividend payable in Common Stock or (ii) the acquisition of shares of Common Stock in exchange for, or through application of proceeds of the sale of, shares of Common Stock);

(2) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Junior Stock other than Common Stock, and no shares of Junior Stock other than Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Junior Stock other than Common Stock by the Corporation (other than (i) a dividend payable solely in shares of Junior Stock, (ii) any dividend in connection with the implementation of a stockholder rights plan, or the redemption or repurchase of any rights under any such plan, (iii) any dividend in the form of stock, warrants, options or other rights where the dividend stock or stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks equally with or junior to such stock, (iv) as a result of a reclassification of Junior Stock other than Common Stock for or into other Junior Stock, (v) the exchange or conversion of one share of Junior Stock other than Common Stock for or into another share of Junior Stock, (vi) through the use of proceeds of a substantially contemporaneous sale of other shares of Junior Stock, (vii) any purchase, redemption or other acquisition of Junior Stock other than Common Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after July 15, 2013, (viii) any purchase of fractional interests in shares of Junior Stock other than Common Stock pursuant to the conversion or exchange provisions of such Junior Stock other than Common Stock or the securities being converted or exchanged, (ix) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (x) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business); and

(3) no shares of Parity Stock will be repurchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series Q Preferred Stock and such Parity Stock during a Dividend Period (other than (i) as a result of a reclassification of Parity Stock for or into other Parity Stock or Junior Stock, (ii) the exchange or conversion of one share of Parity Stock for or into another share of Parity Stock or Junior Stock, (iii) through the use of proceeds of a substantially contemporaneous sale of other shares of Parity Stock or Junior Stock, (iv) any purchase, redemption or other acquisition of Parity Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after July 15, 2013, (v) any purchase of fractional interests in shares of Parity Stock pursuant to the conversion or exchange provisions of such Parity Stock or the securities being converted or exchanged, (vi) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (vii) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business), unless, in each case, the full dividends for the then-current Dividend Period on all outstanding shares of the Series Q Preferred Stock have been declared and paid or declared and a sum sufficient for the payment of those dividends has been set aside.

Subject to the succeeding sentence, for so long as any shares of Series Q Preferred Stock remain outstanding, no dividends shall be declared, paid, or set aside for payment on any Parity Stock for any period unless full dividends on all outstanding shares of Series Q Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. To the extent the Corporation declares dividends on the Series Q Preferred Stock and on any Parity Stock but cannot make full payment of those declared dividends, the Corporation will allocate the dividend payments on a proportional basis among the holders of shares of Series Q Preferred Stock and the holders of any Parity Stock then outstanding where the terms of such Parity Stock provide similar dividend rights.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may be declared and paid on the Common Stock and any other stock that is Parity Stock or Junior Stock, from time to time out of any assets legally available for such payment, and the shares of Series Q Preferred Stock shall not be entitled to participate in any such dividends.

## **Section 5. Liquidation Rights.**

**(a) Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series Q Preferred



Stock shall be entitled to receive in full out of assets available for distribution to its stockholders before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of the Common Stock or any other Junior Stock, and subject to the rights of the holders of Parity Stock or any stock of the Corporation ranking senior to the Series Q Preferred Stock as to such distribution, a liquidating distribution in the amount of \$25,000 per share, plus an amount equal to any dividends which have been declared but not yet paid, without accumulation of any undeclared dividends, to the date of liquidation (the “*Liquidation Preference*”). The holders of Series Q Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

**(b) Partial Payment.** If the assets of the Corporation are not sufficient to pay in full the Liquidation Preference to all holders of Series Q Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series Q Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preference of Series Q Preferred Stock and all such Parity Stock.

**(c) Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series Q Preferred Stock and all other amounts payable upon liquidation, dissolution or winding up of the Corporation have been paid in full to all holders of any Parity Stock, the holders of Common Stock and any other Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

## **Section 6. Redemption.**

**(a) Optional Redemption.** The Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may redeem, subject to the prior approval of the Federal Reserve Board, out of funds legally available therefor, in whole or in part, the shares of Series Q Preferred Stock at the time outstanding, at any time on any Dividend Payment Date on or after September 15, 2023, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series Q Preferred Stock shall be \$25,000 per share plus

an amount equal to any dividends that have been declared but not paid up to the redemption date without accumulation of any undeclared dividends.

Notwithstanding the foregoing, within 90 days of the Corporation's good faith determination that a Regulatory Capital Treatment Event has occurred, the Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may, subject to the approval of the appropriate federal banking agency, redeem out of funds legally available therefor, in whole, but not in part, the shares of Series Q Preferred Stock at the time outstanding, prior to September 15, 2023, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series Q Preferred Stock shall be \$25,000 per share plus an amount equal to any dividends that have been declared but not paid, without accumulation of any undeclared dividends.

**(b) Notice of Redemption.** Notice of every redemption of shares of Series Q Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the stock register of the Corporation. Such mailing shall be at least 40 days and not more than 70 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(b) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series Q Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series Q Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series Q Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, if applicable, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where the certificates for those shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date. Notwithstanding the foregoing, if the Series Q Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC.

**(c) Partial Redemption.** In case of any redemption of only part of the shares of Series Q Preferred Stock at the time outstanding, the shares of Series Q Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series Q Preferred Stock in proportion to the number of Series Q Preferred Stock held by such holders or in such other manner as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine to be fair and equitable. Subject to the provisions of this Section 6, the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series Q Preferred Stock shall be redeemed from time to time.

**(d) Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been irrevocably set aside by the Corporation, separate and apart from its other assets, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors (the “*Depository Company*”) in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding, all dividends with respect to such shares shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from the Depository Company at any time after the redemption date from the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depository Company any interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of two years from the redemption date shall, to the extent permitted by law, be released or repaid to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

## **Section 7. Voting Rights.**

**(a) General.** The holders of Series Q Preferred Stock shall not be entitled to vote on any matter except as set forth in paragraph 7(b) below or as required by applicable law.

**(b) Right To Elect Two Directors Upon Nonpayment Events.** Whenever dividends payable on any shares of Series Q Preferred Stock or any class or series of Voting Parity Stock have not been declared and paid in an aggregate amount equal to, as to any class or series, at least six quarterly Dividend Periods or their equivalent, whether or not for consecutive Dividend Periods (a “*Nonpayment Event*”), the holders of the outstanding Series Q Preferred Stock, voting together as a class with holders of Voting Parity Stock whose voting rights are exercisable, will be entitled to vote for the election of two additional directors of the Corporation’s Board of Directors at the Corporation’s next annual meeting of stockholders and at each subsequent annual meeting of stockholders (the “*Preferred Stock Directors*”) by a plurality of the votes cast; *provided* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Parity Stock are entitled to elect pursuant to like voting rights). Upon the vesting of such right of such holders, the maximum authorized number of members of the Board of Directors shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of the outstanding Series Q Preferred

Stock (together with the holders of shares of any one or more other series of Voting Parity Stock). At elections for such directors, each holder of the Series Q Preferred Stock shall be entitled to 25 votes for each share held (the holders of shares of any other series of Voting Parity Stock being entitled to such number of votes, if any, for each share of such stock as may be granted to them). The right of the holders of the Series Q Preferred Stock (voting together as a class with the holders of shares of any one or more other series of Voting Parity Stock) to elect Preferred Stock Directors shall continue until such time as the Corporation has paid in full dividends for the equivalent of at least four quarterly Dividend Periods or their equivalent, at which time such right with respect to the Series Q Preferred Stock shall terminate, except as provided by law, and subject to revesting in the event of each and every subsequent default of the character described in this Section 7(b).

Upon any termination of the right of the holders of all shares of Series Q Preferred Stock and Voting Parity Stock to vote for Preferred Stock Directors, the term of office of all Preferred Stock Directors then in office elected by only those holders voting as a class shall terminate immediately. Any Preferred Stock Director may be removed at any time without cause by the holders of a majority of the outstanding shares of Series Q Preferred Stock and Voting Parity Stock, when they have the voting rights described above (voting together as a class). In case any vacancy shall occur among the Preferred Stock Directors, a successor may be elected by a plurality of the votes cast by the holders of Series Q Preferred Stock and Voting Parity Stock having the voting rights described above, voting together as a class, unless the vacancy has already been filled. The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Whenever the term of office of the directors elected by such holders voting as a class shall end and the special voting powers vested in such holders as provided in this Section 7(b) shall have expired, the number of directors shall be such number as may be provided for in the By-Laws irrespective of any increase made pursuant to this Section 7(b).

**(c) Other Voting Rights.** In addition to any other vote required by law or the Restated Certificate of Incorporation, so long as any shares of the Series Q Preferred Stock remain outstanding, the vote or consent of the holders of the outstanding shares of Series Q Preferred Stock and outstanding shares of all other series of Voting Parity Stock entitled to vote on the matter, by a vote of at least 66 2/3% in voting power of all such outstanding Series Q Preferred Stock and such Voting Parity Stock, voting together as a class, given in person or by proxy, either in writing without a meeting or at any meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following actions, whether or not such approval is required by Delaware law: (i) the issuance of any class or series of Preferred Stock or Preference Stock ranking senior to the Series Q Preferred Stock in the payment of dividends or the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; (ii) any amendment, alteration or repeal of any provision of the Restated Certificate of Incorporation, including the Certificate of Designation, or the Bylaws that would adversely affect the rights, preferences, privileges or voting powers of the Series

Q Preferred Stock; (iii) any amendment or alteration of the Restated Certificate of Incorporation, including the Certificate of Designation, or Bylaws to authorize, create, or increase the authorized amount of, any shares of, or any securities convertible into shares of, any class or series of the Corporation's capital stock ranking senior to the Series Q Preferred Stock with respect to either the payment of dividends or in the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; or (iv) any consummation of a reclassification involving the Series Q Preferred Stock or a merger or consolidation with another corporation or other entity, except holders of the Series Q Preferred Stock will have no right to vote under this section 7(c)(iv) if in each case (a) the shares of Series Q Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (b) such shares of Series Q Preferred Stock remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Series Q Preferred Stock, taken as a whole; *provided, however*, that any authorization, creation or increase in the authorized amount of or issuance of the Series Q Preferred Stock or any Parity Stock or Junior Stock or any securities convertible into any class or series of Parity Stock (whether dividends payable in respect of such Parity Stock are cumulative or non-cumulative) or Junior Stock will be deemed not to adversely affect the rights, preferences, privileges or voting powers of the Series Q Preferred Stock, and holders of the Series Q Preferred Stock shall have no right to vote thereon.

If any amendment, alteration, repeal, reclassification, merger or consolidation specified in this Section 7(c) would adversely affect one or more but not all series of voting Preferred Stock (including the Series Q Preferred Stock), then only those series affected by and entitled to vote on the matter shall vote on the matter together as a class (in lieu of all other series of Preferred Stock).

Each holder of the Series Q Preferred Stock will have 25 votes per share on any matter on which holders of the Series Q Preferred Stock are entitled to vote, whether separately or together with any other series of stock of the Corporation (the holders of any shares of any other series of stock being entitled to such number of votes, if any, for each share of stock as may be granted to them), pursuant to Delaware law or otherwise, including by written consent.

**(d) Changes after Provision for Redemption.** No vote or consent of the holders of Series Q Preferred Stock shall be required pursuant to Section 7(b) or (c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding Series Q Preferred Stock shall have been redeemed, or notice of redemption has been given and sufficient funds shall have been irrevocably deposited in trust to effect such redemption.

**(e) Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series Q Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Restated Certificate of Incorporation, the Bylaws, applicable law and any national securities exchange or other trading facility in which the Series Q Preferred Stock is listed or traded at the time.

**Section 8. Preemption and Conversion.** The holders of Series Q Preferred Stock shall not have any rights of preemption or rights to convert such Series Q Preferred Stock into shares of any other class of capital stock of the Corporation.

**Section 9. Reacquired Shares.** Shares of Series Q Preferred Stock which have been issued and redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of Preferred Stock without designation as to series.

**Section 10. No Sinking Fund.** Shares of Series Q Preferred Stock are not subject to the operation of a sinking fund.

**Section 11. Additional Classes or Series of Stock.** Notwithstanding anything set forth in the Restated Certificate of Incorporation or this Certificate of Designation to the contrary, the Board of Directors of the Corporation, or any authorized committee of the Board of Directors of the Corporation, (i) without the vote of the holders of the Series Q Preferred Stock, may authorize and issue additional shares of Junior Stock and Parity Stock and (ii) with the requisite vote of the holders of the Series Q Preferred Stock and Parity Stock entitled to vote thereon, may authorize and issue any additional class or series of Preferred Stock or Preference Stock senior to the Series Q Preferred Stock as to the payment of dividends and/or the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**In Witness Whereof, Wells Fargo & Company** has caused this Certificate of Designation to be signed by Barbara S. Brett, its Senior Vice President and Assistant Treasurer, and Jeannine E. Zahn, its Assistant Secretary, this 19th day of July, 2013.

**Wells Fargo & Company**

By: /s/ Barbara S. Brett  
Barbara S. Brett, Senior Vice President  
and Assistant Treasurer

/s/ Jeannine E. Zahn  
Jeannine E. Zahn, Assistant Secretary

[As filed with the Delaware Secretary of State on July 19, 2013.]

## WELLS FARGO & COMPANY

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### CERTIFICATE OF DESIGNATION

Pursuant to Section 151(g) of the  
General Corporation Law  
of the State of Delaware

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### 6.625% FIXED-TO-FLOATING RATE NON-CUMULATIVE PERPETUAL CLASS A PREFERRED STOCK, SERIES R (Without Par Value)

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WELLS FARGO & COMPANY, a corporation organized and existing under the laws of the State of Delaware (the “*Corporation*”), HEREBY CERTIFIES that, pursuant to authority conferred upon the Board of Directors of the Corporation (the “*Board of Directors*”) by the provisions of the Restated Certificate of Incorporation of the Corporation, as amended, which authorize the issuance of not more than 20,000,000 shares of Preferred Stock, without par value, and pursuant to authority conferred upon the Securities Committee of the Board of Directors (the “*Committee*”) in accordance with Section 141(c) of the General Corporation Law of the State of Delaware (the “*General Corporation Law*”), the following resolutions were duly adopted by the Committee pursuant to the unanimous written consent of the Committee duly adopted on December 11, 2013, in accordance with Section 141(f) of the General Corporation Law:

**Resolved**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated January 27, 2009, the provisions of the Restated Certificate of Incorporation, the By-laws of the Corporation, and applicable law, a series of Preferred Stock, no par value, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

### RIGHTS AND PREFERENCES

**Section 1. Designation.** The shares of such series of Preferred Stock shall be designated 6.625% Fixed-to-Floating Rate Non-Cumulative Perpetual Class A Preferred Stock, Series R, with no par value and a liquidation preference amount of \$25,000 per share (the “*Series R Preferred Stock*”). Each share of Series R Preferred Stock shall be identical in all respects to every other share of Series R Preferred Stock except with respect to the date from which dividends may accrue. Series R Preferred Stock will rank equally with Parity Stock with respect to the payment of dividends and distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation and will rank senior to Junior Stock with respect to the



payment of dividends and/or the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 2. Number of Shares.** The number of authorized shares of Series R Preferred Stock shall be 34,500. Such number may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock) or decreased (but not below the number of shares of Series R Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law stating that such increase or decrease, as the case may be, has been so authorized. The Corporation shall have the authority to issue fractional shares of Series R Preferred Stock.

**Section 3. Definitions.** As used herein with respect to Series R Preferred Stock:

*“Business Day”* means for dividends payable for the Fixed Rate Period (as defined below) any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in New York, New York, and for dividends payable for the Floating Rate Period (as defined below), it means any date that would be considered a Business Day during the Fixed Rate Period that is also a London Banking Day (as defined below).

*“Calculation Agent”* means Wells Fargo Bank, N.A. or any other successor appointed by the Corporation, acting as Calculation Agent.

*“Certificate of Designation”* means this Certificate of Designation relating to the Series R Preferred Stock, as it may be amended from time to time.

*“Common Stock”* means the common stock of the Corporation, par value \$1<sup>2</sup>/<sub>3</sub> per share, as the same exists at the date of this Certificate of Designation or as such stock may be constituted from time to time.

*“Depository Company”* has the meaning set forth in Section 6(d) hereof.

*“Designated LIBOR Page”* means the display on Reuters, or any successor service, on page LIBOR01, or any other page as may replace that page on that service, for the purpose of displaying the London interbank rates for U.S. dollars.

*“Dividend Payment Date”* has the meaning set forth in Section 4(a) hereof.

*“Dividend Period”* has the meaning set forth in Section 4(a) hereof.

*“DTC”* means The Depository Trust Company, together with its successors and assigns.

“*Fixed Rate Period*” has the meaning set forth in Section 4(a) hereof.

“*Floating Rate Period*” has the meaning set forth in Section 4(a) hereof.

“*Junior Stock*” means the Common Stock and any other class or series of stock of the Corporation now existing or hereafter authorized over which the Series R Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

“*LIBOR Determination Date*” means the second London Banking Day immediately preceding the first day of the relevant Dividend Period.

“*Liquidation Preference*” has the meaning set forth in Section 5(a) hereof.

“*London Banking Day*” means any day on which commercial banks and foreign exchange markets settle payments in London.

“*Nonpayment Event*” shall have the meaning set forth in Section 7(b).

“*Parity Stock*” means any other class or series of stock of the Corporation now existing or hereafter authorized that ranks on par with the Series R Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) or in the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

“*Preference Stock*” means any and all series of preference stock, having no par value, of the Corporation.

“*Preferred Stock*” means any and all series of preferred stock, having no par value, of the Corporation, including the Series R Preferred Stock.

“*Preferred Stock Directors*” shall have the meaning set forth in Section 7(b).

“*Regulatory Capital Treatment Event*” means the Corporation’s reasonable determination that as a result of any (i) amendment to, clarification of, or change (including any announced prospective change) in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective on or after December 11, 2013; (ii) proposed change in those laws or regulations that is announced or becomes effective on or after December 11, 2013; or (iii) official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced on or after December 11, 2013, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation preference amount of all

shares of Series R Preferred Stock then outstanding as Tier 1 capital (or its equivalent) for purposes of the capital adequacy guidelines or regulations of the appropriate federal banking agency, as then in effect and applicable, for as long as any share of Series R Preferred Stock is outstanding.

“*Series R Preferred Stock*” has the meaning set forth in Section 1 hereof.

“*Three-month LIBOR*” means, for any LIBOR Determination Date, the arithmetic mean of the offered rates for deposits in U.S. dollars for a three-month period commencing on the second London Banking Day immediately following that LIBOR Determination Date that appear on the Designated LIBOR Page as of 11:00 a.m., London time, on that LIBOR Determination Date, if at least two offered rates appear on the Designated LIBOR Page, provided that if the specified Designated LIBOR Page by its terms provides only for a single rate, that single rate will be used. If (i) fewer than two offered rates appear or (ii) no rate appears and the Designated LIBOR Page by its terms provides only for a single rate, then the Calculation Agent will request the principal London offices of each of four major banks in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in U.S. dollars for a three-month period commencing on the second London Banking Day immediately following that LIBOR Determination Date to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that LIBOR Determination Date and in a principal amount that is representative of a single transaction in U.S. dollars in that market at that time. If at least two quotations are provided, Three-month LIBOR determined on that LIBOR Determination Date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, Three-month LIBOR will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., New York City time, on that LIBOR Determination Date by three major banks in New York City selected by the Calculation Agent for loans in U.S. dollars to leading European banks for a three-month period and in a principal amount that is representative of a single transaction in U.S. dollars in that market at that time. If the banks so selected by the Calculation Agent are not quoting as set forth above, Three-month LIBOR for that LIBOR Determination Date will remain Three-month LIBOR for the immediately preceding Dividend Period or, in the case of the Dividend Period beginning March 15, 2024, 6.625%. All percentages used in or resulting from any calculation of Three-month LIBOR will be rounded, if necessary, to the nearest one hundred-thousandth of a percentages point, with .000005% rounded up to .00001%. The determination of Three-month LIBOR for each relevant Dividend Period by the Calculation Agent will (in the absence of manifest error) be final and binding.

“*Voting Parity Stock*” means any Parity Stock having similar voting rights as the Series R Preferred Stock.

#### **Section 4. Dividends.**

**(a) Rate.** Dividends on the Series R Preferred Stock will not be mandatory. Holders of Series R Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation, but only out of assets legally available therefor, non-cumulative cash dividends on the liquidation preference amount of \$25,000 per share of the Series R Preferred Stock, payable quarterly in arrears on the 15<sup>th</sup> day of March, June, September and December, commencing March 15, 2014, From December 18, 2013 to, but excluding, March 15, 2024 (the “*Fixed Rate Period*”), dividends will accrue at an annual rate of 6.625%, and from, and including, March 15, 2024 (the “*Floating Rate Period*”), dividends will accrue at an annual rate equal to Three-month LIBOR plus 3.69%. Notwithstanding the foregoing, if any date on or prior to March 15, 2024 on which dividends otherwise would be payable is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding day that is a Business Day, without any interest or other payment in respect of such delay, and if any date after March 15, 2024 on which dividends otherwise would be payable is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding Business Day unless that day falls in the next calendar month, in which case payment of any dividend otherwise payable on that date will be the immediately preceding Business Day, and dividends will accrue to the actual payment date (each such day on which dividends are payable a “*Dividend Payment Date*”). A “*Dividend Period*” means the period from, and including, a Dividend Payment Date to, but excluding, the next succeeding Dividend Payment Date, except for the initial Dividend Period, which will be the period from, and including, December 18, 2013 to, but excluding, March 15, 2014. The record date for payment of dividends on the Series R Preferred Stock shall be the last Business Day of the calendar month immediately preceding the month during which the Dividend Payment Date falls or such other date as determined by the Corporation’s Board of Directors. The amount of dividends payable for the Fixed Rate Period shall be computed on the basis of a 360-day year of twelve 30-day months. The amount of dividends payable for the Floating Rate Period shall be computed on the basis of a 360-day year and the actual number of days elapsed. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward. The Calculation Agent’s determination of any dividend rate, and its calculation of the amount of dividends payable for the Floating Rate Period, will be maintained on file at the Calculation Agent’s principal offices.

**(b) Non-Cumulative Dividends.** Dividends on shares of Series R Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series R Preferred Stock on any Dividend Payment Date are not declared prior to such Dividend Payment Date, then such dividends shall not cumulate and shall cease to accrue and be payable, and the Corporation shall have no obligation to pay, and the holders of Series R Preferred Stock shall have no right to receive, dividends accrued for such Dividend Period on the Dividend Payment Date for such Dividend Period or at any time in the future or interest with respect to such dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series R Preferred Stock or

any other series of authorized Preferred Stock, Preference Stock, or Common Stock of the Corporation.

**(c) Priority of Dividends.** So long as any shares of Series R Preferred Stock remain outstanding,

(1) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Common Stock, and no shares of Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Common Stock by the Corporation (other than (i) a dividend payable in Common Stock or (ii) the acquisition of shares of Common Stock in exchange for, or through application of proceeds of the sale of, shares of Common Stock);

(2) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Junior Stock other than Common Stock, and no shares of Junior Stock other than Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Junior Stock other than Common Stock by the Corporation (other than (i) a dividend payable solely in shares of Junior Stock, (ii) any dividend in connection with the implementation of a stockholder rights plan, or the redemption or repurchase of any rights under any such plan, (iii) any dividend in the form of stock, warrants, options or other rights where the dividend stock or stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks equally with or junior to such stock, (iv) as a result of a reclassification of Junior Stock other than Common Stock for or into other Junior Stock, (v) the exchange or conversion of one share of Junior Stock other than Common Stock for or into another share of Junior Stock, (vi) through the use of proceeds of a substantially contemporaneous sale of other shares of Junior Stock, (vii) any purchase, redemption or other acquisition of Junior Stock other than Common Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after December 11, 2013, (viii) any purchase of fractional interests in shares of Junior Stock other than Common Stock pursuant to the conversion or exchange provisions of such Junior Stock other than Common Stock or the securities being converted or exchanged, (ix) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (x) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business); and

(3) no shares of Parity Stock will be repurchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series R Preferred Stock and such Parity Stock during a Dividend Period (other than (i) as a result of a reclassification of Parity Stock for or into other Parity Stock or Junior Stock, (ii) the exchange or conversion of one share of Parity Stock for or into another share of Parity Stock or Junior Stock, (iii) through the use of proceeds of a substantially contemporaneous sale of other shares of Parity Stock or Junior Stock, (iv) any purchase, redemption or other acquisition of Parity Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after December 11, 2013, (v) any purchase of fractional interests in shares of Parity Stock pursuant to the conversion or exchange provisions of such Parity Stock or the securities being converted or exchanged, (vi) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (vii) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business), unless, in each case, the full dividends for the then-current Dividend Period on all outstanding shares of the Series R Preferred Stock have been declared and paid or declared and a sum sufficient for the payment of those dividends has been set aside.

Subject to the succeeding sentence, for so long as any shares of Series R Preferred Stock remain outstanding, no dividends shall be declared, paid, or set aside for payment on any Parity Stock for any period unless full dividends on all outstanding shares of Series R Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. To the extent the Corporation declares dividends on the Series R Preferred Stock and on any Parity Stock but cannot make full payment of those declared dividends, the Corporation will allocate the dividend payments on a proportional basis among the holders of shares of Series R Preferred Stock and the holders of any Parity Stock then outstanding where the terms of such Parity Stock provide similar dividend rights.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may be declared and paid on the Common Stock and any other stock that is Parity Stock or Junior Stock, from time to time out of any assets legally available for such payment, and the shares of Series R Preferred Stock shall not be entitled to participate in any such dividends.

## **Section 5. Liquidation Rights.**

**(a) Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series R Preferred

Stock shall be entitled to receive in full out of assets available for distribution to its stockholders before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of the Common Stock or any other Junior Stock, and subject to the rights of the holders of Parity Stock or any stock of the Corporation ranking senior to the Series R Preferred Stock as to such distribution, a liquidating distribution in the amount of \$25,000 per share, plus an amount equal to any dividends which have been declared but not yet paid, without accumulation of any undeclared dividends, to the date of liquidation (the “*Liquidation Preference*”). The holders of Series R Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

**(b) Partial Payment.** If the assets of the Corporation are not sufficient to pay in full the Liquidation Preference to all holders of Series R Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series R Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preference of Series R Preferred Stock and all such Parity Stock.

**(c) Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series R Preferred Stock and all other amounts payable upon liquidation, dissolution or winding up of the Corporation have been paid in full to all holders of any Parity Stock, the holders of Common Stock and any other Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

## **Section 6. Redemption.**

**(a) Optional Redemption.** The Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may redeem, subject to the prior approval of the Federal Reserve Board, out of funds legally available therefor, in whole or in part, the shares of Series R Preferred Stock at the time outstanding, at any time on any Dividend Payment Date on or after March 15, 2024, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series R Preferred Stock shall be \$25,000 per share plus an amount

equal to any dividends that have been declared but not paid up to the redemption date without accumulation of any undeclared dividends.

Notwithstanding the foregoing, within 90 days of the Corporation's good faith determination that a Regulatory Capital Treatment Event has occurred, the Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may, subject to the approval of the appropriate federal banking agency, redeem out of funds legally available therefor, in whole, but not in part, the shares of Series R Preferred Stock at the time outstanding, prior to March 15, 2024, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series R Preferred Stock shall be \$25,000 per share plus an amount equal to any dividends that have been declared but not paid, without accumulation of any undeclared dividends.

**(b) Notice of Redemption.** Notice of every redemption of shares of Series R Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the stock register of the Corporation. Such mailing shall be at least 40 days and not more than 70 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(b) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series R Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series R Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series R Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, if applicable, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where the certificates for those shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date. Notwithstanding the foregoing, if the Series R Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC.

**(c) Partial Redemption.** In case of any redemption of only part of the shares of Series R Preferred Stock at the time outstanding, the shares of Series R Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series R Preferred Stock in proportion to the number of Series R Preferred Stock held by such holders or in such other manner consistent with the rules and policies of the New York Stock Exchange as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine to be fair and equitable. Subject to the provisions of this Section 6, the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series R Preferred Stock shall be redeemed from time to time.



**(d) Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been irrevocably set aside by the Corporation, separate and apart from its other assets, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors (the “*Depository Company*”) in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding, all dividends with respect to such shares shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from the Depository Company at any time after the redemption date from the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depository Company any interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of two years from the redemption date shall, to the extent permitted by law, be released or repaid to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

## **Section 7. Voting Rights.**

**(a) General.** The holders of Series R Preferred Stock shall not be entitled to vote on any matter except as set forth in paragraph 7(b) below or as required by applicable law.

**(b) Right To Elect Two Directors Upon Nonpayment Events.** Whenever dividends payable on any shares of Series R Preferred Stock or any class or series of Voting Parity Stock have not been declared and paid in an aggregate amount equal to, as to any class or series, at least six quarterly Dividend Periods or their equivalent, whether or not for consecutive Dividend Periods (a “*Nonpayment Event*”), the holders of the outstanding Series R Preferred Stock, voting together as a class with holders of Voting Parity Stock whose voting rights are exercisable, will be entitled to vote for the election of two additional directors of the Corporation’s Board of Directors at the Corporation’s next annual meeting of stockholders and at each subsequent annual meeting of stockholders (the “*Preferred Stock Directors*”) by a plurality of the votes cast; *provided* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Parity Stock are entitled to elect pursuant to like voting rights). Upon the vesting of such right of such holders, the maximum authorized number of members of the Board of Directors shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of the outstanding Series R Preferred

Stock (together with the holders of shares of any one or more other series of Voting Parity Stock). At elections for such directors, each holder of the Series R Preferred Stock shall be entitled to 25 votes for each share held (the holders of shares of any other series of Voting Parity Stock being entitled to such number of votes, if any, for each share of such stock as may be granted to them). The right of the holders of the Series R Preferred Stock (voting together as a class with the holders of shares of any one or more other series of Voting Parity Stock) to elect Preferred Stock Directors shall continue until such time as the Corporation has paid in full dividends for the equivalent of at least four quarterly Dividend Periods or their equivalent, at which time such right with respect to the Series R Preferred Stock shall terminate, except as provided by law, and subject to revesting in the event of each and every subsequent default of the character described in this Section 7(b).

Upon any termination of the right of the holders of all shares of Series R Preferred Stock and Voting Parity Stock to vote for Preferred Stock Directors, the term of office of all Preferred Stock Directors then in office elected by only those holders voting as a class shall terminate immediately. Any Preferred Stock Director may be removed at any time without cause by the holders of a majority of the outstanding shares of Series R Preferred Stock and Voting Parity Stock, when they have the voting rights described above (voting together as a class). In case any vacancy shall occur among the Preferred Stock Directors, a successor may be elected by a plurality of the votes cast by the holders of Series R Preferred Stock and Voting Parity Stock having the voting rights described above, voting together as a class, unless the vacancy has already been filled. The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Whenever the term of office of the directors elected by such holders voting as a class shall end and the special voting powers vested in such holders as provided in this Section 7(b) shall have expired, the number of directors shall be such number as may be provided for in the By-Laws irrespective of any increase made pursuant to this Section 7(b).

**(c) Other Voting Rights.** In addition to any other vote required by law or the Restated Certificate of Incorporation, so long as any shares of the Series R Preferred Stock remain outstanding, the vote or consent of the holders of the outstanding shares of Series R Preferred Stock and outstanding shares of all other series of Voting Parity Stock entitled to vote on the matter, by a vote of at least 66 2/3% in voting power of all such outstanding Series R Preferred Stock and such Voting Parity Stock, voting together as a class, given in person or by proxy, either in writing without a meeting or at any meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following actions, whether or not such approval is required by Delaware law: (i) the issuance of any class or series of Preferred Stock or Preference Stock ranking senior to the Series R Preferred Stock in the payment of dividends or the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; (ii) any amendment, alteration or repeal of any provision of the Restated Certificate of Incorporation, including the Certificate of Designation, or the Bylaws that would adversely affect the rights, preferences, privileges or voting powers of the Series

R Preferred Stock; (iii) any amendment or alteration of the Restated Certificate of Incorporation, including the Certificate of Designation, or Bylaws to authorize, create, or increase the authorized amount of, any shares of, or any securities convertible into shares of, any class or series of the Corporation's capital stock ranking senior to the Series R Preferred Stock with respect to either the payment of dividends or in the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; or (iv) any consummation of a reclassification involving the Series R Preferred Stock or a merger or consolidation with another corporation or other entity, except holders of the Series R Preferred Stock will have no right to vote under this section 7(c)(iv) if in each case (a) the shares of Series R Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (b) such shares of Series R Preferred Stock remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Series R Preferred Stock, taken as a whole; *provided, however*, that any authorization, creation or increase in the authorized amount of or issuance of the Series R Preferred Stock or any Parity Stock or Junior Stock or any securities convertible into any class or series of Parity Stock (whether dividends payable in respect of such Parity Stock are cumulative or non-cumulative) or Junior Stock will be deemed not to adversely affect the rights, preferences, privileges or voting powers of the Series R Preferred Stock, and holders of the Series R Preferred Stock shall have no right to vote thereon.

If any amendment, alteration, repeal, reclassification, merger or consolidation specified in this Section 7(c) would adversely affect one or more but not all series of voting Preferred Stock (including the Series R Preferred Stock), then only those series affected by and entitled to vote on the matter shall vote on the matter together as a class (in lieu of all other series of Preferred Stock).

Each holder of the Series R Preferred Stock will have 25 votes per share on any matter on which holders of the Series R Preferred Stock are entitled to vote, whether separately or together with any other series of stock of the Corporation (the holders of any shares of any other series of stock being entitled to such number of votes, if any, for each share of stock as may be granted to them), pursuant to Delaware law or otherwise, including by written consent.

**(d) Changes after Provision for Redemption.** No vote or consent of the holders of Series R Preferred Stock shall be required pursuant to Section 7(b) or (c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding Series R Preferred Stock shall have been redeemed, or notice of redemption has been given and sufficient funds shall have been irrevocably deposited in trust to effect such redemption.

**(e) Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series R Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Restated Certificate of Incorporation, the Bylaws, applicable law and any national securities exchange or other trading facility in which the Series R Preferred Stock is listed or traded at the time.

**Section 8. Preemption and Conversion.** The holders of Series R Preferred Stock shall not have any rights of preemption or rights to convert such Series R Preferred Stock into shares of any other class of capital stock of the Corporation.

**Section 9. Reacquired Shares.** Shares of Series R Preferred Stock which have been issued and redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of Preferred Stock without designation as to series.

**Section 10. No Sinking Fund.** Shares of Series R Preferred Stock are not subject to the operation of a sinking fund.

**Section 11. Additional Classes or Series of Stock.** Notwithstanding anything set forth in the Restated Certificate of Incorporation or this Certificate of Designation to the contrary, the Board of Directors of the Corporation, or any authorized committee of the Board of Directors of the Corporation, (i) without the vote of the holders of the Series R Preferred Stock, may authorize and issue additional shares of Junior Stock and Parity Stock and (ii) with the requisite vote of the holders of the Series R Preferred Stock and Parity Stock entitled to vote thereon, may authorize and issue any additional class or series of Preferred Stock or Preference Stock senior to the Series R Preferred Stock as to the payment of dividends and/or the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

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**In Witness Whereof, Wells Fargo & Company** has caused this Certificate of Designation to be signed by Barbara S. Brett, its Senior Vice President and Assistant Treasurer, and Jeannine E. Zahn, its Assistant Secretary, this 17<sup>th</sup> day of December, 2013.

**Wells Fargo & Company**

By: /s/ Barbara S. Brett  
Barbara S. Brett, Senior Vice President  
and Assistant Treasurer

/s/ Jeannine E. Zahn  
Jeannine E. Zahn, Assistant Secretary

[As filed with the Delaware Secretary of State on December 17, 2013.]

WELLS FARGO & COMPANY

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CERTIFICATE OF DESIGNATION  
Pursuant to Section 151 of the  
General Corporation Law of the State of Delaware

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2014 ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK  
(Without Par Value)

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WELLS FARGO & COMPANY, a corporation organized and existing under the laws of the State of Delaware (the “Company”), HEREBY CERTIFIES that, pursuant to authority conferred upon the Board of Directors of the Company (the “Board”) by the provisions of the Restated Certificate of Incorporation of the Company, as amended, which authorize the issuance of not more than 20,000,000 shares of Preferred Stock, without par value (the “Preferred Stock”), and pursuant to authority conferred upon the ESOP Preferred Stock Committee I of the Board (the “ESOP Committee”) in accordance with Section 141(c) of the General Corporation Law of the State of Delaware (the “General Corporation Law”) and by the resolutions of the Board set forth herein, the following resolutions were duly adopted by the Board at meetings of the Board duly held on January 25, 2000, January 27, 2009, and February 24, 2009, and by the ESOP Committee pursuant to the written consent of the ESOP Committee duly adopted on January 7, 2014, in accordance with Section 141(f) of the General Corporation Law:

1. On January 25, 2000, the Board adopted the following resolution (the “ESOP Board Resolutions”) appointing the ESOP Committee and delegating to the ESOP Committee the full powers of the Board, subject to the ESOP Board Resolutions, in all matters relating to issuance of one or more series of Preferred Stock (“ESOP Preferred Stock”) to the trustee on behalf of the Company’s 401(k) Plan hereinafter referred to:

RESOLVED that a committee of one member of the Board of the Company is hereby appointed by the Board as the ESOP Preferred Stock Committee I (the “First Committee”), which shall have and may exercise the full powers of the Board, subject to these resolutions, to issue from time to time one or more series of ESOP Preferred Stock, including any shares of Company common stock (\$1 2/3 par value) issuable upon conversion of ESOP Preferred Stock, and in connection therewith, to fix the designations, voting powers, preferences, and all other rights, qualifications and restrictions of such ESOP Preferred Stock, to sell such ESOP Preferred Stock to the Plan on such terms and conditions and for such purchase price as the First Committee in its discretion shall approve, and to take any and all actions as the First Committee shall deem necessary or appropriate.

2. On January 27, 2009, the Board adopted the following resolutions (the “January 2009 Resolutions”) amending the ESOP Board Resolutions to allow the ESOP Committee to establish the voting rights of any series of ESOP Preferred Stock:

RESOLVED that the resolution set forth in the [ESOP Board Resolutions] under the caption “Voting Rights of ESOP Preferred Stock” is hereby deleted in its entirety.

RESOLVED that the [ESOP Board Resolutions] are hereby further amended to delete “Appendix A – Voting Rights” in its entirety.

3. Pursuant to resolutions adopted on February 24, 2009, the Board designated John G. Stumpf as the sole member of the ESOP Committee, effective April 29, 2009.

4. On January 7, 2014, pursuant to authority conferred upon it by the Board in the ESOP Board Resolutions as amended by the January 2009 Resolutions, the ESOP Committee adopted the following resolution by written consent in accordance with Section 141(f) of the General Corporation Law:

RESOLVED that the issuance of a series of Preferred Stock, without par value, of the Company is hereby authorized and the designation, voting powers, preferences, and relative, participating, optional, and other special rights, and qualifications, limitations and restrictions thereof, in addition to those set forth in the Restated Certificate of Incorporation of the Company, as amended, are hereby fixed as follows:

#### 2014 ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK

##### 1. Designation and Number of Shares; Restricted Issue.

(a) The designation of the series of Preferred Stock, without par value, provided for herein shall be “2014 ESOP Cumulative Convertible Preferred Stock” (hereinafter referred to as the “2014 ESOP Preferred Stock”) and the number of authorized shares constituting the 2014 ESOP Preferred Stock is 1,217,000, based on an offering price for the 2014 ESOP Preferred Stock of \$1,089.00 per share. Each share of 2014 ESOP Preferred Stock shall have a stated value of \$1,000.00 per share. The number of authorized shares of 2014 ESOP Preferred Stock may be reduced by further resolution duly adopted by the Board or the Securities Committee and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such reduction has been so authorized, provided, however, that the authorized number of shares of 2014 ESOP Preferred Stock shall not be decreased below the then outstanding number of such shares, and provided further that the number of authorized shares of 2014 ESOP Preferred Stock shall not be increased. All shares of the 2014 ESOP Preferred Stock purchased, redeemed, or converted by the

Company shall be retired and canceled and shall be restored to the status of authorized but unissued shares of Preferred Stock, without designation as to series, and may thereafter be issued, but not as shares of 2014 ESOP Preferred Stock.

(b) Shares of 2014 ESOP Preferred Stock shall be issued only to a trustee (the "Trustee") acting on behalf of the Wells Fargo & Company 401(k) Plan, or any successor to such plan (the "Plan"). All references to the holder of shares of 2014 ESOP Preferred Stock shall mean the Trustee or any company with which or into which the Trustee may merge or any successor trustee under the trust agreement with respect to the Plan. In the event of any transfer of record ownership of shares of 2014 ESOP Preferred Stock to any person other than any successor trustee under the Plan, the shares of 2014 ESOP Preferred Stock so transferred, upon such transfer and without any further action by the Company or the holder thereof, shall be automatically converted into shares of the common stock, par value \$1-2/3 per share, of the Company (the "Common Stock") on the terms otherwise provided for the conversion of the shares of 2014 ESOP Preferred Stock into shares of Common Stock pursuant to paragraph (a) of Section 4 hereof, and no such transferee shall have any of the voting powers, preferences, and relative, participating, optional or special rights ascribed to shares of 2014 ESOP Preferred Stock hereunder but, rather, only the powers and rights pertaining to the Common Stock into which such shares of 2014 ESOP Preferred Stock shall be so converted. In the event of such a conversion, the transferee of the shares of 2014 ESOP Preferred Stock shall be treated for all purposes as the record holder of the shares of Common Stock into which such shares of 2014 ESOP Preferred Stock have been automatically converted as of the date of such transfer. Shares of 2014 ESOP Preferred Stock may be certificated or uncertificated, at the Company's option. Certificates representing shares of 2014 ESOP Preferred Stock shall bear a legend to reflect the foregoing provisions. In the case of uncertificated 2014 ESOP Preferred Stock, the transfer agent for the 2014 ESOP Preferred Stock shall note the foregoing provisions on each 2014 ESOP Preferred Stock book entry account. The Company may require that, as a condition to transferring record ownership of any uncertificated 2014 ESOP Preferred Stock, the proposed transferee acknowledge in writing that the shares of 2014 ESOP Preferred Stock are subject to the foregoing provisions. Notwithstanding the foregoing provisions of this paragraph (b) of Section 1, shares of 2014 ESOP Preferred Stock (i)(A) shall be converted into shares of Common Stock as provided in paragraph (a) of Section 4 hereof, and (B) may be converted into shares of Common Stock as provided by paragraph (b) of Section 4 hereof and the shares of Common Stock issued upon such conversion may be transferred by the holder thereof as permitted by law and (ii) shall be redeemable by the Company upon the terms and conditions provided in Sections 5 and 6(c) hereof.

2. Voting Rights. No shares of 2014 ESOP Preferred Stock shall have voting rights except such voting rights as may from time to time be required by law and as set forth in this Section 2, as follows:



(a) Whenever, at any time or times, dividends payable on shares of 2014 ESOP Preferred Stock shall be in arrears for such number of dividend periods which shall in the aggregate contain not less than 540 days, the holders of the outstanding shares of 2014 ESOP Preferred Stock shall have the exclusive right, voting together as a class with holders of shares of any one or more series of Voting Parity Stock, as defined in paragraph (e) of this Section 2, whose voting rights are exercisable, to elect two directors of the Company's Board at the Company's next annual meeting of stockholders and at each subsequent annual meeting of stockholders (the "Preferred Stock Directors") by a plurality of the votes cast; provided that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Parity Stock are entitled to elect pursuant to like voting rights). At elections for such directors, each holder of the shares of 2014 ESOP Preferred Stock shall be entitled to one vote for each share held (the holders of shares of any series of Voting Parity Stock being entitled to such number of votes, if any, for each share of Preferred Stock held as may be granted to them). Upon the vesting of such right of such holders, the maximum authorized number of members of the Board shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of such outstanding shares of 2014 ESOP Preferred Stock (together with the holders of shares of any one or more series of Voting Parity Stock whose voting rights are exercisable) as herein set forth. The right of such holders of such shares of 2014 ESOP Preferred Stock (voting together as a class with the holders of shares of any one or more series of Voting Parity Stock whose voting rights are exercisable) to elect Preferred Stock Directors as aforesaid shall continue until such time as all dividends accumulated on such shares of 2014 ESOP Preferred Stock shall have been paid in full, at which time such right with respect to such shares of 2014 ESOP Preferred Stock shall terminate, except as herein or by law expressly provided, subject to re-vesting in the event of each and every subsequent default of the character above mentioned.

(b) Upon any termination of the right of the holders of all shares of 2014 ESOP Preferred Stock and Voting Parity Stock entitled to vote for Preferred Stock Directors, the term of office of all Preferred Stock Directors then in office elected by such holders voting as a class shall terminate immediately. Any Preferred Stock Director may be removed at any time without cause by the holders of a majority of the outstanding shares of 2014 ESOP Preferred Stock and Voting Parity Stock, when they have the voting rights described above (voting together as a class). In case any vacancy shall occur among the Preferred Stock Directors, a successor may be elected by a plurality of the votes cast by the holders of 2014 ESOP Preferred Stock and Voting Parity Stock having the voting rights described above, voting together as a class, unless the vacancy has already been filled. The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Whenever the term of office of the directors elected by such holders voting as a class shall end and the special voting powers vested in such holders as provided in this resolution shall have expired, the number of directors shall be such number as may be

provided for in the By-Laws of the Company irrespective of any increase made pursuant to the provisions of this Section 2(b).

(c) In addition to any other vote required by law or the Restated Certificate of Incorporation, so long as any shares of 2014 ESOP Preferred Stock remain outstanding, the vote or consent of the holders of the outstanding shares of 2014 ESOP Preferred Stock and outstanding shares of all series of Voting Parity Stock entitled to vote on the matter, by a vote of at least two-thirds in voting power of all such outstanding shares of 2014 ESOP Preferred Stock and such series of Voting Parity Stock voting together as a class, given in person or by proxy, either in writing or at any special or annual meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following whether or not such approval is required by Delaware law:

(i) the authorization, creation or issuance, or any increase in the authorized or issued amount, of any class or series of stock ranking prior to shares of 2014 ESOP Preferred Stock with respect to payment of dividends or the distribution of assets on the Company's voluntary or involuntary liquidation, dissolution or winding up, or

(ii) the amendment, alteration or repeal, whether by merger, consolidation or otherwise, of any of the provisions of the Restated Certificate of Incorporation or of the resolutions set forth in a Certificate of Designation designating shares of 2014 ESOP Preferred Stock and the preferences, powers and relative, participating, optional and other special rights and qualifications, limitations and restrictions thereof which would materially and adversely affect any right, preference, privilege or voting power of the shares of 2014 ESOP Preferred Stock or of the holders thereof; provided, however, that any increase in the amount of authorized Preferred Stock, or the creation and issuance of other series of Preferred Stock, or any increase in the amount of authorized shares of any series of Preferred Stock, in each case ranking on a parity with or junior to the shares of 2014 ESOP Preferred Stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

(d) The foregoing voting provisions shall not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of 2014 ESOP Preferred Stock shall have been redeemed or sufficient funds shall have been irrevocably deposited in trust to effect such redemption.

(e) As used in this Section 2, "Voting Parity Stock" means any other class or series of stock of the Company now existing or hereafter authorized that ranks on par with the 2014 ESOP Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) or in the distribution of assets in the event

of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company and having similar voting rights as the 2014 ESOP Preferred Stock.

3. Dividends. (a)(i) Holders of shares of 2014 ESOP Preferred Stock will be entitled to receive, when and as declared by the Board or a duly authorized committee thereof, out of assets of the Company legally available for payment, an annual cash dividend of \$87.00 (the “Base Dividend”) per share, which Base Dividend shall be subject to adjustment from time to time as provided in this Section 3.

(ii) The Base Dividend shall be adjusted, effective on December 1, 2015 and on each December 1 thereafter until December 1, 2022, as follows:

(1) If the Current Market Price (as hereinafter defined) of one share of Common Stock on November 30 (or the next preceding Trading Day (as hereinafter defined) if November 30 is not a Trading Day) of any year listed in the Dividend Adjustment Table below is equal to or greater than the First Target Price but less than the Second Target Price shown opposite that year in such table, then holders of shares of the 2014 ESOP Preferred Stock will be entitled to receive a cash dividend for the immediately following twelve month period equal to \$92.00 per share (the “First Adjusted Dividend”).

(2) If the Current Market Price of one share of Common Stock on November 30 (or the next preceding Trading Day if November 30 is not a Trading Day) of any year listed in the Dividend Adjustment Table below is equal to or greater than the Second Target Price shown opposite that year in such table, then holders of shares of 2014 ESOP Preferred Stock will be entitled to receive a cash dividend for the immediately following twelve month period equal to \$97.00 per share (the “Second Adjusted Dividend”).

(3) If the Current Market Price of one share of Common Stock on November 30 (or next preceding Trading Day if November 30 is not a Trading Day) of any year listed in the Dividend Adjustment Table below is less than the First Target Price shown opposite that year in such table, then the holders of shares of 2014 ESOP Preferred Stock will be entitled to receive a cash dividend for the immediately following twelve month period equal to the Base Dividend.

#### **Dividend Adjustment Table**

<u>Closing Price on 11/30</u>	<u>First Target Price</u>	<u>Second Target Price</u>
2015	\$50.366	\$53.676
2016	\$54.396	\$60.117
2017	\$58.747	\$67.331
2018	\$63.447	\$75.411
2019	\$68.523	\$84.461
2020	\$74.005	\$94.596
2021	\$79.925	\$105.947
2022	\$86.319	\$118.661

(4) As an example of the adjustments described in subparagraphs (1) through (3) above, if on November 30, 2015, the Current Market Price of one share of Common Stock is \$51.00, then the cash dividend payable for the immediately following twelve month period per share of 2014 ESOP Preferred Stock would equal \$92.00, with the first quarterly payment of such \$92.00 dividend to be made on March 1, 2016. If on November 30, 2016, the Current Market Price of one share of Common Stock is \$61.00, then the cash dividend payable for the immediately following twelve month period per share of 2014 ESOP Preferred Stock would equal \$97.00, with the first quarterly payment of such \$97.00 dividend to be made on March 1, 2017. If on November 30, 2017, the Current Market Price of one share of Common Stock is \$55.00, then the cash dividend payable for the immediately following twelve month period per share of 2014 ESOP Preferred Stock would equal \$87.00, with the first quarterly payment of such \$87.00 dividend to be made on March 1, 2018.

(5) For purposes of this Section 3, the terms “First Adjusted Dividend” and “Second Adjusted Dividend” are sometimes referred to as an “Adjusted Dividend;” the term “Current Market Price” shall have the meaning given to it in Section 4(c)(iv); and the term “Trading Day” shall have the meaning given to it in Section 4(c)(vi).

(iii) If one share of Common Stock in any year listed in the Dividend Adjustment Table shall be changed into a different number of shares or a different class of shares by reason of any reclassification, recapitalization, split-up, combination, exchange of shares or readjustment, or if a stock dividend thereon shall be declared with a record date within such period, then the First Target Price and the Second Target Price listed in such table for that year and each subsequent year will be appropriately and proportionately adjusted.

(iv) Dividends payable on shares of the 2014 ESOP Preferred Stock (whether such dividends are equal to the Base Dividend or to an Adjusted Dividend) shall be payable quarterly on March 1, June 1, September 1, and December 1 of each year, commencing March 1, 2014. Dividends on shares of the 2014 ESOP Preferred Stock will be cumulative from the date of initial issuance of such shares of 2014 ESOP Preferred Stock. Dividends will be payable, in arrears, to holders of record as they appear on the stock books of the Company on such record dates, not more than 30 days nor less than

15 days preceding the payment dates thereof, as shall be fixed by the Board or a duly authorized committee thereof. The amount of dividends payable per share for each dividend period shall be computed by dividing by four the Base Dividend or the Adjusted Dividend, whichever is then applicable. The amount of dividends payable for the initial dividend period or any period shorter than a full dividend period shall be calculated on the basis of actual days elapsed in a 360-day year of twelve 30-day months.

(b)(i) No full dividends shall be declared or paid or set apart for payment on any stock of the Company ranking, as to dividends, on a parity with or junior to the 2014 ESOP Preferred Stock for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been set apart for such payment on shares of 2014 ESOP Preferred Stock for all dividend payment periods terminating on or prior to the date of payment of such full cumulative dividends. When dividends are not paid in full, as aforesaid, upon the shares of 2014 ESOP Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends with 2014 ESOP Preferred Stock, all dividends declared upon shares of 2014 ESOP Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends with 2014 ESOP Preferred Stock shall be declared pro rata so that the amount of dividends declared per share on 2014 ESOP Preferred Stock and such other series of Preferred Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the shares of 2014 ESOP Preferred Stock and such other series of Preferred Stock bear to each other. Holders of shares of 2014 ESOP Preferred Stock shall not be entitled to any dividend, whether payable in cash, property, or stock, in excess of full cumulative dividends, as herein provided, on 2014 ESOP Preferred Stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on 2014 ESOP Preferred Stock which may be in arrears.

(ii) So long as any shares of 2014 ESOP Preferred Stock are outstanding, no dividend (other than dividends or distributions paid in shares of, or options, warrants, or rights to subscribe for or purchase shares of, Common Stock or any other stock ranking junior to 2014 ESOP Preferred Stock as to dividends or upon liquidation and other than as provided in paragraph (b)(i) of this Section 3) shall be declared or paid or set aside for payment or other distribution declared or made upon Common Stock or any other capital stock of the Company ranking junior to or on a parity with 2014 ESOP Preferred Stock as to dividends or upon liquidation, nor shall any Common Stock or any other capital stock of the Company ranking junior to or on a parity with 2014 ESOP Preferred Stock as to dividends or upon liquidation, dissolution or winding up be redeemed, purchased, or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Company (except by conversion into or exchange for stock of the Company ranking junior to 2014 ESOP Preferred Stock as to dividends or upon liquidation, dissolution or winding up), unless, in each case, the full cumulative dividends on all outstanding shares of 2014 ESOP Preferred Stock shall have been paid or declared and set aside for payment of the then current dividend payment period and all past dividend payment periods.

4. Conversion. Shares of 2014 ESOP Preferred Stock are convertible from time to time hereafter pursuant to the provisions of paragraphs (a) or (b) of this Section 4 into that number of shares of Common Stock determined by dividing the stated value of each share of 2014 ESOP Preferred Stock by the then applicable Conversion Price, (as determined in accordance with the provisions of paragraph (c)(iii) of this Section 4), as follows:

(a) Each share of 2014 ESOP Preferred Stock released from the unallocated reserve of the Plan in accordance with the terms thereof shall be automatically converted, without any further action by the Company or the holder thereof, as of the date such release occurs (the “Release Date”), into fully paid and nonassessable shares of Common Stock at the then applicable Conversion Price for the 2014 ESOP Preferred Stock provided for in paragraph (c) of this Section 4.

(b) Subject to and upon compliance with the provisions of this Section 4, a holder of 2014 ESOP Preferred Stock shall be entitled at any time, prior to the close of business on the date fixed for redemption of such shares pursuant to Sections 5 or 6 hereof, to cause any or all of the shares of 2014 ESOP Preferred Stock held by such holder to be converted into fully paid and nonassessable shares of Common Stock at the then applicable Conversion Price for 2014 ESOP Preferred Stock provided for in paragraph (c) of this Section 4.

(c) For purposes of these resolutions, the following terms shall have the meanings set forth below:

(i) The “Average Current Market Price” per share of Common Stock on any date shall be deemed to be the average of the Current Market Price for one share of Common Stock for the twenty (20) consecutive Trading Days ending on the Trading Day occurring prior to the date the “Purchase Offer” is made (as that term is defined in Section 6(d) hereof).

(ii) A “Business Day” means each day that is not a Saturday, Sunday, or a day on which state or federally chartered banking institutions in the State of New York are not required to be open.

(iii) (A) For purposes of a mandatory conversion of shares of 2014 ESOP Preferred Stock into shares of Common Stock pursuant to the provisions of paragraph (a) of this Section 4, the “Conversion Price” for such shares of 2014 ESOP Preferred Stock shall be the Current Market Price of one share of Common Stock on the relevant Release Date.

(B) For purposes of an optional conversion of shares of 2014 ESOP Preferred Stock into shares of Common Stock pursuant to the provisions of paragraph (b) of this Section 4, the “Conversion Price” for such shares of 2014 ESOP

Preferred Stock shall be the Current Market Price of one share of Common Stock on the date the Conversion Notice (as that term is defined in paragraph (d) of this Section 4) is received by the Company, by the transfer agent for the 2014 ESOP Preferred Stock or by any agent for conversion of the 2014 ESOP Preferred Stock designated as such pursuant to paragraph (d) of this Section 4.

(C) For purposes of a conversion of shares of 2014 ESOP Preferred Stock into shares of Common Stock in connection with a “Purchase Offer” (as defined in Section 6(d) hereof), the “Conversion Price” for such shares of 2014 ESOP Preferred Stock shall be the Average Current Market Price of one share of Common Stock.

Each share of 2014 ESOP Preferred Stock shall be valued at its stated value of \$1,000.00 for purposes of computing, based on the applicable Conversion Price, the number of shares of Common Stock into which the shares of 2014 ESOP Preferred Stock will be converted.

(iv) The “Current Market Price” of publicly traded shares of Common Stock or any other class of capital stock or other security of the Company or any other issuer for any day shall mean the reported last sale price, regular way, or, in case no sale takes place on such day, the average of the reported closing bid and asked prices, regular way, in either case as reported on the New York Stock Exchange only or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which the Common Stock is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the National Market System of the National Association of Securities Dealers, Inc. Automated Quotations System (“NASDAQ”) or, if the Common Stock is not quoted on such National Market System, the average of the closing bid and asked prices on such day in the over-the-counter market as reported by NASDAQ or, if bid and asked prices for the Common Stock on each such day shall not have been reported through NASDAQ, the average of the bid and asked prices for such day as furnished by any New York Stock Exchange member firm regularly making a market in the Common Stock selected for such purpose by the Board or a committee thereof or, if no such quotations are available, the fair market value of the Common Stock as determined by a New York Stock Exchange member firm regularly making a market in the Common Stock selected for such purpose by the Board or a committee thereof.

(v) “Common Stock” shall mean the Common Stock of the Company as the same exists at the date of this Certificate of Designation or as such stock may be constituted from time to time.

(vi) “Trading Day” with respect to Common Stock means (x) if the Common Stock is listed or admitted for trading on the New York Stock Exchange or another national securities exchange, a day on which the New York Stock Exchange or such other national securities exchange is open for business or (y) if the Common Stock

is quoted on the National Market System of NASDAQ, a day on which trades may be made on such National Market System or (z) otherwise, any Business Day.

(d) In connection with any conversion of 2014 ESOP Preferred Stock pursuant to this Section 4, a written notice of conversion (the "Conversion Notice") shall be delivered to the Company at its principal executive office or the offices of the transfer agent for the 2014 ESOP Preferred Stock or such office or offices in the continental United States of an agent for conversion as may from time to time be designated by notice to the holders of the 2014 ESOP Preferred Stock by the Company or the transfer agent for the 2014 ESOP Preferred Stock, which Conversion Notice shall be accompanied by (a) in the case of certificated 2014 ESOP Preferred Stock, the certificate or certificates representing the shares of 2014 ESOP Preferred Stock being converted pursuant to this Section 4, duly assigned or endorsed for transfer to the Company (or accompanied by duly executed stock powers relating thereto) and (b) in the case of uncertificated 2014 ESOP Preferred Stock, duly executed assignment and transfer documents for the shares of 2014 ESOP Preferred Stock being converted pursuant to this Section 4. Each Conversion Notice shall specify (i)(y) in the case of a mandatory conversion pursuant to paragraph (a) of this Section 4, the number of shares of 2014 ESOP Preferred Stock released from the unallocated reserve of the Plan on the Release Date or (z) in the case of an optional conversion pursuant to paragraph (b) of this Section 4, the number of shares of 2014 ESOP Preferred Stock being converted, and (ii) in connection with any conversion hereunder, (x) the name or names in which such holder wishes the certificate or certificates for Common Stock and, in the case of certificated 2014 ESOP Preferred Stock, for any shares of 2014 ESOP Preferred Stock not to be so converted to be issued, (y) the address to which such holder wishes delivery to be made of such new certificates to be issued upon such conversion, and (z) such other information as the Company or its agents may reasonably request.

(e) Upon delivery to the Company or the transfer agent for the 2014 ESOP Preferred Stock of the Conversion Notice and all other documentation and certificates required to effect the conversion, as provided in paragraph (d) of this Section 4, the Company shall issue and send by hand delivery, by courier or by first-class mail (postage prepaid) to the holder thereof or to such holder's designee, at the address designated by such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled upon conversion. If there shall have been surrendered a certificate or certificates representing shares of 2014 ESOP Preferred Stock only part of which are to be converted, the Company shall issue and deliver to such holder or such holder's designee, in the manner set forth in the preceding sentence, a new certificate or certificates representing the number of shares of 2014 ESOP Preferred Stock which shall not have been converted.

(f) The issuance by the Company of shares of Common Stock upon a conversion of shares of 2014 ESOP Preferred Stock into shares of Common Stock made pursuant to this Section 4 shall be effective (i) in the case of a mandatory conversion of shares of 2014 ESOP Preferred Stock pursuant to paragraph (a) of this Section 4, as of



the Release Date; and (ii) in the case of an optional conversion of such shares pursuant to paragraph (b) of this Section 4, as of the earlier of (A) the delivery to such holder or such holder's designee of the certificates representing the shares of Common Stock issued upon conversion thereof or (B) the commencement of business on the second Business Day after the delivery to the Company or the transfer agent for the 2014 ESOP Preferred Stock of the Conversion Notice and all other documentation and certificates required to effect the conversion, as provided in paragraph (d) of this Section 4. On and after the effective date of a conversion, the person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock, but no allowance or adjustment shall be made in respect of dividends payable to holders of Common Stock in respect of any period prior to such effective date. The Company shall not be obligated to pay any dividends which shall have accrued or have been declared and shall be payable to holders of shares of 2014 ESOP Preferred Stock if the date on which such dividends are paid is on or after the effective date of conversion of such shares.

(g) The Company shall not be obligated to deliver to holders of 2014 ESOP Preferred Stock any fractional share or shares of Common Stock issuable upon any conversion of such shares of 2014 ESOP Preferred Stock, but in lieu thereof may make a cash payment in respect thereof in any manner permitted by law.

(h) The Company shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for issuance upon the conversion of shares of 2014 ESOP Preferred Stock as herein provided, free from any preemptive rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of 2014 ESOP Preferred Stock then outstanding.

(i) The Company will use its best efforts to cause the listing of the shares of Common Stock required to be delivered upon conversion of the 2014 ESOP Preferred Stock prior to distribution to Plan participants on the national securities exchange, if any, upon which the outstanding Common Stock is listed at the time of such delivery.

(j) The Company will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock on conversions of the 2014 ESOP Preferred Stock pursuant hereto; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock in a name other than that of the holder of the 2014 ESOP Preferred Stock to be converted and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that such tax has been paid.

5. Redemption At the Option of the Company. (a) The 2014 ESOP Preferred Stock shall be redeemable out of assets legally available therefor, in whole or in part, at the option of the Company at any time, at a redemption price per share of 2014

ESOP Preferred Stock equal to the higher of (x) \$1,000.00 per share, plus an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption, and (y) the Fair Market Value (as that term is defined in paragraph (d) of this Section 5) per share of 2014 ESOP Preferred Stock on the date fixed for redemption. Payment of the redemption price shall be made by the Company in cash or shares of Common Stock, or a combination thereof, as permitted by paragraph (c) of this Section 5. From and after the date fixed for redemption, dividends on shares of 2014 ESOP Preferred Stock called for redemption will cease to accrue and all rights in respect of such shares of the Company shall cease, except the right to receive the redemption price. Upon payment of the redemption price, such shares shall be deemed to have been transferred to the Company, to be retired as provided in paragraph (a) of Section 1. If the full cumulative dividends have not been paid, or contemporaneously declared and set aside for payment, on all outstanding shares of 2014 ESOP Preferred Stock, the Company may not redeem fewer than all the outstanding shares of 2014 ESOP Preferred Stock pursuant to this Section 5.

(b) Unless otherwise required by law, notice of any redemption pursuant to this Section 5 will be sent to the holders of 2014 ESOP Preferred Stock at the address shown on the books of the Company or any transfer agent for the 2014 ESOP Preferred Stock by hand delivery, by courier, by standard form of telecommunication or by first-class mail (postage prepaid) delivered, sent or mailed, as the case may be, not less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Each such notice shall state: (i) the redemption date; (ii) the total number of shares of the 2014 ESOP Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) whether the redemption price shall be paid in cash or in shares of Common Stock, or in a combination of such Common Stock and cash; (v) in the case of certificated 2014 ESOP Preferred Stock the place or places where certificates for such shares are to be surrendered for payment of the redemption price; (vi) that dividends on the shares to be redeemed will cease to accrue on such redemption date; and (vii) the conversion rights of the shares to be redeemed, the period within which conversion rights may be exercised and the manner in which the number of shares of Common Stock issuable upon conversion of a share of 2014 ESOP Preferred Stock will be determined. The Company shall redeem shares so called for redemption and not previously converted at the date fixed for redemption and at the redemption price set forth in this Section 5, provided that, in the case of certificated 2014 ESOP Preferred Stock, the Company shall not be obligated to pay the redemption price until the certificates for the shares to be redeemed are surrendered (properly endorsed or assigned for transfer, if the Board of Directors of the Company shall so require and the notice shall so state).

(c) The Company, at its option, may make payment of the redemption price required upon redemption of shares of 2014 ESOP Preferred Stock in cash or in shares of Common Stock, or in a combination of such Common Stock and cash, any such shares of Common Stock to be valued for such purposes at their Fair Market Value (as

defined in paragraph (d)(ii) of this Section 5) or their Current Market Price, in either case as of the date fixed for redemption of the 2014 ESOP Preferred Stock, whichever value will result in the issuance of the greater number of shares of Common Stock to the holder of the 2014 ESOP Preferred Stock then being redeemed.

(d) For purposes of these resolutions, the following terms shall have the meanings set forth below:

(i) “Adjustment Period” shall mean the period of five (5) consecutive Trading Days preceding the date as of which the Fair Market Value of a security is to be determined.

(ii) “Fair Market Value” shall mean, as to shares of Common Stock or any other class of capital stock or securities of the Company or any other issue which are publicly traded, the average of the Current Market Prices of such shares or securities for each day of the Adjustment Period. The “Fair Market Value” of any security which is not publicly traded (other than the 2014 ESOP Preferred Stock) or of any other property shall mean the fair value thereof on the date as of which the Fair Market Value of the security is to be determined, as determined by an independent investment banking or appraisal firm experienced in the valuation of such securities or property selected in good faith by the Board or a committee thereof. The “Fair Market Value” of the 2014 ESOP Preferred Stock for purposes of paragraph (a) of Section 5, and for purposes of paragraph (c) of Section 6 shall mean the fair market value thereof determined by an independent appraiser, appointed by the Trustee of the Plan in accordance with the provisions of the Plan, as of the date fixed for redemption of the 2014 ESOP Preferred Stock (in the case of a redemption pursuant to Section 5) or as of the date specified in paragraph (c) of Section 6 (in the case of a redemption under that section). For purposes of determining the Fair Market Value of the 2014 ESOP Preferred Stock, the independent appraiser shall assume (i) that all dividends on the 2014 ESOP Preferred Stock would have been paid when due, and (ii) that the mandatory conversion of shares of 2014 ESOP Preferred Stock held by the Plan into shares of Common Stock pursuant to Section 4(a) hereof would have occurred when and as payments of principal (together with accrued interest thereon) would have been made by the Trustee of the Plan in accordance with the terms of that certain 2014 ESOP Cumulative Convertible Preferred Stock Note Agreement dated on or about January 10, 2014 between the Company and the Plan (including any amendments or modifications thereto).

6. Consolidation, Merger, etc. (a) If the Company consummates any consolidation or merger or similar business combination, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged solely for or changed, reclassified or converted solely into stock of any successor or resulting corporation (including the Company) that constitutes “qualifying employer securities” with respect to a holder of 2014 ESOP Preferred Stock within the meaning of Section 409(1) of the Internal Revenue Code of 1986, as amended, and Section 407(d)(5) of the Employee Retirement Income Security Act of 1974, as amended, or any successor

provisions of law, and, if applicable, for a cash payment in lieu of fractional shares, if any, the shares of 2014 ESOP Preferred Stock of such holder shall, in connection with such consolidation, merger or similar business combination, be assumed by and shall become Preferred Stock of such successor or resulting corporation, having in respect of such corporation, insofar as possible, the same powers, preferences and relative, participating, optional or other special rights (including the redemption rights provided by Sections 5 and 6 hereof), and the qualifications, limitations or restrictions thereon, that the 2014 ESOP Preferred Stock had immediately prior to such transaction, subject to the following:

(1) After such transaction each share of the 2014 ESOP Preferred Stock shall be convertible, otherwise on the terms and conditions provided by Section 4 hereof, into the number and kind of qualifying employer securities so receivable by a holder of the number of shares of Common Stock into which such shares of 2014 ESOP Preferred Stock could have been converted immediately prior to such transaction.

(2) The Company shall not consummate any such merger, consolidation or similar transaction unless all then outstanding shares of 2014 ESOP Preferred Stock shall be assumed and authorized by the successor or resulting corporation as aforesaid.

(b) If the Company consummates any consolidation or merger or similar business combination, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged for or changed, reclassified or converted into other stock or securities or cash or any other property, or any combination thereof, other than any such consideration which is constituted solely of qualifying employer securities (as referred to in paragraph (a) of this Section 6) and cash payments, if applicable, in lieu of fractional shares, outstanding shares of 2014 ESOP Preferred Stock shall, without any action on the part of the Company or any holder thereof (but subject to paragraph (c) of this Section 6), be automatically converted by virtue of such merger, consolidation or similar transaction immediately prior to such consummation into the number of shares of Common Stock into which such shares of 2014 ESOP Preferred Stock could have been converted at such time so that each share of 2014 ESOP Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in like kind) receivable by a holder of the number of shares of Common Stock into which such shares of 2014 ESOP Preferred Stock could have been converted immediately prior to such transaction. However, if by virtue of the structure of such transaction, a holder of Common Stock is required to make an election with respect to the nature and kind of consideration to be received in such transaction, which election cannot practicably be made by the holders of the 2014 ESOP Preferred Stock, then the shares of 2014 ESOP Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in kind) receivable by a holder of the number of shares of Common Stock into

which such shares of 2014 ESOP Preferred Stock could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election as to the kind or amount of stock, securities, cash or other property receivable upon such transaction. If the kind or amount of stock, securities, cash or other property receivable upon such transaction is not the same for each non-electing share, then the kind and amount of stock, securities, cash or other property receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of the non-electing shares.

(c) In the event the Company shall enter into any agreement providing for any consolidation or merger or similar business combination described in paragraph (b) of this Section 6 (a “Business Combination”), then the Company shall as soon as practicable thereafter (and in any event at least fifteen (15) Business Days before consummation of such transaction) give notice of such agreement and the material terms thereof to each holder of 2014 ESOP Preferred Stock and each such holder shall have the right to elect, by written notice to the Company, to receive, upon consummation of such transaction (if and when such transaction is consummated), from the Company or the successor of the Company, in redemption and retirement of such 2014 ESOP Preferred Stock, a cash payment per share of 2014 ESOP Preferred Stock equal to the higher of (x) \$1,000.00, plus accrued and unpaid dividends thereon to the date of consummation of such transaction or (y) the Fair Market Value per share of 2014 ESOP Preferred Stock, as of the last Business Day (as defined in paragraph (c) of Section 4 hereof) immediately preceding the date the Business Combination is consummated. No such notice of redemption shall be effective unless given to the Company prior to the close of business on the last Business Day prior to consummation of such transaction, unless the Company or the successor of the Company shall waive such prior notice, but any notice of redemption so given prior to such time may be withdrawn by notice of withdrawal given to the Company prior to the close of business on the last Business Day prior to consummation of such transaction.

(d) In the event that a Purchase Offer (as defined below) shall have been made and shall be continuing, each holder of 2014 ESOP Preferred Stock shall have the right to convert shares of 2014 ESOP Preferred Stock into shares of Common Stock at the Conversion Price specified in Section 4(c)(iii)(C) hereof until the date the Purchase Offer is terminated, including without limitation because the original Purchase Offer is withdrawn or because the Purchase Offer has expired and is not renewed, upon notice of such conversion given to the Company not later than the close of business on the date the Purchase Offer terminates (the “Purchase Offer Conversion Period”), unless the Company or any successor of the Company shall waive such prior notice, but any notice of conversion so given may be withdrawn by notice of withdrawal given to the Company prior to the end of the Purchase Offer Conversion Period.

For purposes of this paragraph (d), the following terms shall have the meanings set forth below:

(i) “Beneficial Ownership” shall have the meaning ascribed to it in Rule 13d-3 under the Securities Exchange Act of 1934 (the “Exchange Act”) and “person” shall have the meanings specified in Sections 3(a)(9) and 13(d)(3) of the Exchange Act.

(ii) A “Purchase Offer” shall have been made when any person (other than the Company or any affiliate of the Company) shall have “commenced” (as such term is defined in Rule 14d-2 under the Exchange Act) a tender offer or exchange offer to purchase shares of Common Stock, such that, upon consummation of such offer, such person would have Beneficial Ownership (as defined herein) or the right to acquire Beneficial Ownership, of twenty percent (20%) or more of the voting power of the Company.

7. Liquidation Rights. (a) Upon the dissolution, liquidation, or winding up of the Company, the holders of the shares of 2014 ESOP Preferred Stock shall be entitled to receive and to be paid out of the assets of the Company available for distribution to its stockholders, before any payment or distribution shall be made on or set aside for the Common Stock or any other class of stock ranking junior to 2014 ESOP Preferred Stock and subject to the rights of the holders of the shares of any series or class or classes of stock ranking on parity with or senior to the 2014 ESOP Preferred Stock, the amount of \$1,000.00 per share, plus a sum equal to all dividends (whether or not earned or declared) on such shares accrued and unpaid thereon to the date of final distribution.

(b) Neither the sale of all or substantially all the property and assets of the Company, nor the merger, consolidation or other business combination of the Company into or with any other corporation, nor the merger, consolidation or other business combination of any other corporation into or with the Company shall be deemed to be a dissolution, liquidation, or winding up, voluntary or involuntary, for the purposes of this Section 7.

(c) After the payment to the holders of the shares of 2014 ESOP Preferred Stock of the full preferential amounts provided for in this Section 7, the holders of 2014 ESOP Preferred Stock, as such, shall have no right or claim to any of the remaining assets of the Company.

(d) In the event the assets of the Company available for distribution to the holders of shares of 2014 ESOP Preferred Stock upon any dissolution, liquidation, or winding up of the Company, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such holders are entitled pursuant to paragraph (a) of this Section 7, no such distribution shall be made on account of any shares of any other series of Preferred Stock or other capital stock of the Company ranking on a parity with the shares of 2014 ESOP Preferred Stock upon such dissolution, liquidation, or winding up unless proportionate distributive amounts shall be paid on account of the shares of 2014 ESOP Preferred Stock, ratably, in proportion to the full distributable amounts for which

holders of all such parity shares are respectively entitled upon such dissolution, liquidation, or winding up.

(e) Subject to the rights of the holders of the shares of any series or class or classes of stock ranking on parity with or prior to the shares of 2014 ESOP Preferred Stock upon liquidation, dissolution, or winding up, upon any liquidation, dissolution, or winding up of the Company, after payment shall have been made in full to the holders of the shares of 2014 ESOP Preferred Stock as provided in this Section 7, but not prior thereto, any other series or class or classes of stock ranking junior to the shares of 2014 ESOP Preferred Stock upon liquidation shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the shares of 2014 ESOP Preferred Stock shall not be entitled to share therein.

8. Ranking. For the purposes of these resolutions, any stock of any series or class or classes of the Company shall be deemed to rank:

(a) prior to the shares of 2014 ESOP Preferred Stock, either as to dividends or upon liquidation, dissolution or winding up, if the holders of such series or class or classes shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation, or winding up of the Company, as the case may be, in preference or priority to the holders of shares of 2014 ESOP Preferred Stock;

(b) on a parity with shares of 2014 ESOP Preferred Stock, either as to dividends or upon liquidation, dissolution or winding up, whether or not the dividend rates, dividend payment dates, or redemption or liquidation prices per share, or sinking fund provisions, if any, be different from those of 2014 ESOP Preferred Stock, if the holders of such stock shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation, or winding up of the Company, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority, one over the other, as between the holders of such stock and the holders of shares of 2014 ESOP Preferred Stock; and

(c) junior to shares of 2014 ESOP Preferred Stock, either as to dividends or upon liquidation, dissolution or winding up, if such class shall be Common Stock or if the holders of shares of 2014 ESOP Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation, or winding up of the Company, as the case may be, in preference or priority to the holders of shares of such series or class or classes.

9. Priority of 2014 ESOP Preferred Stock. The shares of 2014 ESOP Preferred Stock will rank on a parity, both as to payment of dividends and the distribution of assets upon liquidation, with the Company's 2005 ESOP Cumulative Convertible Preferred Stock, its 2006 ESOP Cumulative Convertible Preferred Stock, its 2007 ESOP Cumulative Convertible Preferred Stock, its 2008 ESOP Cumulative Convertible

Preferred Stock, its 2010 ESOP Cumulative Convertible Preferred Stock, its 2011 ESOP Cumulative Convertible Preferred Stock, its 2012 ESOP Cumulative Convertible Preferred Stock, and its 2013 ESOP Cumulative Convertible Preferred Stock.



IN WITNESS WHEREOF, the Company has caused this Certificate of Designation to be signed by John G. Stumpf, its Chairman, President and Chief Executive Officer, and attested by Jeannine E. Zahn, its Assistant Secretary, on this 8th day of January, 2014.

WELLS FARGO & COMPANY

By     /s/ John G. Stumpf      
John G. Stumpf  
Chairman, President and  
Chief Executive Officer

Attest:

    /s/ Jeannine E. Zahn      
Jeannine E. Zahn  
Assistant Secretary

[As filed with the Delaware Secretary of State on January 8, 2014.]

## WELLS FARGO & COMPANY

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### CERTIFICATE OF DESIGNATION

Pursuant to Section 151(g) of the  
General Corporation Law  
of the State of Delaware

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### **5.90% FIXED-TO-FLOATING RATE NON-CUMULATIVE PERPETUAL CLASS A PREFERRED STOCK, SERIES S (Without Par Value)**

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WELLS FARGO & COMPANY, a corporation organized and existing under the laws of the State of Delaware (the “*Corporation*”), HEREBY CERTIFIES that, pursuant to authority conferred upon the Board of Directors of the Corporation (the “*Board of Directors*”) by the provisions of the Restated Certificate of Incorporation of the Corporation, as amended, which authorize the issuance of not more than 20,000,000 shares of Preferred Stock, without par value, and pursuant to authority conferred upon the Securities Committee of the Board of Directors (the “*Committee*”) in accordance with Section 141(c) of the General Corporation Law of the State of Delaware (the “*General Corporation Law*”), the following resolutions were duly adopted by the Committee pursuant to the unanimous written consent of the Committee duly adopted on April 17, 2014, in accordance with Section 141(f) of the General Corporation Law:

**Resolved**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated January 27, 2009, the provisions of the Restated Certificate of Incorporation, the By-laws of the Corporation, and applicable law, a series of Preferred Stock, no par value, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

### **RIGHTS AND PREFERENCES**

**Section 1. Designation.** The shares of such series of Preferred Stock shall be designated 5.90% Fixed-to-Floating Rate Non-Cumulative Perpetual Class A Preferred Stock, Series S, with no par value and a liquidation preference amount of \$25,000 per share (the “*Series S Preferred Stock*”). Each share of Series S Preferred Stock shall be identical in all respects to every other share of Series S Preferred Stock except with

respect to the date from which dividends may accrue. Series S Preferred Stock will rank equally with Parity Stock with respect to the payment of dividends and distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation and will rank senior to Junior Stock with respect to the payment of dividends and/or the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 2. Number of Shares.** The number of authorized shares of Series S Preferred Stock shall be 80,000. Such number may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock) or decreased (but not below the number of shares of Series S Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law stating that such increase or decrease, as the case may be, has been so authorized. The Corporation shall have the authority to issue fractional shares of Series S Preferred Stock.

**Section 3. Definitions.** As used herein with respect to Series S Preferred Stock:

*“Business Day”* means for dividends payable for the Fixed Rate Period (as defined below) any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in New York, New York, and for dividends payable for the Floating Rate Period (as defined below), it means any date that would be considered a Business Day during the Fixed Rate Period that is also a London Banking Day (as defined below).

*“Calculation Agent”* means Wells Fargo Securities, LLC or any other successor appointed by the Corporation, acting as Calculation Agent.

*“Certificate of Designation”* means this Certificate of Designation relating to the Series S Preferred Stock, as it may be amended from time to time.

*“Common Stock”* means the common stock of the Corporation, par value \$1 $\frac{2}{3}$  per share, as the same exists at the date of this Certificate of Designation or as such stock may be constituted from time to time.

*“Depository Company”* has the meaning set forth in Section 6(d) hereof.

*“Designated LIBOR Page”* means the display on Reuters, or any successor service, on page LIBOR01, or any other page as may replace that page on that service, for the purpose of displaying the London interbank rates for U.S. dollars.

*“Dividend Payment Date”* has the meaning set forth in Section 4(a) hereof.

*“Dividend Period”* has the meaning set forth in Section 4(a) hereof.

“DTC” means The Depository Trust Company, together with its successors and assigns.

“Fixed Rate Period” has the meaning set forth in Section 4(a) hereof.

“Floating Rate Period” has the meaning set forth in Section 4(a) hereof.

“Junior Stock” means the Common Stock and any other class or series of stock of the Corporation now existing or hereafter authorized over which the Series S Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

“LIBOR Determination Date” means the second London Banking Day immediately preceding the first day of the relevant Dividend Period.

“Liquidation Preference” has the meaning set forth in Section 5(a) hereof.

“London Banking Day” means any day on which commercial banks and foreign exchange markets settle payments in London.

“Nonpayment Event” shall have the meaning set forth in Section 7(b).

“Parity Stock” means any other class or series of stock of the Corporation now existing or hereafter authorized that ranks on par with the Series S Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) or in the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

“Preference Stock” means any and all series of preference stock, having no par value, of the Corporation.

“Preferred Stock” means any and all series of preferred stock, having no par value, of the Corporation, including the Series S Preferred Stock.

“Preferred Stock Directors” shall have the meaning set forth in Section 7(b).

“Regulatory Capital Treatment Event” means the Corporation’s reasonable determination that as a result of any (i) amendment to, clarification of, or change (including any announced prospective change) in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective on or after April 14, 2014; (ii) proposed change in those laws or regulations that is announced or becomes effective on or after April 14, 2014; or (iii) official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced on or after April 14, 2014, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation preference amount of all shares of Series S

Preferred Stock then outstanding as Tier 1 capital (or its equivalent) for purposes of the capital adequacy guidelines or regulations of the appropriate federal banking agency, as then in effect and applicable, for as long as any share of Series S Preferred Stock is outstanding.

“*Series S Preferred Stock*” has the meaning set forth in Section 1 hereof.

“*Three-month LIBOR*” means, for any LIBOR Determination Date, the arithmetic mean of the offered rates for deposits in U.S. dollars for a three-month period commencing on the second London Banking Day immediately following that LIBOR Determination Date that appear on the Designated LIBOR Page as of 11:00 a.m., London time, on that LIBOR Determination Date, if at least two offered rates appear on the Designated LIBOR Page, provided that if the specified Designated LIBOR Page by its terms provides only for a single rate, that single rate will be used. If (i) fewer than two offered rates appear or (ii) no rate appears and the Designated LIBOR Page by its terms provides only for a single rate, then the Calculation Agent will request the principal London offices of each of four major banks in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in U.S. dollars for a three-month period commencing on the second London Banking Day immediately following that LIBOR Determination Date to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that LIBOR Determination Date and in a principal amount that is representative of a single transaction in U.S. dollars in that market at that time. If at least two quotations are provided, Three-month LIBOR determined on that LIBOR Determination Date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, Three-month LIBOR will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., New York City time, on that LIBOR Determination Date by three major banks in New York City selected by the Calculation Agent for loans in U.S. dollars to leading European banks for a three-month period and in a principal amount that is representative of a single transaction in U.S. dollars in that market at that time. If the banks so selected by the Calculation Agent are not quoting as set forth above, Three-month LIBOR for that LIBOR Determination Date will remain Three-month LIBOR for the immediately preceding Dividend Period or, in the case of the Dividend Period beginning June 15, 2024, 5.90%. All percentages used in or resulting from any calculation of Three-month LIBOR will be rounded, if necessary, to the nearest one hundred-thousandth of a percentages point, with .000005% rounded up to .00001%. The determination of Three-month LIBOR for each relevant Dividend Period by the Calculation Agent will (in the absence of manifest error) be final and binding.

“*Voting Parity Stock*” means any Parity Stock having similar voting rights as the Series S Preferred Stock.

#### **Section 4. Dividends.**

**(a) Rate.** Dividends on the Series S Preferred Stock will not be mandatory. Holders of Series S Preferred Stock shall be entitled to receive, when, as and if declared

by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation, but only out of assets legally available therefor, non-cumulative cash dividends on the liquidation preference amount of \$25,000 per share of the Series S Preferred Stock, payable (i) from April 22, 2014 to, but excluding, June 15, 2024 (the “*Fixed Rate Period*”), semi-annually in arrears on the 15<sup>th</sup> day of each June and December, commencing December 15, 2014 at an annual rate of 5.90%, and (ii) from, and including, June 15, 2024 (the “*Floating Rate Period*”), quarterly in arrears on the 15<sup>th</sup> day of each March, June, September and December, commencing September 15, 2024, at an annual rate equal to Three-month LIBOR plus 3.11%. Notwithstanding the foregoing, if any date on or prior to June 15, 2024 on which dividends otherwise would be payable is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding day that is a Business Day, without any interest or other payment in respect of such delay, and if any date after June 15, 2024 on which dividends otherwise would be payable is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding Business Day unless that day falls in the next calendar month, in which case payment of any dividend otherwise payable on that date will be the immediately preceding Business Day, and dividends will accrue to the actual payment date (each such day on which dividends are payable a “*Dividend Payment Date*”). A “*Dividend Period*” means the period from, and including, a Dividend Payment Date to, but excluding, the next succeeding Dividend Payment Date, except for the initial Dividend Period, which will be the period from, and including, April 22, 2014 to, but excluding, December 15, 2014. The record date for payment of dividends on the Series S Preferred Stock shall be the last Business Day of the calendar month immediately preceding the month during which the Dividend Payment Date falls or such other date as determined by the Corporation’s Board of Directors. The amount of dividends payable for the Fixed Rate Period shall be computed on the basis of a 360-day year of twelve 30-day months. The amount of dividends payable for the Floating Rate Period shall be computed on the basis of a 360-day year and the actual number of days elapsed. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward. The Calculation Agent’s determination of any dividend rate, and its calculation of the amount of dividends payable for the Floating Rate Period, will be maintained on file at the Calculation Agent’s principal offices.

**(b) Non-Cumulative Dividends.** Dividends on shares of Series S Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series S Preferred Stock on any Dividend Payment Date are not declared prior to such Dividend Payment Date, then such dividends shall not cumulate and shall cease to accrue and be payable, and the Corporation shall have no obligation to pay, and the holders of Series S Preferred Stock shall have no right to receive, dividends accrued for such Dividend Period on the Dividend Payment Date for such Dividend Period or at any time in the future or interest with respect to such dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series S Preferred Stock or any other series of authorized Preferred Stock, Preference Stock, or Common Stock of the Corporation.

**(c) Priority of Dividends.** So long as any shares of Series S Preferred Stock remain outstanding,

(1) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Common Stock, and no shares of Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Common Stock by the Corporation (other than (i) a dividend payable in Common Stock or (ii) the acquisition of shares of Common Stock in exchange for, or through application of proceeds of the sale of, shares of Common Stock);

(2) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Junior Stock other than Common Stock, and no shares of Junior Stock other than Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Junior Stock other than Common Stock by the Corporation (other than (i) a dividend payable solely in shares of Junior Stock, (ii) any dividend in connection with the implementation of a stockholder rights plan, or the redemption or repurchase of any rights under any such plan, (iii) any dividend in the form of stock, warrants, options or other rights where the dividend stock or stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks equally with or junior to such stock, (iv) as a result of a reclassification of Junior Stock other than Common Stock for or into other Junior Stock, (v) the exchange or conversion of one share of Junior Stock other than Common Stock for or into another share of Junior Stock, (vi) through the use of proceeds of a substantially contemporaneous sale of other shares of Junior Stock, (vii) any purchase, redemption or other acquisition of Junior Stock other than Common Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after April 14, 2014, (viii) any purchase of fractional interests in shares of Junior Stock other than Common Stock pursuant to the conversion or exchange provisions of such Junior Stock other than Common Stock or the securities being converted or exchanged, (ix) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (x) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business); and

(3) no shares of Parity Stock will be repurchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series S Preferred Stock and such Parity Stock during a Dividend Period (other than (i) as a result of a reclassification of Parity Stock for

or into other Parity Stock or Junior Stock, (ii) the exchange or conversion of one share of Parity Stock for or into another share of Parity Stock or Junior Stock, (iii) through the use of proceeds of a substantially contemporaneous sale of other shares of Parity Stock or Junior Stock, (iv) any purchase, redemption or other acquisition of Parity Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after April 14, 2014, (v) any purchase of fractional interests in shares of Parity Stock pursuant to the conversion or exchange provisions of such Parity Stock or the securities being converted or exchanged, (vi) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (vii) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business),

unless, in each case, the full dividends for the then-current Dividend Period on all outstanding shares of the Series S Preferred Stock have been declared and paid or declared and a sum sufficient for the payment of those dividends has been set aside.

Subject to the succeeding sentence, for so long as any shares of Series S Preferred Stock remain outstanding, no dividends shall be declared, paid, or set aside for payment on any Parity Stock for any period unless full dividends on all outstanding shares of Series S Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. To the extent the Corporation declares dividends on the Series S Preferred Stock and on any Parity Stock but cannot make full payment of those declared dividends, the Corporation will allocate the dividend payments on a proportional basis among the holders of shares of Series S Preferred Stock and the holders of any Parity Stock then outstanding where the terms of such Parity Stock provide similar dividend rights.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may be declared and paid on the Common Stock and any other stock that is Parity Stock or Junior Stock, from time to time out of any assets legally available for such payment, and the shares of Series S Preferred Stock shall not be entitled to participate in any such dividends.

## **Section 5. Liquidation Rights.**

**(a) Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series S Preferred Stock shall be entitled to receive in full out of assets available for distribution to its stockholders before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of the Common Stock or any other Junior Stock, and subject to the rights of the holders of Parity Stock or any stock of the



Corporation ranking senior to the Series S Preferred Stock as to such distribution, a liquidating distribution in the amount of \$25,000 per share, plus an amount equal to any dividends which have been declared but not yet paid, without accumulation of any undeclared dividends, to the date of liquidation (the “*Liquidation Preference*”). The holders of Series S Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

**(b) Partial Payment.** If the assets of the Corporation are not sufficient to pay in full the Liquidation Preference to all holders of Series S Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series S Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preference of Series S Preferred Stock and all such Parity Stock.

**(c) Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series S Preferred Stock and all other amounts payable upon liquidation, dissolution or winding up of the Corporation have been paid in full to all holders of any Parity Stock, the holders of Common Stock and any other Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

## **Section 6. Redemption.**

**(a) Optional Redemption.** The Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may redeem, subject to the prior approval of the Federal Reserve Board, out of funds legally available therefor, in whole or in part, the shares of Series S Preferred Stock at the time outstanding, at any time on any Dividend Payment Date on or after June 15, 2024, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series S Preferred Stock shall be \$25,000 per share plus an amount equal to any dividends that have been declared but not paid up to the redemption date without accumulation of any undeclared dividends.

Notwithstanding the foregoing, within 90 days of the Corporation’s good faith determination that a Regulatory Capital Treatment Event has occurred, the Corporation,

at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may, subject to the approval of the appropriate federal banking agency, redeem out of funds legally available therefor, in whole, but not in part, the shares of Series S Preferred Stock at the time outstanding, prior to June 15, 2024, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series S Preferred Stock shall be \$25,000 per share plus an amount equal to any dividends that have been declared but not paid, without accumulation of any undeclared dividends.

**(b) Notice of Redemption.** Notice of every redemption of shares of Series S Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the stock register of the Corporation. Such mailing shall be at least 40 days and not more than 70 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(b) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series S Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series S Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series S Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, if applicable, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where the certificates for those shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date. Notwithstanding the foregoing, if the Series S Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC.

**(c) Partial Redemption.** In case of any redemption of only part of the shares of Series S Preferred Stock at the time outstanding, the shares of Series S Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series S Preferred Stock in proportion to the number of Series S Preferred Stock held by such holders as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine to be fair and equitable. Subject to the provisions of this Section 6, the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series S Preferred Stock shall be redeemed from time to time.

**(d) Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been irrevocably set aside by the Corporation, separate and apart from its other assets, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the Board of Directors of the

Corporation or any duly authorized committee of the Board of Directors (the “*Depository Company*”) in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding, all dividends with respect to such shares shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from the Depository Company at any time after the redemption date from the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depository Company any interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of two years from the redemption date shall, to the extent permitted by law, be released or repaid to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

#### **Section 7. Voting Rights.**

**(a) General.** The holders of Series S Preferred Stock shall not be entitled to vote on any matter except as set forth in paragraph 7(b) below or as required by applicable law.

**(b) Right To Elect Two Directors Upon Nonpayment Events.** Whenever dividends payable on any shares of Series S Preferred Stock or any class or series of Voting Parity Stock have not been declared and paid in an aggregate amount equal to, as to any class or series, at least three semi-annual Dividend Periods or their equivalent, whether or not for consecutive Dividend Periods (a “*Nonpayment Event*”), the holders of the outstanding Series S Preferred Stock, voting together as a class with holders of Voting Parity Stock whose voting rights are exercisable, will be entitled to vote for the election of two additional directors of the Corporation’s Board of Directors at the Corporation’s next annual meeting of stockholders and at each subsequent annual meeting of stockholders (the “*Preferred Stock Directors*”) by a plurality of the votes cast; *provided* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Parity Stock are entitled to elect pursuant to like voting rights). Upon the vesting of such right of such holders, the maximum authorized number of members of the Board of Directors shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of the outstanding Series S Preferred Stock (together with the holders of shares of any one or more other series of Voting Parity Stock). At elections for such directors, each holder of the Series S Preferred Stock shall be entitled to 25 votes for each share held (the holders of shares of any other series of Voting Parity Stock being entitled to such number of votes, if any, for each share of such stock as may be granted to them). The right of the holders of the Series S Preferred Stock (voting together as a class with the holders of shares of any one

or more other series of Voting Parity Stock) to elect Preferred Stock Directors shall continue until such time as the Corporation has paid in full dividends for the equivalent of at least two semi-annual Dividend Periods or their equivalent, at which time such right with respect to the Series S Preferred Stock shall terminate, except as provided by law, and subject to reverting in the event of each and every subsequent default of the character described in this Section 7(b).

Upon any termination of the right of the holders of all shares of Series S Preferred Stock and Voting Parity Stock to vote for Preferred Stock Directors, the term of office of all Preferred Stock Directors then in office elected by only those holders voting as a class shall terminate immediately. Any Preferred Stock Director may be removed at any time without cause by the holders of a majority of the outstanding shares of Series S Preferred Stock and Voting Parity Stock, when they have the voting rights described above (voting together as a class). In case any vacancy shall occur among the Preferred Stock Directors, a successor may be elected by a plurality of the votes cast by the holders of Series S Preferred Stock and Voting Parity Stock having the voting rights described above, voting together as a class, unless the vacancy has already been filled. The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Whenever the term of office of the directors elected by such holders voting as a class shall end and the special voting powers vested in such holders as provided in this Section 7(b) shall have expired, the number of directors shall be such number as may be provided for in the By-Laws irrespective of any increase made pursuant to this Section 7(b).

**(c) Other Voting Rights.** In addition to any other vote required by law or the Restated Certificate of Incorporation, so long as any shares of the Series S Preferred Stock remain outstanding, the vote or consent of the holders of the outstanding shares of Series S Preferred Stock and outstanding shares of all other series of Voting Parity Stock entitled to vote on the matter, by a vote of at least 66 2/3% in voting power of all such outstanding Series S Preferred Stock and such Voting Parity Stock, voting together as a class, given in person or by proxy, either in writing without a meeting or at any meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following actions, whether or not such approval is required by Delaware law: (i) the issuance of any class or series of Preferred Stock or Preference Stock ranking senior to the Series S Preferred Stock in the payment of dividends or the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; (ii) any amendment, alteration or repeal of any provision of the Restated Certificate of Incorporation, including the Certificate of Designation, or the Bylaws that would adversely affect the rights, preferences, privileges or voting powers of the Series S Preferred Stock; (iii) any amendment or alteration of the Restated Certificate of Incorporation, including the Certificate of Designation, or Bylaws to authorize, create, or increase the authorized amount of, any shares of, or any securities convertible into shares of, any class or series of the Corporation's capital stock ranking senior to the Series S Preferred Stock with respect to either the payment of dividends or in the distribution of assets in the event of the Corporation's voluntary or involuntary

liquidation, dissolution or winding up; or (iv) any consummation of a reclassification involving the Series S Preferred Stock or a merger or consolidation with another corporation or other entity, except holders of the Series S Preferred Stock will have no right to vote under this section 7(c)(iv) if in each case (a) the shares of Series S Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (b) such shares of Series S Preferred Stock remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Series S Preferred Stock, taken as a whole; *provided, however*, that any authorization, creation or increase in the authorized amount of or issuance of the Series S Preferred Stock or any Parity Stock or Junior Stock or any securities convertible into any class or series of Parity Stock (whether dividends payable in respect of such Parity Stock are cumulative or non-cumulative) or Junior Stock will be deemed not to adversely affect the rights, preferences, privileges or voting powers of the Series S Preferred Stock, and holders of the Series S Preferred Stock shall have no right to vote thereon.

If any amendment, alteration, repeal, reclassification, merger or consolidation specified in this Section 7(c) would adversely affect one or more but not all series of voting Preferred Stock (including the Series S Preferred Stock), then only those series affected by and entitled to vote on the matter shall vote on the matter together as a class (in lieu of all other series of Preferred Stock).

Each holder of the Series S Preferred Stock will have 25 votes per share on any matter on which holders of the Series S Preferred Stock are entitled to vote, whether separately or together with any other series of stock of the Corporation (the holders of any shares of any other series of stock being entitled to such number of votes, if any, for each share of stock as may be granted to them), pursuant to Delaware law or otherwise, including by written consent.

**(d) Changes after Provision for Redemption.** No vote or consent of the holders of Series S Preferred Stock shall be required pursuant to Section 7(b) or (c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding Series S Preferred Stock shall have been redeemed, or notice of redemption has been given and sufficient funds shall have been irrevocably deposited in trust to effect such redemption.

**(e) Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series S Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors, in its discretion, may adopt from time to time, which

rules and procedures shall conform to the requirements of the Restated Certificate of Incorporation, the Bylaws and applicable law.

**Section 8. Preemption and Conversion.** The holders of Series S Preferred Stock shall not have any rights of preemption or rights to convert such Series S Preferred Stock into shares of any other class of capital stock of the Corporation.

**Section 9. Recquired Shares.** Shares of Series S Preferred Stock which have been issued and redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of Preferred Stock without designation as to series.

**Section 10. No Sinking Fund.** Shares of Series S Preferred Stock are not subject to the operation of a sinking fund.

**Section 11. Additional Classes or Series of Stock.** Notwithstanding anything set forth in the Restated Certificate of Incorporation or this Certificate of Designation to the contrary, the Board of Directors of the Corporation, or any authorized committee of the Board of Directors of the Corporation, (i) without the vote of the holders of the Series S Preferred Stock, may authorize and issue additional shares of Junior Stock and Parity Stock and (ii) with the requisite vote of the holders of the Series S Preferred Stock and Parity Stock entitled to vote thereon, may authorize and issue any additional class or series of Preferred Stock or Preference Stock senior to the Series S Preferred Stock as to the payment of dividends and/or the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**In Witness Whereof, Wells Fargo & Company** has caused this Certificate of Designation to be signed by Barbara S. Brett, its Senior Vice President and Assistant Treasurer, and Jeannine E. Zahn, its Assistant Secretary, this 17<sup>th</sup> day of April, 2014.

**Wells Fargo & Company**

By: /s/ Barbara S. Brett  
Barbara S. Brett, Senior Vice President and  
Assistant Treasurer

/s/ Jeannine E. Zahn  
Jeannine E. Zahn, Assistant Secretary

[As filed with the Delaware Secretary of State on April 21, 2014.]

## WELLS FARGO & COMPANY

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### CERTIFICATE OF DESIGNATION

Pursuant to Section 151(g) of the  
General Corporation Law  
of the State of Delaware

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### NON-CUMULATIVE PERPETUAL CLASS A PREFERRED STOCK, SERIES T (Without Par Value)

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WELLS FARGO & COMPANY, a corporation organized and existing under the laws of the State of Delaware (the “*Corporation*”), HEREBY CERTIFIES that, pursuant to authority conferred upon the Board of Directors of the Corporation (the “*Board of Directors*”) by the provisions of the Restated Certificate of Incorporation of the Corporation, as amended, which authorize the issuance of not more than 20,000,000 shares of Preferred Stock, without par value, and pursuant to authority conferred upon the Securities Committee of the Board of Directors (the “*Committee*”) in accordance with Section 141(c) of the General Corporation Law of the State of Delaware (the “*General Corporation Law*”), the following resolutions were duly adopted by the Committee pursuant to the unanimous written consent of the Committee duly adopted on July 18, 2014, in accordance with Section 141(f) of the General Corporation Law:

**Resolved**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated April 29, 2014, the provisions of the Restated Certificate of Incorporation, the By-laws of the Corporation, and applicable law, a series of Preferred Stock, no par value, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

### RIGHTS AND PREFERENCES

**Section 1. Designation.** The shares of such series of Preferred Stock shall be designated Non-Cumulative Perpetual Class A Preferred Stock, Series T, with no par value and a liquidation preference amount of \$25,000 per share (the “*Series T Preferred Stock*”). Each share of Series T Preferred Stock shall be identical in all respects to every other share of Series T Preferred Stock except with respect to the date from which dividends may accrue. Series T Preferred Stock will rank equally with Parity Stock with respect to the payment of dividends and distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the



Corporation and will rank senior to Junior Stock with respect to the payment of dividends and/or the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 2. Number of Shares.** The number of authorized shares of Series T Preferred Stock shall be 32,200. Such number may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock) or decreased (but not below the number of shares of Series T Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law stating that such increase or decrease, as the case may be, has been so authorized. The Corporation shall have the authority to issue fractional shares of Series T Preferred Stock.

**Section 3. Definitions.** As used herein with respect to Series T Preferred Stock:

*“Business Day”* means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in New York, New York.

*“Certificate of Designation”* means this Certificate of Designation relating to the Series T Preferred Stock, as it may be amended from time to time.

*“Common Stock”* means the common stock of the Corporation, par value \$1 $\frac{2}{3}$  per share, as the same exists at the date of this Certificate of Designation or as such stock may be constituted from time to time.

*“Depository Company”* has the meaning set forth in Section 6(d) hereof.

*“Dividend Payment Date”* has the meaning set forth in Section 4(a) hereof.

*“Dividend Period”* has the meaning set forth in Section 4(a) hereof.

*“DTC”* means The Depository Trust Company, together with its successors and assigns.

*“Junior Stock”* means the Common Stock and any other class or series of stock of the Corporation now existing or hereafter authorized over which the Series T Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

*“Liquidation Preference”* has the meaning set forth in Section 5(a) hereof.

*“Nonpayment Event”* shall have the meaning set forth in Section 7(b).

“*Parity Stock*” means any other class or series of stock of the Corporation now existing or hereafter authorized that ranks on par with the Series T Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) or in the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

“*Preference Stock*” means any and all series of preference stock, having no par value, of the Corporation.

“*Preferred Stock*” means any and all series of preferred stock, having no par value, of the Corporation, including the Series T Preferred Stock.

“*Preferred Stock Directors*” shall have the meaning set forth in Section 7(b).

“*Regulatory Capital Treatment Event*” means the Corporation’s reasonable determination that as a result of any (i) amendment to, clarification of, or change (including any announced prospective change) in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective on or after July 14, 2014; (ii) proposed change in those laws or regulations that is announced or becomes effective on or after July 14, 2014; or (iii) official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced on or after July 14, 2014, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation preference amount of all shares of Series T Preferred Stock then outstanding as Tier 1 capital (or its equivalent) for purposes of the capital adequacy guidelines or regulations of the appropriate federal banking agency, as then in effect and applicable, for as long as any share of Series T Preferred Stock is outstanding.

“*Series T Preferred Stock*” has the meaning set forth in Section 1 hereof.

“*Voting Parity Stock*” means any Parity Stock having similar voting rights as the Series T Preferred Stock.

#### **Section 4. Dividends.**

**(a) Rate.** Dividends on the Series T Preferred Stock will not be mandatory. Holders of Series T Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation, but only out of assets legally available therefor, non-cumulative cash dividends on the liquidation preference amount of \$25,000 per share of the Series T Preferred Stock, payable quarterly in arrears on the 15th day of March, June, September and December of each year (commencing on September 15, 2014); provided, however, if any such day is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding day that is a Business Day, without any interest or other payment in respect of such delay (each

such day on which dividends are payable a “*Dividend Payment Date*”). A “*Dividend Period*” means the period from, and including, a Dividend Payment Date to, but excluding, the next succeeding Dividend Payment Date, except for the initial Dividend Period, which will be the period from, and including, July 21, 2014 to, but excluding, September 15, 2014. Dividends on each share of Series T Preferred Stock will accrue at a rate *per annum* equal to 6.00%. The record date for payment of dividends on the Series T Preferred Stock shall be the last Business Day of the calendar month immediately preceding the month during which the Dividend Payment Date falls or such other date as determined by the Corporation’s Board of Directors. The amount of dividends payable shall be computed on the basis of a 360-day year of twelve 30-day months. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward.

**(b) Non-Cumulative Dividends.** Dividends on shares of Series T Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series T Preferred Stock on any Dividend Payment Date are not declared prior to such Dividend Payment Date, then such dividends shall not cumulate and shall cease to accrue and be payable, and the Corporation shall have no obligation to pay, and the holders of Series T Preferred Stock shall have no right to receive, dividends accrued for such Dividend Period on the Dividend Payment Date for such Dividend Period or at any time in the future or interest with respect to such dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series T Preferred Stock or any other series of authorized Preferred Stock, Preference Stock, or Common Stock of the Corporation.

**(c) Priority of Dividends.** So long as any shares of Series T Preferred Stock remain outstanding,

(1) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Common Stock, and no shares of Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Common Stock by the Corporation (other than (i) a dividend payable in Common Stock or (ii) the acquisition of shares of Common Stock in exchange for, or through application of proceeds of the sale of, shares of Common Stock);

(2) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Junior Stock other than Common Stock, and no shares of Junior Stock other than Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Junior Stock other than Common Stock by the Corporation (other than (i) a dividend payable solely in shares of Junior Stock, (ii) any dividend in connection with the implementation of a stockholder rights plan, or the

redemption or repurchase of any rights under any such plan, (iii) any dividend in the form of stock, warrants, options or other rights where the dividend stock or stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks equally with or junior to such stock, (iv) as a result of a reclassification of Junior Stock other than Common Stock for or into other Junior Stock, (v) the exchange or conversion of one share of Junior Stock other than Common Stock for or into another share of Junior Stock, (vi) through the use of proceeds of a substantially contemporaneous sale of other shares of Junior Stock, (vii) any purchase, redemption or other acquisition of Junior Stock other than Common Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after July 14, 2014, (viii) any purchase of fractional interests in shares of Junior Stock other than Common Stock pursuant to the conversion or exchange provisions of such Junior Stock other than Common Stock or the securities being converted or exchanged, (ix) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (x) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business); and

(3) no shares of Parity Stock will be repurchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series T Preferred Stock and such Parity Stock during a Dividend Period (other than (i) as a result of a reclassification of Parity Stock for or into other Parity Stock or Junior Stock, (ii) the exchange or conversion of one share of Parity Stock for or into another share of Parity Stock or Junior Stock, (iii) through the use of proceeds of a substantially contemporaneous sale of other shares of Parity Stock or Junior Stock, (iv) any purchase, redemption or other acquisition of Parity Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after July 14, 2014, (v) any purchase of fractional interests in shares of Parity Stock pursuant to the conversion or exchange provisions of such Parity Stock or the securities being converted or exchanged, (vi) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (vii) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business), unless, in each case, the full dividends for the then-current Dividend Period on all outstanding shares of the Series T Preferred Stock have been declared and paid or declared and a sum sufficient for the payment of those dividends has been set aside.

Subject to the succeeding sentence, for so long as any shares of Series T Preferred Stock remain outstanding, no dividends shall be declared, paid, or set aside for

payment on any Parity Stock for any period unless full dividends on all outstanding shares of Series T Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. To the extent the Corporation declares dividends on the Series T Preferred Stock and on any Parity Stock but cannot make full payment of those declared dividends, the Corporation will allocate the dividend payments on a proportional basis among the holders of shares of Series T Preferred Stock and the holders of any Parity Stock then outstanding where the terms of such Parity Stock provide similar dividend rights.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may be declared and paid on the Common Stock and any other stock that is Parity Stock or Junior Stock, from time to time out of any assets legally available for such payment, and the shares of Series T Preferred Stock shall not be entitled to participate in any such dividends.

#### **Section 5. Liquidation Rights.**

**(a) Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series T Preferred Stock shall be entitled to receive in full out of assets available for distribution to its stockholders before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of the Common Stock or any other Junior Stock, and subject to the rights of the holders of Parity Stock or any stock of the Corporation ranking senior to the Series T Preferred Stock as to such distribution, a liquidating distribution in the amount of \$25,000 per share, plus an amount equal to any dividends which have been declared but not yet paid, without accumulation of any undeclared dividends, to the date of liquidation (the “*Liquidation Preference*”). The holders of Series T Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

**(b) Partial Payment.** If the assets of the Corporation are not sufficient to pay in full the Liquidation Preference to all holders of Series T Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series T Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preference of Series T Preferred Stock and all such Parity Stock.

**(c) Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series T Preferred Stock and all other amounts payable upon liquidation, dissolution or winding up of the Corporation have been paid in full to all holders of any Parity Stock, the holders of Common Stock and any other Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

## **Section 6. Redemption.**

**(a) Optional Redemption.** The Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may redeem, subject to the prior approval of the Federal Reserve Board, out of funds legally available therefor, in whole or in part, the shares of Series T Preferred Stock at the time outstanding, at any time on any Dividend Payment Date on or after September 15, 2019, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series T Preferred Stock shall be \$25,000 per share plus an amount equal to any dividends that have been declared but not paid up to the redemption date without accumulation of any undeclared dividends.

Notwithstanding the foregoing, within 90 days of the Corporation's good faith determination that a Regulatory Capital Treatment Event has occurred, the Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may, subject to the approval of the appropriate federal banking agency, redeem out of funds legally available therefor, in whole, but not in part, the shares of Series T Preferred Stock at the time outstanding, prior to September 15, 2019, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series T Preferred Stock shall be \$25,000 per share plus an amount equal to any dividends that have been declared but not paid, without accumulation of any undeclared dividends.

**(b) Notice of Redemption.** Notice of every redemption of shares of Series T Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the stock register of the Corporation. Such mailing shall be at least 40 days and not more than 70 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(b) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series T Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series T Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series T Preferred

Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, if applicable, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where the certificates for those shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date. Notwithstanding the foregoing, if the Series T Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC.

**(c) Partial Redemption.** In case of any redemption of only part of the shares of Series T Preferred Stock at the time outstanding, the shares of Series T Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series T Preferred Stock in proportion to the number of Series T Preferred Stock held by such holders or in such other manner consistent with the rules and policies of the New York Stock Exchange as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine to be fair and equitable. Subject to the provisions of this Section 6, the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series T Preferred Stock shall be redeemed from time to time.

**(d) Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been irrevocably set aside by the Corporation, separate and apart from its other assets, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors (the “*Depository Company*”) in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding, all dividends with respect to such shares shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from the Depository Company at any time after the redemption date from the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depository Company any interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of two years from the redemption date shall, to the extent permitted by law, be released or repaid to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

## **Section 7. Voting Rights.**

**(a) General.** The holders of Series T Preferred Stock shall not be entitled to vote on any matter except as set forth in paragraph 7(b) below or as required by applicable law.

**(b) Right To Elect Two Directors Upon Nonpayment Events.** Whenever dividends payable on any shares of Series T Preferred Stock or any class or series of Voting Parity Stock have not been declared and paid in an aggregate amount equal to, as to any class or series, at least six quarterly Dividend Periods or their equivalent, whether or not for consecutive Dividend Periods (a “*Nonpayment Event*”), the holders of the outstanding Series T Preferred Stock, voting together as a class with holders of Voting Parity Stock whose voting rights are exercisable, will be entitled to vote for the election of two additional directors of the Corporation’s Board of Directors at the Corporation’s next annual meeting of stockholders and at each subsequent annual meeting of stockholders (the “*Preferred Stock Directors*”) by a plurality of the votes cast; *provided* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Parity Stock are entitled to elect pursuant to like voting rights). Upon the vesting of such right of such holders, the maximum authorized number of members of the Board of Directors shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of the outstanding Series T Preferred Stock (together with the holders of shares of any one or more other series of Voting Parity Stock). At elections for such directors, each holder of the Series T Preferred Stock shall be entitled to 25 votes for each share held (the holders of shares of any other series of Voting Parity Stock being entitled to such number of votes, if any, for each share of such stock as may be granted to them). The right of the holders of the Series T Preferred Stock (voting together as a class with the holders of shares of any one or more other series of Voting Parity Stock) to elect Preferred Stock Directors shall continue until such time as the Corporation has paid in full dividends for the equivalent of at least four quarterly Dividend Periods or their equivalent, at which time such right with respect to the Series T Preferred Stock shall terminate, except as provided by law, and subject to revesting in the event of each and every subsequent default of the character described in this Section 7(b).

Upon any termination of the right of the holders of all shares of Series T Preferred Stock and Voting Parity Stock to vote for Preferred Stock Directors, the term of office of all Preferred Stock Directors then in office elected by only those holders voting as a class shall terminate immediately. Any Preferred Stock Director may be removed at any time without cause by the holders of a majority of the outstanding shares of Series T Preferred Stock and Voting Parity Stock, when they have the voting rights described above (voting together as a class). In case any vacancy shall occur among the Preferred Stock Directors, a successor may be elected by a plurality of the votes cast by the holders of Series T Preferred Stock and Voting Parity Stock having the voting rights described above, voting together as a class, unless the vacancy has already been filled. The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Whenever the term of



office of the directors elected by such holders voting as a class shall end and the special voting powers vested in such holders as provided in this Section 7(b) shall have expired, the number of directors shall be such number as may be provided for in the By-Laws irrespective of any increase made pursuant to this Section 7(b).

**(c) Other Voting Rights.** In addition to any other vote required by law or the Restated Certificate of Incorporation, so long as any shares of the Series T Preferred Stock remain outstanding, the vote or consent of the holders of the outstanding shares of Series T Preferred Stock and outstanding shares of all other series of Voting Parity Stock entitled to vote on the matter, by a vote of at least 66 2/3% in voting power of all such outstanding Series T Preferred Stock and such Voting Parity Stock, voting together as a class, given in person or by proxy, either in writing without a meeting or at any meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following actions, whether or not such approval is required by Delaware law: (i) the issuance of any class or series of Preferred Stock or Preference Stock ranking senior to the Series T Preferred Stock in the payment of dividends or the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; (ii) any amendment, alteration or repeal of any provision of the Restated Certificate of Incorporation, including the Certificate of Designation, or the Bylaws that would adversely affect the rights, preferences, privileges or voting powers of the Series T Preferred Stock; (iii) any amendment or alteration of the Restated Certificate of Incorporation, including the Certificate of Designation, or Bylaws to authorize, create, or increase the authorized amount of, any shares of, or any securities convertible into shares of, any class or series of the Corporation's capital stock ranking senior to the Series T Preferred Stock with respect to either the payment of dividends or in the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; or (iv) any consummation of a reclassification involving the Series T Preferred Stock or a merger or consolidation with another corporation or other entity, except holders of the Series T Preferred Stock will have no right to vote under this section 7(c)(iv) if in each case (a) the shares of Series T Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (b) such shares of Series T Preferred Stock remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Series T Preferred Stock, taken as a whole; *provided, however*, that any authorization, creation or increase in the authorized amount of or issuance of the Series T Preferred Stock or any Parity Stock or Junior Stock or any securities convertible into any class or series of Parity Stock (whether dividends payable in respect of such Parity Stock are cumulative or non-cumulative) or Junior Stock will be deemed not to adversely affect the rights, preferences, privileges or voting powers of the Series T Preferred Stock, and holders of the Series T Preferred Stock shall have no right to vote thereon.

If any amendment, alteration, repeal, reclassification, merger or consolidation specified in this Section 7(c) would adversely affect one or more but not all series of voting Preferred Stock (including the Series T Preferred Stock), then only those series affected by and entitled to vote on the matter shall vote on the matter together as a class (in lieu of all other series of Preferred Stock).

Each holder of the Series T Preferred Stock will have 25 votes per share on any matter on which holders of the Series T Preferred Stock are entitled to vote, whether separately or together with any other series of stock of the Corporation (the holders of any shares of any other series of stock being entitled to such number of votes, if any, for each share of stock as may be granted to them), pursuant to Delaware law or otherwise, including by written consent.

**(d) Changes after Provision for Redemption.** No vote or consent of the holders of Series T Preferred Stock shall be required pursuant to Section 7(b) or (c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding Series T Preferred Stock shall have been redeemed, or notice of redemption has been given and sufficient funds shall have been irrevocably deposited in trust to effect such redemption.

**(e) Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series T Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Restated Certificate of Incorporation, the Bylaws, applicable law and any national securities exchange or other trading facility in which the Series T Preferred Stock is listed or traded at the time.

**Section 8. Preemption and Conversion.** The holders of Series T Preferred Stock shall not have any rights of preemption or rights to convert such Series T Preferred Stock into shares of any other class of capital stock of the Corporation.

**Section 9. Reacquired Shares.** Shares of Series T Preferred Stock which have been issued and redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of Preferred Stock without designation as to series.

**Section 10. No Sinking Fund.** Shares of Series T Preferred Stock are not subject to the operation of a sinking fund.

**Section 11. Additional Classes or Series of Stock.** Notwithstanding anything set forth in the Restated Certificate of Incorporation or this Certificate of Designation to the contrary, the Board of Directors of the Corporation, or any authorized committee of the Board of Directors of the Corporation, (i) without the vote of the holders of the Series T Preferred Stock, may authorize and issue additional shares of Junior Stock and

Parity Stock and (ii) with the requisite vote of the holders of the Series T Preferred Stock and Parity Stock entitled to vote thereon, may authorize and issue any additional class or series of Preferred Stock or Preference Stock senior to the Series T Preferred Stock as to the payment of dividends and/or the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

US.54547103.01

**In Witness Whereof, Wells Fargo & Company** has caused this Certificate of Designation to be signed by Barbara S. Brett, its Senior Vice President and Assistant Treasurer, and Jeannine E. Zahn, its Assistant Secretary, this 18th day of July, 2014.

**Wells Fargo & Company**

By: /s/ Barbara S. Brett  
Barbara S. Brett, Senior Vice President and  
Assistant Treasurer

/s/ Jeannine E. Zahn  
Jeannine E. Zahn, Assistant Secretary

[As filed with the Delaware Secretary of State on July 18, 2014.]

**WELLS FARGO & COMPANY**

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**CERTIFICATE OF DESIGNATION**

Pursuant to Section 151(g) of the  
General Corporation Law  
of the State of Delaware

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**5.875% FIXED-TO-FLOATING RATE NON-CUMULATIVE PERPETUAL  
CLASS A PREFERRED STOCK, SERIES U  
(Without Par Value)**

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WELLS FARGO & COMPANY, a corporation organized and existing under the laws of the State of Delaware (the “*Corporation*”), HEREBY CERTIFIES that, pursuant to authority conferred upon the Board of Directors of the Corporation (the “*Board of Directors*”) by the provisions of the Restated Certificate of Incorporation of the Corporation, as amended, which authorize the issuance of not more than 20,000,000 shares of Preferred Stock, without par value, and pursuant to authority conferred upon the Securities Committee of the Board of Directors (the “*Committee*”) in accordance with Section 141(c) of the General Corporation Law of the State of Delaware (the “*General Corporation Law*”), the following resolutions were duly adopted by the Committee pursuant to the unanimous written consent of the Committee duly adopted on January 22, 2015, in accordance with Section 141(f) of the General Corporation Law:

**Resolved**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated April 29, 2014, the provisions of the Restated Certificate of Incorporation, the By-laws of the Corporation, and applicable law, a series of Preferred Stock, no par value, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

**RIGHTS AND PREFERENCES**

**Section 1. Designation.** The shares of such series of Preferred Stock shall be designated 5.875% Fixed-to-Floating Rate Non-Cumulative Perpetual Class A Preferred

Stock, Series U, with no par value and a liquidation preference amount of \$25,000 per share (the “*Series U Preferred Stock*”). Each share of Series U Preferred Stock shall be identical in all respects to every other share of Series U Preferred Stock except with respect to the date from which dividends may accrue. Series U Preferred Stock will rank equally with Parity Stock with respect to the payment of dividends and distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation and will rank senior to Junior Stock with respect to the payment of dividends and/or the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 2. Number of Shares.** The number of authorized shares of Series U Preferred Stock shall be 80,000. Such number may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock) or decreased (but not below the number of shares of Series U Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law stating that such increase or decrease, as the case may be, has been so authorized. The Corporation shall have the authority to issue fractional shares of Series U Preferred Stock.

**Section 3. Definitions.** As used herein with respect to Series U Preferred Stock:

“*Business Day*” means for dividends payable for the Fixed Rate Period (as defined below) any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in New York, New York, and for dividends payable for the Floating Rate Period (as defined below), it means any date that would be considered a Business Day during the Fixed Rate Period that is also a London Banking Day (as defined below).

“*Calculation Agent*” means Wells Fargo Securities, LLC or any other successor appointed by the Corporation, acting as Calculation Agent.

“*Certificate of Designation*” means this Certificate of Designation relating to the Series U Preferred Stock, as it may be amended from time to time.

“*Common Stock*” means the common stock of the Corporation, par value \$1 $\frac{2}{3}$  per share, as the same exists at the date of this Certificate of Designation or as such stock may be constituted from time to time.

“*Depository Company*” has the meaning set forth in Section 6(d) hereof.

“*Designated LIBOR Page*” means the display on Reuters, or any successor service, on page LIBOR01, or any other page as may replace that page on that service, for the purpose of displaying the London interbank rates for U.S. dollars.

“*Dividend Payment Date*” has the meaning set forth in Section 4(a) hereof.

*“Dividend Period”* has the meaning set forth in Section 4(a) hereof.

*“DTC”* means The Depository Trust Company, together with its successors and assigns.

*“Fixed Rate Period”* has the meaning set forth in Section 4(a) hereof.

*“Floating Rate Period”* has the meaning set forth in Section 4(a) hereof.

*“Junior Stock”* means the Common Stock and any other class or series of stock of the Corporation now existing or hereafter authorized over which the Series U Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

*“LIBOR Determination Date”* means the second London Banking Day immediately preceding the first day of the relevant Dividend Period.

*“Liquidation Preference”* has the meaning set forth in Section 5(a) hereof.

*“London Banking Day”* means any day on which commercial banks and foreign exchange markets settle payments in London.

*“Nonpayment Event”* shall have the meaning set forth in Section 7(b).

*“Parity Stock”* means any other class or series of stock of the Corporation now existing or hereafter authorized that ranks on par with the Series U Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) or in the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

*“Preference Stock”* means any and all series of preference stock, having no par value, of the Corporation.

*“Preferred Stock”* means any and all series of preferred stock, having no par value, of the Corporation, including the Series U Preferred Stock.

*“Preferred Stock Directors”* shall have the meaning set forth in Section 7(b).

*“Regulatory Capital Treatment Event”* means the Corporation’s reasonable determination that as a result of any (i) amendment to, clarification of, or change (including any announced prospective change) in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective on or after January 15, 2015; (ii) proposed change in those laws or regulations that is announced or becomes effective on or after January 15, 2015; or (iii) official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced on

or after January 15, 2015, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation preference amount of all shares of Series U Preferred Stock then outstanding as Tier 1 capital (or its equivalent) for purposes of the capital adequacy guidelines or regulations of the appropriate federal banking agency, as then in effect and applicable, for as long as any share of Series U Preferred Stock is outstanding.

“*Series U Preferred Stock*” has the meaning set forth in Section 1 hereof.

“*Three-month LIBOR*” means, for any LIBOR Determination Date, the arithmetic mean of the offered rates for deposits in U.S. dollars for a three-month period commencing on the second London Banking Day immediately following that LIBOR Determination Date that appear on the Designated LIBOR Page as of 11:00 a.m., London time, on that LIBOR Determination Date, if at least two offered rates appear on the Designated LIBOR Page, provided that if the specified Designated LIBOR Page by its terms provides only for a single rate, that single rate will be used. If (i) fewer than two offered rates appear or (ii) no rate appears and the Designated LIBOR Page by its terms provides only for a single rate, then the Calculation Agent will request the principal London offices of each of four major banks in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in U.S. dollars for a three-month period commencing on the second London Banking Day immediately following that LIBOR Determination Date to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that LIBOR Determination Date and in a principal amount that is representative of a single transaction in U.S. dollars in that market at that time. If at least two quotations are provided, Three-month LIBOR determined on that LIBOR Determination Date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, Three-month LIBOR will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., New York City time, on that LIBOR Determination Date by three major banks in New York City selected by the Calculation Agent for loans in U.S. dollars to leading European banks for a three-month period and in a principal amount that is representative of a single transaction in U.S. dollars in that market at that time. If the banks so selected by the Calculation Agent are not quoting as set forth above, Three-month LIBOR for that LIBOR Determination Date will remain Three-month LIBOR for the immediately preceding Dividend Period or, in the case of the Dividend Period beginning June 15, 2025, 5.875%. All percentages used in or resulting from any calculation of Three-month LIBOR will be rounded, if necessary, to the nearest one hundred-thousandth of a percentages point, with .000005% rounded up to .00001%. The determination of Three-month LIBOR for each relevant Dividend Period by the Calculation Agent will (in the absence of manifest error) be final and binding.

“*Voting Parity Stock*” means any Parity Stock having similar voting rights as the Series U Preferred Stock.

#### **Section 4. Dividends.**



**(a) Rate.** Dividends on the Series U Preferred Stock will not be mandatory. Holders of Series U Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation, but only out of assets legally available therefor, non-cumulative cash dividends on the liquidation preference amount of \$25,000 per share of the Series U Preferred Stock, payable (i) from January 23, 2015 to, but excluding, June 15, 2025 (the “*Fixed Rate Period*”), semi-annually in arrears on the 15<sup>th</sup> day of each June and December, commencing June 15, 2015 at an annual rate of 5.875%, and (ii) from, and including, June 15, 2025 (the “*Floating Rate Period*”), quarterly in arrears on the 15<sup>th</sup> day of each March, June, September and December, commencing September 15, 2025, at an annual rate equal to Three-month LIBOR plus 3.99%. Notwithstanding the foregoing, if any date on or prior to June 15, 2025 on which dividends otherwise would be payable is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding day that is a Business Day, without any interest or other payment in respect of such delay, and if any date after June 15, 2025 on which dividends otherwise would be payable is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding Business Day unless that day falls in the next calendar month, in which case payment of any dividend otherwise payable on that date will be the immediately preceding Business Day, and dividends will accrue to the actual payment date (each such day on which dividends are payable a “*Dividend Payment Date*”). A “*Dividend Period*” means the period from, and including, a Dividend Payment Date to, but excluding, the next succeeding Dividend Payment Date, except for the initial Dividend Period, which will be the period from, and including, January 23, 2015 to, but excluding, June 15, 2015. The record date for payment of dividends on the Series U Preferred Stock shall be the last Business Day of the calendar month immediately preceding the month during which the Dividend Payment Date falls or such other date as determined by the Corporation’s Board of Directors. The amount of dividends payable for the Fixed Rate Period shall be computed on the basis of a 360-day year of twelve 30-day months. The amount of dividends payable for the Floating Rate Period shall be computed on the basis of a 360-day year and the actual number of days elapsed. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward. The Calculation Agent’s determination of any dividend rate, and its calculation of the amount of dividends payable for the Floating Rate Period, will be maintained on file at the Calculation Agent’s principal offices.

**(b) Non-Cumulative Dividends.** Dividends on shares of Series U Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series U Preferred Stock on any Dividend Payment Date are not declared prior to such Dividend Payment Date, then such dividends shall not cumulate and shall cease to accrue and be payable, and the Corporation shall have no obligation to pay, and the holders of Series U Preferred Stock shall have no right to receive, dividends accrued for such Dividend Period on the Dividend Payment Date for such Dividend Period or at any time in the future or interest with respect to such dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series U Preferred Stock or

any other series of authorized Preferred Stock, Preference Stock, or Common Stock of the Corporation.

**(c) Priority of Dividends.** So long as any shares of Series U Preferred Stock remain outstanding,

(1) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Common Stock, and no shares of Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Common Stock by the Corporation (other than (i) a dividend payable in Common Stock or (ii) the acquisition of shares of Common Stock in exchange for, or through application of proceeds of the sale of, shares of Common Stock);

(2) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Junior Stock other than Common Stock, and no shares of Junior Stock other than Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Junior Stock other than Common Stock by the Corporation (other than (i) a dividend payable solely in shares of Junior Stock, (ii) any dividend in connection with the implementation of a stockholder rights plan, or the redemption or repurchase of any rights under any such plan, (iii) any dividend in the form of stock, warrants, options or other rights where the dividend stock or stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks equally with or junior to such stock, (iv) as a result of a reclassification of Junior Stock other than Common Stock for or into other Junior Stock, (v) the exchange or conversion of one share of Junior Stock other than Common Stock for or into another share of Junior Stock, (vi) through the use of proceeds of a substantially contemporaneous sale of other shares of Junior Stock, (vii) any purchase, redemption or other acquisition of Junior Stock other than Common Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after January 15, 2015, (viii) any purchase of fractional interests in shares of Junior Stock other than Common Stock pursuant to the conversion or exchange provisions of such Junior Stock other than Common Stock or the securities being converted or exchanged, (ix) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (x) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business); and

(3) no shares of Parity Stock will be repurchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series U Preferred Stock and such Parity Stock during a Dividend Period (other than (i) as a result of a reclassification of Parity Stock for or into other Parity Stock or Junior Stock, (ii) the exchange or conversion of one share of Parity Stock for or into another share of Parity Stock or Junior Stock, (iii) through the use of proceeds of a substantially contemporaneous sale of other shares of Parity Stock or Junior Stock, (iv) any purchase, redemption or other acquisition of Parity Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after January 15, 2015, (v) any purchase of fractional interests in shares of Parity Stock pursuant to the conversion or exchange provisions of such Parity Stock or the securities being converted or exchanged, (vi) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (vii) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business),

unless, in each case, the full dividends for the then-current Dividend Period on all outstanding shares of the Series U Preferred Stock have been declared and paid or declared and a sum sufficient for the payment of those dividends has been set aside.

Subject to the succeeding sentence, for so long as any shares of Series U Preferred Stock remain outstanding, no dividends shall be declared, paid, or set aside for payment on any Parity Stock for any period unless full dividends on all outstanding shares of Series U Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. To the extent the Corporation declares dividends on the Series U Preferred Stock and on any Parity Stock but cannot make full payment of those declared dividends, the Corporation will allocate the dividend payments on a proportional basis among the holders of shares of Series U Preferred Stock and the holders of any Parity Stock then outstanding where the terms of such Parity Stock provide similar dividend rights.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may be declared and paid on the Common Stock and any other stock that is Parity Stock or Junior Stock, from time to time out of any assets legally available for such payment, and the shares of Series U Preferred Stock shall not be entitled to participate in any such dividends.

## **Section 5. Liquidation Rights.**

**(a) Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series U Preferred

Stock shall be entitled to receive in full out of assets available for distribution to its stockholders before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of the Common Stock or any other Junior Stock, and subject to the rights of the holders of Parity Stock or any stock of the Corporation ranking senior to the Series U Preferred Stock as to such distribution, a liquidating distribution in the amount of \$25,000 per share, plus an amount equal to any dividends which have been declared but not yet paid, without accumulation of any undeclared dividends, to the date of liquidation (the “*Liquidation Preference*”). The holders of Series U Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

**(b) Partial Payment.** If the assets of the Corporation are not sufficient to pay in full the Liquidation Preference to all holders of Series U Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series U Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preference of Series U Preferred Stock and all such Parity Stock.

**(c) Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series U Preferred Stock and all other amounts payable upon liquidation, dissolution or winding up of the Corporation have been paid in full to all holders of any Parity Stock, the holders of Common Stock and any other Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

## **Section 6. Redemption.**

**(a) Optional Redemption.** The Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may redeem, subject to the prior approval of the Federal Reserve Board, out of funds legally available therefor, in whole or in part, the shares of Series U Preferred Stock at the time outstanding, at any time on any Dividend Payment Date on or after June 15, 2025, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series U Preferred Stock shall be \$25,000 per share plus

an amount equal to any dividends that have been declared but not paid up to the redemption date without accumulation of any undeclared dividends.

Notwithstanding the foregoing, within 90 days of the Corporation's good faith determination that a Regulatory Capital Treatment Event has occurred, the Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may, subject to the approval of the appropriate federal banking agency, redeem out of funds legally available therefor, in whole, but not in part, the shares of Series U Preferred Stock at the time outstanding, prior to June 15, 2025, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series U Preferred Stock shall be \$25,000 per share plus an amount equal to any dividends that have been declared but not paid, without accumulation of any undeclared dividends.

**(b) Notice of Redemption.** Notice of every redemption of shares of Series U Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the stock register of the Corporation. Such mailing shall be at least 40 days and not more than 70 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(b) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series U Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series U Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series U Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, if applicable, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where the certificates for those shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date. Notwithstanding the foregoing, if the Series U Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC.

**(c) Partial Redemption.** In case of any redemption of only part of the shares of Series U Preferred Stock at the time outstanding, the shares of Series U Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series U Preferred Stock in proportion to the number of Series U Preferred Stock held by such holders as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine to be fair and equitable. Subject to the provisions of this Section 6, the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series U Preferred Stock shall be redeemed from time to time.

**(d) Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been irrevocably set aside by the Corporation, separate and apart from its other assets, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors (the “*Depository Company*”) in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding, all dividends with respect to such shares shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from the Depository Company at any time after the redemption date from the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depository Company any interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of two years from the redemption date shall, to the extent permitted by law, be released or repaid to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

## **Section 7. Voting Rights.**

**(a) General.** The holders of Series U Preferred Stock shall not be entitled to vote on any matter except as set forth in paragraph 7(b) below or as required by applicable law.

**(b) Right To Elect Two Directors Upon Nonpayment Events.** Whenever dividends payable on any shares of Series U Preferred Stock or any class or series of Voting Parity Stock have not been declared and paid in an aggregate amount equal to, as to any class or series, at least three semi-annual Dividend Periods or their equivalent, whether or not for consecutive Dividend Periods (a “*Nonpayment Event*”), the holders of the outstanding Series U Preferred Stock, voting together as a class with holders of Voting Parity Stock whose voting rights are exercisable, will be entitled to vote for the election of two additional directors of the Corporation’s Board of Directors at the Corporation’s next annual meeting of stockholders and at each subsequent annual meeting of stockholders (the “*Preferred Stock Directors*”) by a plurality of the votes cast; *provided* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Parity Stock are entitled to elect pursuant to like voting rights). Upon the vesting of such right of such holders, the maximum authorized number of members of the Board of Directors shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of the outstanding Series U

Preferred Stock (together with the holders of shares of any one or more other series of Voting Parity Stock). At elections for such directors, each holder of the Series U Preferred Stock shall be entitled to 25 votes for each share held (the holders of shares of any other series of Voting Parity Stock being entitled to such number of votes, if any, for each share of such stock as may be granted to them). The right of the holders of the Series U Preferred Stock (voting together as a class with the holders of shares of any one or more other series of Voting Parity Stock) to elect Preferred Stock Directors shall continue until such time as the Corporation has paid in full dividends for the equivalent of at least two semi-annual Dividend Periods or their equivalent, at which time such right with respect to the Series U Preferred Stock shall terminate, except as provided by law, and subject to revesting in the event of each and every subsequent default of the character described in this Section 7(b).

Upon any termination of the right of the holders of all shares of Series U Preferred Stock and Voting Parity Stock to vote for Preferred Stock Directors, the term of office of all Preferred Stock Directors then in office elected by only those holders voting as a class shall terminate immediately. Any Preferred Stock Director may be removed at any time without cause by the holders of a majority of the outstanding shares of Series U Preferred Stock and Voting Parity Stock, when they have the voting rights described above (voting together as a class). In case any vacancy shall occur among the Preferred Stock Directors, a successor may be elected by a plurality of the votes cast by the holders of Series U Preferred Stock and Voting Parity Stock having the voting rights described above, voting together as a class, unless the vacancy has already been filled. The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Whenever the term of office of the directors elected by such holders voting as a class shall end and the special voting powers vested in such holders as provided in this Section 7(b) shall have expired, the number of directors shall be such number as may be provided for in the By-Laws irrespective of any increase made pursuant to this Section 7(b).

**(c) Other Voting Rights.** In addition to any other vote required by law or the Restated Certificate of Incorporation, so long as any shares of the Series U Preferred Stock remain outstanding, the vote or consent of the holders of the outstanding shares of Series U Preferred Stock and outstanding shares of all other series of Voting Parity Stock entitled to vote on the matter, by a vote of at least 66 2/3% in voting power of all such outstanding Series U Preferred Stock and such Voting Parity Stock, voting together as a class, given in person or by proxy, either in writing without a meeting or at any meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following actions, whether or not such approval is required by Delaware law: (i) the issuance of any class or series of Preferred Stock or Preference Stock ranking senior to the Series U Preferred Stock in the payment of dividends or the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; (ii) any amendment, alteration or repeal of any provision of the Restated Certificate of Incorporation, including the Certificate of Designation, or the Bylaws that would adversely affect the rights, preferences, privileges or voting powers of the Series

U Preferred Stock; (iii) any amendment or alteration of the Restated Certificate of Incorporation, including the Certificate of Designation, or Bylaws to authorize, create, or increase the authorized amount of, any shares of, or any securities convertible into shares of, any class or series of the Corporation's capital stock ranking senior to the Series U Preferred Stock with respect to either the payment of dividends or in the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; or (iv) any consummation of a reclassification involving the Series U Preferred Stock or a merger or consolidation with another corporation or other entity, except holders of the Series U Preferred Stock will have no right to vote under this section 7(c)(iv) if in each case (a) the shares of Series U Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (b) such shares of Series U Preferred Stock remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Series U Preferred Stock, taken as a whole; *provided, however*, that any authorization, creation or increase in the authorized amount of or issuance of the Series U Preferred Stock or any Parity Stock or Junior Stock or any securities convertible into any class or series of Parity Stock (whether dividends payable in respect of such Parity Stock are cumulative or non-cumulative) or Junior Stock will be deemed not to adversely affect the rights, preferences, privileges or voting powers of the Series U Preferred Stock, and holders of the Series U Preferred Stock shall have no right to vote thereon.

If any amendment, alteration, repeal, reclassification, merger or consolidation specified in this Section 7(c) would adversely affect one or more but not all series of voting Preferred Stock (including the Series U Preferred Stock), then only those series affected by and entitled to vote on the matter shall vote on the matter together as a class (in lieu of all other series of Preferred Stock).

Each holder of the Series U Preferred Stock will have 25 votes per share on any matter on which holders of the Series U Preferred Stock are entitled to vote, whether separately or together with any other series of stock of the Corporation (the holders of any shares of any other series of stock being entitled to such number of votes, if any, for each share of stock as may be granted to them), pursuant to Delaware law or otherwise, including by written consent.

**(d) Changes after Provision for Redemption.** No vote or consent of the holders of Series U Preferred Stock shall be required pursuant to Section 7(b) or (c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding Series U Preferred Stock shall have been redeemed, or notice of redemption has been given and sufficient funds shall have been irrevocably deposited in trust to effect such redemption.



**(e) Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series U Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Restated Certificate of Incorporation, the Bylaws and applicable law.

**Section 8. Preemption and Conversion.** The holders of Series U Preferred Stock shall not have any rights of preemption or rights to convert such Series U Preferred Stock into shares of any other class of capital stock of the Corporation.

**Section 9. Reacquired Shares.** Shares of Series U Preferred Stock which have been issued and redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of Preferred Stock without designation as to series.

**Section 10. No Sinking Fund.** Shares of Series U Preferred Stock are not subject to the operation of a sinking fund.

**Section 11. Additional Classes or Series of Stock.** Notwithstanding anything set forth in the Restated Certificate of Incorporation or this Certificate of Designation to the contrary, the Board of Directors of the Corporation, or any authorized committee of the Board of Directors of the Corporation, (i) without the vote of the holders of the Series U Preferred Stock, may authorize and issue additional shares of Junior Stock and Parity Stock and (ii) with the requisite vote of the holders of the Series U Preferred Stock and Parity Stock entitled to vote thereon, may authorize and issue any additional class or series of Preferred Stock or Preference Stock senior to the Series U Preferred Stock as to the payment of dividends and/or the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**In Witness Whereof, Wells Fargo & Company** has caused this Certificate of Designation to be signed by Barbara S. Brett, its Senior Vice President and Assistant Treasurer, and Jeannine E. Zahn, its Assistant Secretary, this 22<sup>nd</sup> day of January, 2015.

**Wells Fargo & Company**

By: /s/ Barbara S. Brett  
Barbara S. Brett, Senior Vice President and  
Assistant Treasurer

/s/ Jeannine E. Zahn  
Jeannine E. Zahn, Assistant Secretary

[As filed with the Delaware Secretary of State on January 22, 2015.]

WELLS FARGO & COMPANY

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CERTIFICATE OF DESIGNATION  
Pursuant to Section 151 of the  
General Corporation Law of the State of Delaware

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2015 ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK  
(Without Par Value)

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WELLS FARGO & COMPANY, a corporation organized and existing under the laws of the State of Delaware (the “Company”), HEREBY CERTIFIES that, pursuant to authority conferred upon the Board of Directors of the Company (the “Board”) by the provisions of the Restated Certificate of Incorporation of the Company, as amended, which authorize the issuance of not more than 20,000,000 shares of Preferred Stock, without par value (the “Preferred Stock”), and pursuant to authority conferred upon the ESOP Preferred Stock Committee I of the Board (the “ESOP Committee”) in accordance with Section 141(c) of the General Corporation Law of the State of Delaware (the “General Corporation Law”) and by the resolutions of the Board set forth herein, the following resolutions were duly adopted by the Board at meetings of the Board duly held on January 25, 2000, January 27, 2009, and February 24, 2009, and by the ESOP Committee pursuant to the written consent of the ESOP Committee duly adopted on March 20, 2015, in accordance with Section 141(f) of the General Corporation Law:

1. On January 25, 2000, the Board adopted the following resolution (the “ESOP Board Resolutions”) appointing the ESOP Committee and delegating to the ESOP Committee the full powers of the Board, subject to the ESOP Board Resolutions, in all matters relating to issuance of one or more series of Preferred Stock (“ESOP Preferred Stock”) to the trustee on behalf of the Company’s 401(k) Plan hereinafter referred to:

RESOLVED that a committee of one member of the Board of the Company is hereby appointed by the Board as the ESOP Preferred Stock Committee I (the “First Committee”), which shall have and may exercise the full powers of the Board, subject to these resolutions, to issue from time to time one or more series of ESOP Preferred Stock, including any shares of Company common stock (\$1 2/3 par value) issuable upon conversion of ESOP Preferred Stock, and in connection therewith, to fix the designations, voting powers, preferences, and all other rights, qualifications and restrictions of such ESOP Preferred Stock, to sell such ESOP Preferred Stock to the Plan on such terms and conditions and for such purchase price as the First Committee in its

discretion shall approve, and to take any and all actions as the First Committee shall deem necessary or appropriate.

2. On January 27, 2009, the Board adopted the following resolutions (the “January 2009 Resolutions”) amending the ESOP Board Resolutions to allow the ESOP Committee to establish the voting rights of any series of ESOP Preferred Stock:

RESOLVED that the resolution set forth in the ESOP Board Resolutions under the caption “Voting Rights of ESOP Preferred Stock” is hereby deleted in its entirety.

RESOLVED that the ESOP Board Resolutions are hereby further amended to delete “Appendix A - Voting Rights” in its entirety.

3. Pursuant to resolutions adopted on February 24, 2009, the Board designated John G. Stumpf as the sole member of the ESOP Committee, effective April 29, 2009.

4. On March 20, 2015, pursuant to authority conferred upon it by the Board in the ESOP Board Resolutions as amended by the January 2009 Resolutions, the ESOP Committee adopted the following resolution by written consent in accordance with Section 141(f) of the General Corporation Law:

RESOLVED that the issuance of a series of Preferred Stock, without par value, of the Company is hereby authorized and the designation, voting powers, preferences, and relative, participating, optional, and other special rights, and qualifications, limitations and restrictions thereof, in addition to those set forth in the Restated Certificate of Incorporation of the Company, as amended, are hereby fixed as follows:

#### 2015 ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK

##### 1. Designation and Number of Shares; Restricted Issue.

(a) The designation of the series of Preferred Stock, without par value, provided for herein shall be “2015 ESOP Cumulative Convertible Preferred Stock” (hereinafter referred to as the “2015 ESOP Preferred Stock”) and the number of authorized shares constituting the 2015 ESOP Preferred Stock is 826,598, based on an offering price for the 2015 ESOP Preferred Stock of \$1,088.80 per share. Each share of 2015 ESOP Preferred Stock shall have a stated value of \$1,000.00 per share. The number of authorized shares of 2015 ESOP Preferred Stock may be reduced by further resolution duly adopted by the Board or the Securities Committee and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such reduction has been so authorized, provided, however, that the authorized number of shares of 2015 ESOP Preferred Stock shall not be decreased below the then outstanding number of such shares, and provided further that the number of authorized shares of 2015 ESOP Preferred Stock shall not be increased. All

shares of the 2015 ESOP Preferred Stock purchased, redeemed, or converted by the Company shall be retired and canceled and shall be restored to the status of authorized but unissued shares of Preferred Stock, without designation as to series, and may thereafter be issued, but not as shares of 2015 ESOP Preferred Stock.

(b) Shares of 2015 ESOP Preferred Stock shall be issued only to a trustee (the "Trustee") acting on behalf of the Wells Fargo & Company 401(k) Plan, or any successor to such plan (the "Plan"). All references to the holder of shares of 2015 ESOP Preferred Stock shall mean the Trustee or any company with which or into which the Trustee may merge or any successor trustee under the trust agreement with respect to the Plan. In the event of any transfer of record ownership of shares of 2015 ESOP Preferred Stock to any person other than any successor trustee under the Plan, the shares of 2015 ESOP Preferred Stock so transferred, upon such transfer and without any further action by the Company or the holder thereof, shall be automatically converted into shares of the common stock, par value \$1-2/3 per share, of the Company (the "Common Stock") on the terms otherwise provided for the conversion of the shares of 2015 ESOP Preferred Stock into shares of Common Stock pursuant to paragraph (a) of Section 4 hereof, and no such transferee shall have any of the voting powers, preferences, and relative, participating, optional or special rights ascribed to shares of 2015 ESOP Preferred Stock hereunder but, rather, only the powers and rights pertaining to the Common Stock into which such shares of 2015 ESOP Preferred Stock shall be so converted. In the event of such a conversion, the transferee of the shares of 2015 ESOP Preferred Stock shall be treated for all purposes as the record holder of the shares of Common Stock into which such shares of 2015 ESOP Preferred Stock have been automatically converted as of the date of such transfer. Shares of 2015 ESOP Preferred Stock may be certificated or uncertificated, at the Company's option. Certificates representing shares of 2015 ESOP Preferred Stock shall bear a legend to reflect the foregoing provisions. In the case of uncertificated 2015 ESOP Preferred Stock, the transfer agent for the 2015 ESOP Preferred Stock shall note the foregoing provisions on each 2015 ESOP Preferred Stock book entry account. The Company may require that, as a condition to transferring record ownership of any uncertificated 2015 ESOP Preferred Stock, the proposed transferee acknowledge in writing that the shares of 2015 ESOP Preferred Stock are subject to the foregoing provisions. Notwithstanding the foregoing provisions of this paragraph (b) of Section 1, shares of 2015 ESOP Preferred Stock (i)(A) shall be converted into shares of Common Stock as provided in paragraph (a) of Section 4 hereof, and (B) may be converted into shares of Common Stock as provided by paragraph (b) of Section 4 hereof and the shares of Common Stock issued upon such conversion may be transferred by the holder thereof as permitted by law and (ii) shall be redeemable by the Company upon the terms and conditions provided in Sections 5 and 6(c) hereof.

2. Voting Rights. No shares of 2015 ESOP Preferred Stock shall have voting rights except such voting rights as may from time to time be required by law and as set forth in this Section 2, as follows:

(a) Whenever, at any time or times, dividends payable on shares of 2015 ESOP Preferred Stock shall be in arrears for such number of dividend periods which shall in the aggregate contain not less than 540 days, the holders of the outstanding shares of 2015 ESOP Preferred Stock shall have the exclusive right, voting together as a class with holders of shares of any one or more series of Voting Parity Stock, as defined in paragraph (e) of this Section 2, whose voting rights are exercisable, to elect two directors of the Company's Board at the Company's next annual meeting of stockholders and at each subsequent annual meeting of stockholders (the "Preferred Stock Directors") by a plurality of the votes cast; provided that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Parity Stock are entitled to elect pursuant to like voting rights). At elections for such directors, each holder of the shares of 2015 ESOP Preferred Stock shall be entitled to one vote for each share held (the holders of shares of any series of Voting Parity Stock being entitled to such number of votes, if any, for each share of Preferred Stock held as may be granted to them). Upon the vesting of such right of such holders, the maximum authorized number of members of the Board shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of such outstanding shares of 2015 ESOP Preferred Stock (together with the holders of shares of any one or more series of Voting Parity Stock whose voting rights are exercisable) as herein set forth. The right of such holders of such shares of 2015 ESOP Preferred Stock (voting together as a class with the holders of shares of any one or more series of Voting Parity Stock whose voting rights are exercisable) to elect Preferred Stock Directors as aforesaid shall continue until such time as all dividends accumulated on such shares of 2015 ESOP Preferred Stock shall have been paid in full, at which time such right with respect to such shares of 2015 ESOP Preferred Stock shall terminate, except as herein or by law expressly provided, subject to re-vesting in the event of each and every subsequent default of the character above mentioned.

(b) Upon any termination of the right of the holders of all shares of 2015 ESOP Preferred Stock and Voting Parity Stock entitled to vote for Preferred Stock Directors, the term of office of all Preferred Stock Directors then in office elected by such holders voting as a class shall terminate immediately. Any Preferred Stock Director may be removed at any time without cause by the holders of a majority of the outstanding shares of 2015 ESOP Preferred Stock and Voting Parity Stock, when they have the voting rights described above (voting together as a class). In case any vacancy shall occur among the Preferred Stock Directors, a successor may be elected by a plurality of the votes cast by the holders of 2015 ESOP Preferred Stock and Voting Parity Stock having the voting rights described above, voting together as a class, unless the vacancy has already been filled. The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Whenever the term of office of the directors elected by such holders voting as a class shall end and the special voting powers vested in such holders as provided in this resolution shall have expired, the number of directors shall be such number as may be

provided for in the By-Laws of the Company irrespective of any increase made pursuant to the provisions of this Section 2(b).

(c) In addition to any other vote required by law or the Restated Certificate of Incorporation, so long as any shares of 2015 ESOP Preferred Stock remain outstanding, the vote or consent of the holders of the outstanding shares of 2015 ESOP Preferred Stock and outstanding shares of all series of Voting Parity Stock entitled to vote on the matter, by a vote of at least two-thirds in voting power of all such outstanding shares of 2015 ESOP Preferred Stock and such series of Voting Parity Stock voting together as a class, given in person or by proxy, either in writing or at any special or annual meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following whether or not such approval is required by Delaware law:

(i) the authorization, creation or issuance, or any increase in the authorized or issued amount, of any class or series of stock ranking prior to shares of 2015 ESOP Preferred Stock with respect to payment of dividends or the distribution of assets on the Company's voluntary or involuntary liquidation, dissolution or winding up, or

(ii) the amendment, alteration or repeal, whether by merger, consolidation or otherwise, of any of the provisions of the Restated Certificate of Incorporation or of the resolutions set forth in a Certificate of Designation designating shares of 2015 ESOP Preferred Stock and the preferences, powers and relative, participating, optional and other special rights and qualifications, limitations and restrictions thereof which would materially and adversely affect any right, preference, privilege or voting power of the shares of 2015 ESOP Preferred Stock or of the holders thereof; provided, however, that any increase in the amount of authorized Preferred Stock, or the creation and issuance of other series of Preferred Stock, or any increase in the amount of authorized shares of any series of Preferred Stock, in each case ranking on a parity with or junior to the shares of 2015 ESOP Preferred Stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

(d) The foregoing voting provisions shall not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of 2015 ESOP Preferred Stock shall have been redeemed or sufficient funds shall have been irrevocably deposited in trust to effect such redemption.

(e) As used in this Section 2, "Voting Parity Stock" means any other class or series of stock of the Company now existing or hereafter authorized that ranks on par with the 2015 ESOP Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) or in the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company and having similar voting rights as the 2015 ESOP Preferred Stock.

3. Dividends. (a)(i) Holders of shares of 2015 ESOP Preferred Stock will be entitled to receive, when and as declared by the Board or a duly authorized committee



thereof, out of assets of the Company legally available for payment, an annual cash dividend of \$89.00 (the “Base Dividend”) per share, which Base Dividend shall be subject to adjustment from time to time as provided in this Section 3.

(ii) The Base Dividend shall be adjusted, effective on December 1, 2016 and on each December 1 thereafter until December 1, 2023, as follows:

(1) If the Current Market Price (as hereinafter defined) of one share of Common Stock on November 30 (or the next preceding Trading Day (as hereinafter defined) if November 30 is not a Trading Day) of any year listed in the Dividend Adjustment Table below is equal to or greater than the First Target Price but less than the Second Target Price shown opposite that year in such table, then holders of shares of the 2015 ESOP Preferred Stock will be entitled to receive a cash dividend for the immediately following twelve month period equal to \$94.00 per share (the “First Adjusted Dividend”).

(2) If the Current Market Price of one share of Common Stock on November 30 (or the next preceding Trading Day if November 30 is not a Trading Day) of any year listed in the Dividend Adjustment Table below is equal to or greater than the Second Target Price shown opposite that year in such table, then holders of shares of 2015 ESOP Preferred Stock will be entitled to receive a cash dividend for the immediately following twelve month period equal to \$99.00 per share (the “Second Adjusted Dividend”).

(3) If the Current Market Price of one share of Common Stock on November 30 (or next preceding Trading Day if November 30 is not a Trading Day) of any year listed in the Dividend Adjustment Table below is less than the First Target Price shown opposite that year in such table, then the holders of shares of 2015 ESOP Preferred Stock will be entitled to receive a cash dividend for the immediately following twelve month period equal to the Base Dividend.

### **Dividend Adjustment Table**

<b><u>Closing Price on 11/30</u></b>	<b><u>First Target Price</u></b>	<b><u>Second Target Price</u></b>
2016	\$61.50	\$64.98
2017	\$65.80	\$71.80
2018	\$70.41	\$79.34
2019	\$75.34	\$87.67
2020	\$80.61	\$96.87
2021	\$86.25	\$107.04
2022	\$92.29	\$118.28
2023	\$98.75	\$130.70

(4) As an example of the adjustments described in subparagraphs (1) through (3) above, if on November 30, 2016, the Current Market Price of one share of Common Stock is \$62.00, then the cash dividend payable for the immediately following twelve month period per share of 2015 ESOP Preferred Stock would equal \$94.00, with the first quarterly payment of such \$94.00 dividend to be made on March 1, 2017. If on November 30, 2017, the Current Market Price of one share of Common Stock is \$72.00, then the cash dividend payable for the immediately following twelve month period per share of 2015 ESOP Preferred Stock would equal \$99.00, with the first quarterly payment of such \$99.00 dividend to be made on March 1, 2018. If on November 30, 2018, the Current Market Price of one share of Common Stock is \$65.00, then the cash dividend payable for the immediately following twelve month period per share of 2015 ESOP Preferred Stock would equal \$89.00, with the first quarterly payment of such \$89.00 dividend to be made on March 1, 2019.

(5) For purposes of this Section 3, the terms “First Adjusted Dividend” and “Second Adjusted Dividend” are sometimes referred to as an “Adjusted Dividend;” the term “Current Market Price” shall have the meaning given to it in Section 4(c)(iv); and the term “Trading Day” shall have the meaning given to it in Section 4(c)(vi).

(iii) If one share of Common Stock in any year listed in the Dividend Adjustment Table shall be changed into a different number of shares or a different class of shares by reason of any reclassification, recapitalization, split-up, combination, exchange of shares or readjustment, or if a stock dividend thereon shall be declared with a record date within such period, then the First Target Price and the Second Target Price listed in such table for that year and each subsequent year will be appropriately and proportionately adjusted.

(iv) Dividends payable on shares of the 2015 ESOP Preferred Stock (whether such dividends are equal to the Base Dividend or to an Adjusted Dividend) shall be payable quarterly on March 1, June 1, September 1, and December 1 of each year,

commencing June 1, 2015. Dividends on shares of the 2015 ESOP Preferred Stock will be cumulative from the date of initial issuance of such shares of 2015 ESOP Preferred Stock. Dividends will be payable, in arrears, to holders of record as they appear on the stock books of the Company on such record dates, not more than 30 days nor less than 15 days preceding the payment dates thereof, as shall be fixed by the Board or a duly authorized committee thereof. The amount of dividends payable per share for each dividend period shall be computed by dividing by four the Base Dividend or the Adjusted Dividend, whichever is then applicable. The amount of dividends payable for the initial dividend period or any period shorter than a full dividend period shall be calculated on the basis of actual days elapsed in a 360-day year of twelve 30-day months.

(b)(i) No full dividends shall be declared or paid or set apart for payment on any stock of the Company ranking, as to dividends, on a parity with or junior to the 2015 ESOP Preferred Stock for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been set apart for such payment on shares of 2015 ESOP Preferred Stock for all dividend payment periods terminating on or prior to the date of payment of such full cumulative dividends. When dividends are not paid in full, as aforesaid, upon the shares of 2015 ESOP Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends with 2015 ESOP Preferred Stock, all dividends declared upon shares of 2015 ESOP Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends with 2015 ESOP Preferred Stock shall be declared pro rata so that the amount of dividends declared per share on 2015 ESOP Preferred Stock and such other series of Preferred Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the shares of 2015 ESOP Preferred Stock and such other series of Preferred Stock bear to each other. Holders of shares of 2015 ESOP Preferred Stock shall not be entitled to any dividend, whether payable in cash, property, or stock, in excess of full cumulative dividends, as herein provided, on 2015 ESOP Preferred Stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on 2015 ESOP Preferred Stock which may be in arrears.

(ii) So long as any shares of 2015 ESOP Preferred Stock are outstanding, no dividend (other than dividends or distributions paid in shares of, or options, warrants, or rights to subscribe for or purchase shares of, Common Stock or any other stock ranking junior to 2015 ESOP Preferred Stock as to dividends or upon liquidation and other than as provided in paragraph (b)(i) of this Section 3) shall be declared or paid or set aside for payment or other distribution declared or made upon Common Stock or any other capital stock of the Company ranking junior to or on a parity with 2015 ESOP Preferred Stock as to dividends or upon liquidation, nor shall any Common Stock or any other capital stock of the Company ranking junior to or on a parity with 2015 ESOP Preferred Stock as to dividends or upon liquidation, dissolution or winding up be redeemed, purchased, or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Company (except by conversion into or exchange for stock of

the Company ranking junior to 2015 ESOP Preferred Stock as to dividends or upon liquidation, dissolution or winding up), unless, in each case, the full cumulative dividends on all outstanding shares of 2015 ESOP Preferred Stock shall have been paid or declared and set aside for payment of the then current dividend payment period and all past dividend payment periods.

4. Conversion. Shares of 2015 ESOP Preferred Stock are convertible from time to time hereafter pursuant to the provisions of paragraphs (a) or (b) of this Section 4 into that number of shares of Common Stock determined by dividing the stated value of each share of 2015 ESOP Preferred Stock by the then applicable Conversion Price, (as determined in accordance with the provisions of paragraph (c)(iii) of this Section 4), as follows:

(a) Each share of 2015 ESOP Preferred Stock released from the unallocated reserve of the Plan in accordance with the terms thereof shall be automatically converted, without any further action by the Company or the holder thereof, as of the date such release occurs (the “Release Date”), into fully paid and nonassessable shares of Common Stock at the then applicable Conversion Price for the 2015 ESOP Preferred Stock provided for in paragraph (c) of this Section 4.

(b) Subject to and upon compliance with the provisions of this Section 4, a holder of 2015 ESOP Preferred Stock shall be entitled at any time, prior to the close of business on the date fixed for redemption of such shares pursuant to Sections 5 or 6 hereof, to cause any or all of the shares of 2015 ESOP Preferred Stock held by such holder to be converted into fully paid and nonassessable shares of Common Stock at the then applicable Conversion Price for 2015 ESOP Preferred Stock provided for in paragraph (c) of this Section 4.

(c) For purposes of these resolutions, the following terms shall have the meanings set forth below:

(i) The “Average Current Market Price” per share of Common Stock on any date shall be deemed to be the average of the Current Market Price for one share of Common Stock for the twenty (20) consecutive Trading Days ending on the Trading Day occurring prior to the date the “Purchase Offer” is made (as that term is defined in Section 6(d) hereof).

(ii) A “Business Day” means each day that is not a Saturday, Sunday, or a day on which state or federally chartered banking institutions in the State of New York are not required to be open.

(iii) (A) For purposes of a mandatory conversion of shares of 2015 ESOP Preferred Stock into shares of Common Stock pursuant to the provisions of paragraph (a) of this Section 4, the “Conversion Price” for such shares of 2015 ESOP Preferred Stock shall be the Current Market Price of one share of Common Stock on the relevant Release Date.

(B) For purposes of an optional conversion of shares of 2015 ESOP Preferred Stock into shares of Common Stock pursuant to the provisions of paragraph (b) of this Section 4, the “Conversion Price” for such shares of 2015 ESOP Preferred Stock shall be the Current Market Price of one share of Common Stock on the date the Conversion Notice (as that term is defined in paragraph (d) of this Section 4) is received by the Company, by the transfer agent for the 2015 ESOP Preferred Stock or by any agent for conversion of the 2015 ESOP Preferred Stock designated as such pursuant to paragraph (d) of this Section 4.

(C) For purposes of a conversion of shares of 2015 ESOP Preferred Stock into shares of Common Stock in connection with a “Purchase Offer” (as defined in Section 6(d) hereof), the “Conversion Price” for such shares of 2015 ESOP Preferred Stock shall be the Average Current Market Price of one share of Common Stock.

Each share of 2015 ESOP Preferred Stock shall be valued at its stated value of \$1,000.00 for purposes of computing, based on the applicable Conversion Price, the number of shares of Common Stock into which the shares of 2015 ESOP Preferred Stock will be converted.

(iv) The “Current Market Price” of publicly traded shares of Common Stock or any other class of capital stock or other security of the Company or any other issuer for any day shall mean the reported last sale price, regular way, or, in case no sale takes place on such day, the average of the reported closing bid and asked prices, regular way, in either case as reported on the New York Stock Exchange only or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which the Common Stock is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the National Market System of the National Association of Securities Dealers, Inc. Automated Quotations System (“NASDAQ”) or, if the Common Stock is not quoted on such National Market System, the average of the closing bid and asked prices on such day in the over-the-counter market as reported by NASDAQ or, if bid and asked prices for the Common Stock on each such day shall not have been reported through NASDAQ, the average of the bid and asked prices for such day as furnished by any New York Stock Exchange member firm regularly making a market in the Common Stock selected for such purpose by the Board or a committee thereof or, if no such quotations are available, the fair market value of the Common Stock as determined by a New York Stock Exchange member firm regularly making a market in the Common Stock selected for such purpose by the Board or a committee thereof.

(v) “Common Stock” shall mean the Common Stock of the Company as the same exists at the date of this Certificate of Designation or as such stock may be constituted from time to time.

(vi) “Trading Day” with respect to Common Stock means (x) if the Common Stock is listed or admitted for trading on the New York Stock Exchange or another national securities exchange, a day on which the New York Stock Exchange or such other national securities exchange is open for business or (y) if the Common Stock is quoted on the National Market System of NASDAQ, a day on which trades may be made on such National Market System or (z) otherwise, any Business Day.

(d) In connection with any conversion of 2015 ESOP Preferred Stock pursuant to this Section 4, a written notice of conversion (the “Conversion Notice”) shall be delivered to the Company at its principal executive office or the offices of the transfer agent for the 2015 ESOP Preferred Stock or such office or offices in the continental United States of an agent for conversion as may from time to time be designated by notice to the holders of the 2015 ESOP Preferred Stock by the Company or the transfer agent for the 2015 ESOP Preferred Stock, which Conversion Notice shall be accompanied by (a) in the case of certificated 2015 ESOP Preferred Stock, the certificate or certificates representing the shares of 2015 ESOP Preferred Stock being converted pursuant to this Section 4, duly assigned or endorsed for transfer to the Company (or accompanied by duly executed stock powers relating thereto) and (b) in the case of uncertificated 2015 ESOP Preferred Stock, duly executed assignment and transfer documents for the shares of 2015 ESOP Preferred Stock being converted pursuant to this Section 4. Each Conversion Notice shall specify (i)(y) in the case of a mandatory conversion pursuant to paragraph (a) of this Section 4, the number of shares of 2015 ESOP Preferred Stock released from the unallocated reserve of the Plan on the Release Date or (z) in the case of an optional conversion pursuant to paragraph (b) of this Section 4, the number of shares of 2015 ESOP Preferred Stock being converted, and (ii) in connection with any conversion hereunder, (x) the name or names in which such holder wishes the certificate or certificates for Common Stock and, in the case of certificated 2015 ESOP Preferred Stock, for any shares of 2015 ESOP Preferred Stock not to be so converted to be issued, (y) the address to which such holder wishes delivery to be made of such new certificates to be issued upon such conversion, and (z) such other information as the Company or its agents may reasonably request.

(e) Upon delivery to the Company or the transfer agent for the 2015 ESOP Preferred Stock of the Conversion Notice and all other documentation and certificates required to effect the conversion, as provided in paragraph (d) of this Section 4, the Company shall issue and send by hand delivery, by courier or by first-class mail (postage prepaid) to the holder thereof or to such holder’s designee, at the address designated by such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled upon conversion. If there shall have been surrendered a certificate or certificates representing shares of 2015 ESOP Preferred Stock only part of which are to be converted, the Company shall issue and deliver to such holder or such holder’s designee, in the manner set forth in the preceding sentence, a new certificate or certificates representing the number of shares of 2015 ESOP Preferred Stock which shall not have been converted.

(f) The issuance by the Company of shares of Common Stock upon a conversion of shares of 2015 ESOP Preferred Stock into shares of Common Stock made pursuant to this Section 4 shall be effective (i) in the case of a mandatory conversion of shares of 2015 ESOP Preferred Stock pursuant to paragraph (a) of this Section 4, as of the Release Date; and (ii) in the case of an optional conversion of such shares pursuant to paragraph (b) of this Section 4, as of the earlier of (A) the delivery to such holder or such holder's designee of the certificates representing the shares of Common Stock issued upon conversion thereof or (B) the commencement of business on the second Business Day after the delivery to the Company or the transfer agent for the 2015 ESOP Preferred Stock of the Conversion Notice and all other documentation and certificates required to effect the conversion, as provided in paragraph (d) of this Section 4. On and after the effective date of a conversion, the person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock, but no allowance or adjustment shall be made in respect of dividends payable to holders of Common Stock in respect of any period prior to such effective date. The Company shall not be obligated to pay any dividends which shall have accrued or have been declared and shall be payable to holders of shares of 2015 ESOP Preferred Stock if the date on which such dividends are paid is on or after the effective date of conversion of such shares.

(g) The Company shall not be obligated to deliver to holders of 2015 ESOP Preferred Stock any fractional share or shares of Common Stock issuable upon any conversion of such shares of 2015 ESOP Preferred Stock, but in lieu thereof may make a cash payment in respect thereof in any manner permitted by law.

(h) The Company shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for issuance upon the conversion of shares of 2015 ESOP Preferred Stock as herein provided, free from any preemptive rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of 2015 ESOP Preferred Stock then outstanding.

(i) The Company will use its best efforts to cause the listing of the shares of Common Stock required to be delivered upon conversion of the 2015 ESOP Preferred Stock prior to distribution to Plan participants on the national securities exchange, if any, upon which the outstanding Common Stock is listed at the time of such delivery.

(j) The Company will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock on conversions of the 2015 ESOP Preferred Stock pursuant hereto; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock in a name other than that of the holder of the 2015 ESOP Preferred Stock to be converted and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that such tax has been paid.

5. Redemption At the Option of the Company. (a) The 2015 ESOP Preferred Stock shall be redeemable out of assets legally available therefor, in whole or in part, at the option of the Company at any time, at a redemption price per share of 2015 ESOP Preferred Stock equal to the higher of (x) \$1,000.00 per share, plus an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption, and (y) the Fair Market Value (as that term is defined in paragraph (d) of this Section 5) per share of 2015 ESOP Preferred Stock on the date fixed for redemption. Payment of the redemption price shall be made by the Company in cash or shares of Common Stock, or a combination thereof, as permitted by paragraph (c) of this Section 5. From and after the date fixed for redemption, dividends on shares of 2015 ESOP Preferred Stock called for redemption will cease to accrue and all rights in respect of such shares of the Company shall cease, except the right to receive the redemption price. Upon payment of the redemption price, such shares shall be deemed to have been transferred to the Company, to be retired as provided in paragraph (a) of Section 1. If the full cumulative dividends have not been paid, or contemporaneously declared and set aside for payment, on all outstanding shares of 2015 ESOP Preferred Stock, the Company may not redeem fewer than all the outstanding shares of 2015 ESOP Preferred Stock pursuant to this Section 5.

(b) Unless otherwise required by law, notice of any redemption pursuant to this Section 5 will be sent to the holders of 2015 ESOP Preferred Stock at the address shown on the books of the Company or any transfer agent for the 2015 ESOP Preferred Stock by hand delivery, by courier, by standard form of telecommunication or by first-class mail (postage prepaid) delivered, sent or mailed, as the case may be, not less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Each such notice shall state: (i) the redemption date; (ii) the total number of shares of the 2015 ESOP Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) whether the redemption price shall be paid in cash or in shares of Common Stock, or in a combination of such Common Stock and cash; (v) in the case of certificated 2015 ESOP Preferred Stock the place or places where certificates for such shares are to be surrendered for payment of the redemption price; (vi) that dividends on the shares to be redeemed will cease to accrue on such redemption date; and (vii) the conversion rights of the shares to be redeemed, the period within which conversion rights may be exercised and the manner in which the number of shares of Common Stock issuable upon conversion of a share of 2015 ESOP Preferred Stock will be determined. The Company shall redeem shares so called for redemption and not previously converted at the date fixed for redemption and at the redemption price set forth in this Section 5, provided that, in the case of certificated 2015 ESOP Preferred Stock, the Company shall not be obligated to pay the redemption price until the certificates for the shares to be redeemed are surrendered (properly endorsed or assigned for transfer, if the Board of Directors of the Company shall so require and the notice shall so state).



(c) The Company, at its option, may make payment of the redemption price required upon redemption of shares of 2015 ESOP Preferred Stock in cash or in shares of Common Stock, or in a combination of such Common Stock and cash, any such shares of Common Stock to be valued for such purposes at their Fair Market Value (as defined in paragraph (d)(ii) of this Section 5) or their Current Market Price, in either case as of the date fixed for redemption of the 2015 ESOP Preferred Stock, whichever value will result in the issuance of the greater number of shares of Common Stock to the holder of the 2015 ESOP Preferred Stock then being redeemed.

(d) For purposes of these resolutions, the following terms shall have the meanings set forth below:

(i) "Adjustment Period" shall mean the period of five (5) consecutive Trading Days preceding the date as of which the Fair Market Value of a security is to be determined.

(ii) "Fair Market Value" shall mean, as to shares of Common Stock or any other class of capital stock or securities of the Company or any other issue which are publicly traded, the average of the Current Market Prices of such shares or securities for each day of the Adjustment Period. The "Fair Market Value" of any security which is not publicly traded (other than the 2015 ESOP Preferred Stock) or of any other property shall mean the fair value thereof on the date as of which the Fair Market Value of the security is to be determined, as determined by an independent investment banking or appraisal firm experienced in the valuation of such securities or property selected in good faith by the Board or a committee thereof. The "Fair Market Value" of the 2015 ESOP Preferred Stock for purposes of paragraph (a) of Section 5, and for purposes of paragraph (c) of Section 6 shall mean the fair market value thereof determined by an independent appraiser, appointed by the Trustee of the Plan in accordance with the provisions of the Plan, as of the date fixed for redemption of the 2015 ESOP Preferred Stock (in the case of a redemption pursuant to Section 5) or as of the date specified in paragraph (c) of Section 6 (in the case of a redemption under that section). For purposes of determining the Fair Market Value of the 2015 ESOP Preferred Stock, the independent appraiser shall assume (i) that all dividends on the 2015 ESOP Preferred Stock would have been paid when due, and (ii) that the mandatory conversion of shares of 2015 ESOP Preferred Stock held by the Plan into shares of Common Stock pursuant to Section 4(a) hereof would have occurred when and as payments of principal (together with accrued interest thereon) would have been made by the Trustee of the Plan in accordance with the terms of that certain 2015 ESOP Cumulative Convertible Preferred Stock Note Agreement dated on or about March 26, 2015 between the Company and the Plan (including any amendments or modifications thereto).

6. Consolidation, Merger, etc. (a) If the Company consummates any consolidation or merger or similar business combination, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged solely for or changed, reclassified or converted solely into stock of any successor or resulting

corporation (including the Company) that constitutes “qualifying employer securities” with respect to a holder of 2015 ESOP Preferred Stock within the meaning of Section 409(1) of the Internal Revenue Code of 1986, as amended, and Section 407(d)(5) of the Employee Retirement Income Security Act of 1974, as amended, or any successor provisions of law, and, if applicable, for a cash payment in lieu of fractional shares, if any, the shares of 2015 ESOP Preferred Stock of such holder shall, in connection with such consolidation, merger or similar business combination, be assumed by and shall become Preferred Stock of such successor or resulting corporation, having in respect of such corporation, insofar as possible, the same powers, preferences and relative, participating, optional or other special rights (including the redemption rights provided by Sections 5 and 6 hereof), and the qualifications, limitations or restrictions thereon, that the 2015 ESOP Preferred Stock had immediately prior to such transaction, subject to the following:

(1) After such transaction each share of the 2015 ESOP Preferred Stock shall be convertible, otherwise on the terms and conditions provided by Section 4 hereof, into the number and kind of qualifying employer securities so receivable by a holder of the number of shares of Common Stock into which such shares of 2015 ESOP Preferred Stock could have been converted immediately prior to such transaction.

(2) The Company shall not consummate any such merger, consolidation or similar transaction unless all then outstanding shares of 2015 ESOP Preferred Stock shall be assumed and authorized by the successor or resulting corporation as aforesaid.

(b) If the Company consummates any consolidation or merger or similar business combination, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged for or changed, reclassified or converted into other stock or securities or cash or any other property, or any combination thereof, other than any such consideration which is constituted solely of qualifying employer securities (as referred to in paragraph (a) of this Section 6) and cash payments, if applicable, in lieu of fractional shares, outstanding shares of 2015 ESOP Preferred Stock shall, without any action on the part of the Company or any holder thereof (but subject to paragraph (c) of this Section 6), be automatically converted by virtue of such merger, consolidation or similar transaction immediately prior to such consummation into the number of shares of Common Stock into which such shares of 2015 ESOP Preferred Stock could have been converted at such time so that each share of 2015 ESOP Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in like kind) receivable by a holder of the number of shares of Common Stock into which such shares of 2015 ESOP Preferred Stock could have been converted immediately prior to such transaction. However, if by virtue of the structure of such transaction, a holder of Common Stock is required to make an election with respect to the nature and kind of consideration to be received in such transaction,

which election cannot practicably be made by the holders of the 2015 ESOP Preferred Stock, then the shares of 2015 ESOP Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in kind) receivable by a holder of the number of shares of Common Stock into which such shares of 2015 ESOP Preferred Stock could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election as to the kind or amount of stock, securities, cash or other property receivable upon such transaction. If the kind or amount of stock, securities, cash or other property receivable upon such transaction is not the same for each non-electing share, then the kind and amount of stock, securities, cash or other property receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of the non-electing shares.

(c) In the event the Company shall enter into any agreement providing for any consolidation or merger or similar business combination described in paragraph (b) of this Section 6 (a “Business Combination”), then the Company shall as soon as practicable thereafter (and in any event at least fifteen (15) Business Days before consummation of such transaction) give notice of such agreement and the material terms thereof to each holder of 2015 ESOP Preferred Stock and each such holder shall have the right to elect, by written notice to the Company, to receive, upon consummation of such transaction (if and when such transaction is consummated), from the Company or the successor of the Company, in redemption and retirement of such 2015 ESOP Preferred Stock, a cash payment per share of 2015 ESOP Preferred Stock equal to the higher of (x) \$1,000.00, plus accrued and unpaid dividends thereon to the date of consummation of such transaction or (y) the Fair Market Value per share of 2015 ESOP Preferred Stock, as of the last Business Day (as defined in paragraph (c) of Section 4 hereof) immediately preceding the date the Business Combination is consummated. No such notice of redemption shall be effective unless given to the Company prior to the close of business on the last Business Day prior to consummation of such transaction, unless the Company or the successor of the Company shall waive such prior notice, but any notice of redemption so given prior to such time may be withdrawn by notice of withdrawal given to the Company prior to the close of business on the last Business Day prior to consummation of such transaction.

(d) In the event that a Purchase Offer (as defined below) shall have been made and shall be continuing, each holder of 2015 ESOP Preferred Stock shall have the right to convert shares of 2015 ESOP Preferred Stock into shares of Common Stock at the Conversion Price specified in Section 4(c)(iii)(C) hereof until the date the Purchase Offer is terminated, including without limitation because the original Purchase Offer is withdrawn or because the Purchase Offer has expired and is not renewed, upon notice of such conversion given to the Company not later than the close of business on the date the Purchase Offer terminates (the “Purchase Offer Conversion Period”), unless the Company or any successor of the Company shall waive such prior notice, but any notice

of conversion so given may be withdrawn by notice of withdrawal given to the Company prior to the end of the Purchase Offer Conversion Period.

For purposes of this paragraph (d), the following terms shall have the meanings set forth below:

(i) “Beneficial Ownership” shall have the meaning ascribed to it in Rule 13d-3 under the Securities Exchange Act of 1934 (the “Exchange Act”) and “person” shall have the meanings specified in Sections 3(a)(9) and 13(d)(3) of the Exchange Act.

(ii) A “Purchase Offer” shall have been made when any person (other than the Company or any affiliate of the Company) shall have “commenced” (as such term is defined in Rule 14d-2 under the Exchange Act) a tender offer or exchange offer to purchase shares of Common Stock, such that, upon consummation of such offer, such person would have Beneficial Ownership (as defined herein) or the right to acquire Beneficial Ownership, of twenty percent (20%) or more of the voting power of the Company.

7. Liquidation Rights. (a) Upon the dissolution, liquidation, or winding up of the Company, the holders of the shares of 2015 ESOP Preferred Stock shall be entitled to receive and to be paid out of the assets of the Company available for distribution to its stockholders, before any payment or distribution shall be made on or set aside for the Common Stock or any other class of stock ranking junior to 2015 ESOP Preferred Stock and subject to the rights of the holders of the shares of any series or class or classes of stock ranking on parity with or senior to the 2015 ESOP Preferred Stock, the amount of \$1,000.00 per share, plus a sum equal to all dividends (whether or not earned or declared) on such shares accrued and unpaid thereon to the date of final distribution.

(b) Neither the sale of all or substantially all the property and assets of the Company, nor the merger, consolidation or other business combination of the Company into or with any other corporation, nor the merger, consolidation or other business combination of any other corporation into or with the Company shall be deemed to be a dissolution, liquidation, or winding up, voluntary or involuntary, for the purposes of this Section 7.

(c) After the payment to the holders of the shares of 2015 ESOP Preferred Stock of the full preferential amounts provided for in this Section 7, the holders of 2015 ESOP Preferred Stock, as such, shall have no right or claim to any of the remaining assets of the Company.

(d) In the event the assets of the Company available for distribution to the holders of shares of 2015 ESOP Preferred Stock upon any dissolution, liquidation, or winding up of the Company, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such holders are entitled pursuant to paragraph (a) of this Section 7, no such distribution shall be made on account of any shares of any other series

of Preferred Stock or other capital stock of the Company ranking on a parity with the shares of 2015 ESOP Preferred Stock upon such dissolution, liquidation, or winding up unless proportionate distributive amounts shall be paid on account of the shares of 2015 ESOP Preferred Stock, ratably, in proportion to the full distributable amounts for which holders of all such parity shares are respectively entitled upon such dissolution, liquidation, or winding up.

(e) Subject to the rights of the holders of the shares of any series or class or classes of stock ranking on parity with or prior to the shares of 2015 ESOP Preferred Stock upon liquidation, dissolution, or winding up, upon any liquidation, dissolution, or winding up of the Company, after payment shall have been made in full to the holders of the shares of 2015 ESOP Preferred Stock as provided in this Section 7, but not prior thereto, any other series or class or classes of stock ranking junior to the shares of 2015 ESOP Preferred Stock upon liquidation shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the shares of 2015 ESOP Preferred Stock shall not be entitled to share therein.

8. Ranking. For the purposes of these resolutions, any stock of any series or class or classes of the Company shall be deemed to rank:

(a) prior to the shares of 2015 ESOP Preferred Stock, either as to dividends or upon liquidation, dissolution or winding up, if the holders of such series or class or classes shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation, or winding up of the Company, as the case may be, in preference or priority to the holders of shares of 2015 ESOP Preferred Stock;

(b) on a parity with shares of 2015 ESOP Preferred Stock, either as to dividends or upon liquidation, dissolution or winding up, whether or not the dividend rates, dividend payment dates, or redemption or liquidation prices per share, or sinking fund provisions, if any, be different from those of 2015 ESOP Preferred Stock, if the holders of such stock shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation, or winding up of the Company, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority, one over the other, as between the holders of such stock and the holders of shares of 2015 ESOP Preferred Stock; and

(c) junior to shares of 2015 ESOP Preferred Stock, either as to dividends or upon liquidation, dissolution or winding up, if such class shall be Common Stock or if the holders of shares of 2015 ESOP Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation, or winding up of the Company, as the case may be, in preference or priority to the holders of shares of such series or class or classes.

9. Priority of 2015 ESOP Preferred Stock. The shares of 2015 ESOP Preferred Stock will rank on a parity, both as to payment of dividends and the distribution of assets upon liquidation, with the Company's 2006 ESOP Cumulative Convertible Preferred

Stock, its 2007 ESOP Cumulative Convertible Preferred Stock, its 2008 ESOP Cumulative Convertible Preferred Stock, its 2010 ESOP Cumulative Convertible Preferred Stock, its 2011 ESOP Cumulative Convertible Preferred Stock, its 2012 ESOP Cumulative Convertible Preferred Stock, its 2013 ESOP Cumulative Convertible Preferred Stock, and its 2014 ESOP Cumulative Convertible Preferred Stock.

IN WITNESS WHEREOF, the Company has caused this Certificate of Designation to be signed by John G. Stumpf, its Chairman, President and Chief Executive Officer, and attested by Jeannine E. Zahn, its Assistant Secretary, on this 20th day of March, 2015.

WELLS FARGO & COMPANY

By /s/ John G. Stumpf  
John G. Stumpf  
Chairman, President and  
Chief Executive Officer

Attest:

/s/ Jeannine E. Zahn  
Jeannine E. Zahn  
Assistant Secretary

[As filed with the Delaware Secretary of State on March 25, 2015.]

## WELLS FARGO & COMPANY

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### CERTIFICATE OF DESIGNATION

Pursuant to Section 151(g) of the  
General Corporation Law  
of the State of Delaware

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### NON-CUMULATIVE PERPETUAL CLASS A PREFERRED STOCK, SERIES V (Without Par Value)

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WELLS FARGO & COMPANY, a corporation organized and existing under the laws of the State of Delaware (the “*Corporation*”), HEREBY CERTIFIES that, pursuant to authority conferred upon the Board of Directors of the Corporation (the “*Board of Directors*”) by the provisions of the Restated Certificate of Incorporation of the Corporation, as amended, which authorize the issuance of not more than 20,000,000 shares of Preferred Stock, without par value, and pursuant to authority conferred upon the Securities Committee of the Board of Directors (the “*Committee*”) in accordance with Section 141(c) of the General Corporation Law of the State of Delaware (the “*General Corporation Law*”), the following resolutions were duly adopted by the Committee pursuant to the unanimous written consent of the Committee duly adopted on September 10, 2015, in accordance with Section 141(f) of the General Corporation Law:

**Resolved**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated April 29, 2014, the provisions of the Restated Certificate of Incorporation, the By-laws of the Corporation, and applicable law, a series of Preferred Stock, no par value, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

### RIGHTS AND PREFERENCES

**Section 1. Designation.** The shares of such series of Preferred Stock shall be designated Non-Cumulative Perpetual Class A Preferred Stock, Series V, with no par value and a liquidation preference amount of \$25,000 per share (the “*Series V Preferred Stock*”). Each share of Series V Preferred Stock shall be identical in all respects to every other share of Series V Preferred Stock except with respect to the date from which dividends may accrue. Series V Preferred Stock will rank equally with Parity Stock with



respect to the payment of dividends and distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation and will rank senior to Junior Stock with respect to the payment of dividends and/or the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 2. Number of Shares.** The number of authorized shares of Series V Preferred Stock shall be 40,000. Such number may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock) or decreased (but not below the number of shares of Series V Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law stating that such increase or decrease, as the case may be, has been so authorized. The Corporation shall have the authority to issue fractional shares of Series V Preferred Stock.

**Section 3. Definitions.** As used herein with respect to Series V Preferred Stock:

*“Business Day”* means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in New York, New York.

*“Certificate of Designation”* means this Certificate of Designation relating to the Series V Preferred Stock, as it may be amended from time to time.

*“Common Stock”* means the common stock of the Corporation, par value \$1 $\frac{2}{3}$  per share, as the same exists at the date of this Certificate of Designation or as such stock may be constituted from time to time.

*“Depository Company”* has the meaning set forth in Section 6(d) hereof.

*“Dividend Payment Date”* has the meaning set forth in Section 4(a) hereof.

*“Dividend Period”* has the meaning set forth in Section 4(a) hereof.

*“DTC”* means The Depository Trust Company, together with its successors and assigns.

*“Junior Stock”* means the Common Stock and any other class or series of stock of the Corporation now existing or hereafter authorized over which the Series V Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

*“Liquidation Preference”* has the meaning set forth in Section 5(a) hereof.

“*Nonpayment Event*” shall have the meaning set forth in Section 7(b).

“*Parity Stock*” means any other class or series of stock of the Corporation now existing or hereafter authorized that ranks on par with the Series V Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) or in the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

“*Preference Stock*” means any and all series of preference stock, having no par value, of the Corporation.

“*Preferred Stock*” means any and all series of preferred stock, having no par value, of the Corporation, including the Series V Preferred Stock.

“*Preferred Stock Directors*” shall have the meaning set forth in Section 7(b).

“*Regulatory Capital Treatment Event*” means the Corporation’s reasonable determination that as a result of any (i) amendment to, clarification of, or change (including any announced prospective change) in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective on or after September 8, 2015; (ii) proposed change in those laws or regulations that is announced or becomes effective on or after September 8, 2015; or (iii) official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced on or after September 8, 2015, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation preference amount of all shares of Series V Preferred Stock then outstanding as Tier 1 capital (or its equivalent) for purposes of the capital adequacy guidelines or regulations of the appropriate federal banking agency, as then in effect and applicable, for as long as any share of Series V Preferred Stock is outstanding.

“*Series V Preferred Stock*” has the meaning set forth in Section 1 hereof.

“*Voting Parity Stock*” means any Parity Stock having similar voting rights as the Series V Preferred Stock.

#### **Section 4. Dividends.**

**(a) Rate.** Dividends on the Series V Preferred Stock will not be mandatory. Holders of Series V Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation, but only out of assets legally available therefor, non-cumulative cash dividends on the liquidation preference amount of \$25,000 per share of the Series V Preferred Stock, payable quarterly in arrears on the 15th day of March, June, September and December of each year (commencing on December 15, 2015); provided, however, if any such day is not a Business Day, then payment of any

dividend otherwise payable on that date will be made on the next succeeding day that is a Business Day, without any interest or other payment in respect of such delay (each such day on which dividends are payable a “*Dividend Payment Date*”). A “*Dividend Period*” means the period from, and including, a Dividend Payment Date to, but excluding, the next succeeding Dividend Payment Date, except for the initial Dividend Period, which will be the period from, and including, September 15, 2015 to, but excluding, December 15, 2015. Dividends on each share of Series V Preferred Stock will accrue at a rate *per annum* equal to 6.00%. The record date for payment of dividends on the Series V Preferred Stock shall be the last Business Day of the calendar month immediately preceding the month during which the Dividend Payment Date falls or such other date as determined by the Corporation’s Board of Directors. The amount of dividends payable shall be computed on the basis of a 360-day year of twelve 30-day months. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward.

**(b) Non-Cumulative Dividends.** Dividends on shares of Series V Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series V Preferred Stock on any Dividend Payment Date are not declared prior to such Dividend Payment Date, then such dividends shall not cumulate and shall cease to accrue and be payable, and the Corporation shall have no obligation to pay, and the holders of Series V Preferred Stock shall have no right to receive, dividends accrued for such Dividend Period on the Dividend Payment Date for such Dividend Period or at any time in the future or interest with respect to such dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series V Preferred Stock or any other series of authorized Preferred Stock, Preference Stock, or Common Stock of the Corporation.

**(c) Priority of Dividends.** So long as any shares of Series V Preferred Stock remain outstanding,

(1) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Common Stock, and no shares of Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Common Stock by the Corporation (other than (i) a dividend payable in Common Stock or (ii) the acquisition of shares of Common Stock in exchange for, or through application of proceeds of the sale of, shares of Common Stock);

(2) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Junior Stock other than Common Stock, and no shares of Junior Stock other than Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Junior Stock other than Common Stock by

the Corporation (other than (i) a dividend payable solely in shares of Junior Stock, (ii) any dividend in connection with the implementation of a stockholder rights plan, or the redemption or repurchase of any rights under any such plan, (iii) any dividend in the form of stock, warrants, options or other rights where the dividend stock or stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks equally with or junior to such stock, (iv) as a result of a reclassification of Junior Stock other than Common Stock for or into other Junior Stock, (v) the exchange or conversion of one share of Junior Stock other than Common Stock for or into another share of Junior Stock, (vi) through the use of proceeds of a substantially contemporaneous sale of other shares of Junior Stock, (vii) any purchase, redemption or other acquisition of Junior Stock other than Common Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after September 8, 2015, (viii) any purchase of fractional interests in shares of Junior Stock other than Common Stock pursuant to the conversion or exchange provisions of such Junior Stock other than Common Stock or the securities being converted or exchanged, (ix) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (x) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business); and

(3) no shares of Parity Stock will be repurchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series V Preferred Stock and such Parity Stock during a Dividend Period (other than (i) as a result of a reclassification of Parity Stock for or into other Parity Stock or Junior Stock, (ii) the exchange or conversion of one share of Parity Stock for or into another share of Parity Stock or Junior Stock, (iii) through the use of proceeds of a substantially contemporaneous sale of other shares of Parity Stock or Junior Stock, (iv) any purchase, redemption or other acquisition of Parity Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after September 8, 2015, (v) any purchase of fractional interests in shares of Parity Stock pursuant to the conversion or exchange provisions of such Parity Stock or the securities being converted or exchanged, (vi) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (vii) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business),

unless, in each case, the full dividends for the then-current Dividend Period on all outstanding shares of the Series V Preferred Stock have been declared and paid or declared and a sum sufficient for the payment of those dividends has been set aside.

Subject to the succeeding sentence, for so long as any shares of Series V Preferred Stock remain outstanding, no dividends shall be declared, paid, or set aside for payment on any Parity Stock for any period unless full dividends on all outstanding shares of Series V Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. To the extent the Corporation declares dividends on the Series V Preferred Stock and on any Parity Stock but cannot make full payment of those declared dividends, the Corporation will allocate the dividend payments on a proportional basis among the holders of shares of Series V Preferred Stock and the holders of any Parity Stock then outstanding where the terms of such Parity Stock provide similar dividend rights.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may be declared and paid on the Common Stock and any other stock that is Parity Stock or Junior Stock, from time to time out of any assets legally available for such payment, and the shares of Series V Preferred Stock shall not be entitled to participate in any such dividends.

#### **Section 5. Liquidation Rights.**

**(a) Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series V Preferred Stock shall be entitled to receive in full out of assets available for distribution to its stockholders before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of the Common Stock or any other Junior Stock, and subject to the rights of the holders of Parity Stock or any stock of the Corporation ranking senior to the Series V Preferred Stock as to such distribution, a liquidating distribution in the amount of \$25,000 per share, plus an amount equal to any dividends which have been declared but not yet paid, without accumulation of any undeclared dividends, to the date of liquidation (the “*Liquidation Preference*”). The holders of Series V Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

**(b) Partial Payment.** If the assets of the Corporation are not sufficient to pay in full the Liquidation Preference to all holders of Series V Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series V Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preference of Series V Preferred Stock and all such Parity Stock.

**(c) Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series V Preferred Stock and all other amounts payable upon liquidation, dissolution or winding up of the Corporation have been paid in full to all holders of any Parity Stock, the holders of Common Stock and any other Junior Stock shall be entitled

to receive all remaining assets of the Corporation according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

## **Section 6. Redemption.**

**(a) Optional Redemption.** The Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may redeem, subject to the prior approval of the Federal Reserve Board, out of funds legally available therefor, in whole or in part, the shares of Series V Preferred Stock at the time outstanding, at any time on any Dividend Payment Date on or after December 15, 2020, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series V Preferred Stock shall be \$25,000 per share plus an amount equal to any dividends that have been declared but not paid up to the redemption date without accumulation of any undeclared dividends.

Notwithstanding the foregoing, within 90 days of the Corporation's good faith determination that a Regulatory Capital Treatment Event has occurred, the Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may, subject to the approval of the appropriate federal banking agency, redeem out of funds legally available therefor, in whole, but not in part, the shares of Series V Preferred Stock at the time outstanding, prior to December 15, 2020, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series V Preferred Stock shall be \$25,000 per share plus an amount equal to any dividends that have been declared but not paid, without accumulation of any undeclared dividends.

**(b) Notice of Redemption.** Notice of every redemption of shares of Series V Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the stock register of the Corporation. Such mailing shall be at least 40 days and not more than 70 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(b) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series V Preferred Stock designated for redemption shall not affect the validity of the

proceedings for the redemption of any other shares of Series V Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series V Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, if applicable, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where the certificates for those shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date. Notwithstanding the foregoing, if the Series V Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC.

**(c) Partial Redemption.** In case of any redemption of only part of the shares of Series V Preferred Stock at the time outstanding, the shares of Series V Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series V Preferred Stock in proportion to the number of Series V Preferred Stock held by such holders or in such other manner consistent with the rules and policies of the New York Stock Exchange as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine to be fair and equitable. Subject to the provisions of this Section 6, the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series V Preferred Stock shall be redeemed from time to time.

**(d) Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been irrevocably set aside by the Corporation, separate and apart from its other assets, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors (the “*Depository Company*”) in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding, all dividends with respect to such shares shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from the Depository Company at any time after the redemption date from the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depository Company any interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of two years from the redemption date shall, to the extent permitted by law, be released or repaid to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

## **Section 7. Voting Rights.**

**(a) General.** The holders of Series V Preferred Stock shall not be entitled to vote on any matter except as set forth in paragraph 7(b) below or as required by applicable law.

**(b) Right To Elect Two Directors Upon Nonpayment Events.** Whenever dividends payable on any shares of Series V Preferred Stock or any class or series of Voting Parity Stock have not been declared and paid in an aggregate amount equal to, as to any class or series, at least six quarterly Dividend Periods or their equivalent, whether or not for consecutive Dividend Periods (a “*Nonpayment Event*”), the holders of the outstanding Series V Preferred Stock, voting together as a class with holders of Voting Parity Stock whose voting rights are exercisable, will be entitled to vote for the election of two additional directors of the Corporation’s Board of Directors at the Corporation’s next annual meeting of stockholders and at each subsequent annual meeting of stockholders (the “*Preferred Stock Directors*”) by a plurality of the votes cast; *provided* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Parity Stock are entitled to elect pursuant to like voting rights). Upon the vesting of such right of such holders, the maximum authorized number of members of the Board of Directors shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of the outstanding Series V Preferred Stock (together with the holders of shares of any one or more other series of Voting Parity Stock). At elections for such directors, each holder of the Series V Preferred Stock shall be entitled to 25 votes for each share held (the holders of shares of any other series of Voting Parity Stock being entitled to such number of votes, if any, for each share of such stock as may be granted to them). The right of the holders of the Series V Preferred Stock (voting together as a class with the holders of shares of any one or more other series of Voting Parity Stock) to elect Preferred Stock Directors shall continue until such time as the Corporation has paid in full dividends for the equivalent of at least four quarterly Dividend Periods or their equivalent, at which time such right with respect to the Series V Preferred Stock shall terminate, except as provided by law, and subject to re-vesting in the event of each and every subsequent default of the character described in this Section 7(b).

Upon any termination of the right of the holders of all shares of Series V Preferred Stock and Voting Parity Stock to vote for Preferred Stock Directors, the term of office of all Preferred Stock Directors then in office elected by only those holders voting as a class shall terminate immediately. Any Preferred Stock Director may be removed at any time without cause by the holders of a majority of the outstanding shares of Series V Preferred Stock and Voting Parity Stock, when they have the voting rights described above (voting together as a class). In case any vacancy shall occur among the Preferred Stock Directors, a successor may be elected by a plurality of the votes cast by the holders of Series V Preferred Stock and Voting Parity Stock having the voting rights described above, voting together as a class, unless the vacancy has already



been filled. The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Whenever the term of office of the directors elected by such holders voting as a class shall end and the special voting powers vested in such holders as provided in this Section 7(b) shall have expired, the number of directors shall be such number as may be provided for in the By-Laws irrespective of any increase made pursuant to this Section 7(b).

**(c) Other Voting Rights.** In addition to any other vote required by law or the Restated Certificate of Incorporation, so long as any shares of the Series V Preferred Stock remain outstanding, the vote or consent of the holders of the outstanding shares of Series V Preferred Stock and outstanding shares of all other series of Voting Parity Stock entitled to vote on the matter, by a vote of at least 66 2/3% in voting power of all such outstanding Series V Preferred Stock and such Voting Parity Stock, voting together as a class, given in person or by proxy, either in writing without a meeting or at any meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following actions, whether or not such approval is required by Delaware law: (i) the issuance of any class or series of Preferred Stock or Preference Stock ranking senior to the Series V Preferred Stock in the payment of dividends or the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; (ii) any amendment, alteration or repeal of any provision of the Restated Certificate of Incorporation, including the Certificate of Designation, or the Bylaws that would adversely affect the rights, preferences, privileges or voting powers of the Series V Preferred Stock; (iii) any amendment or alteration of the Restated Certificate of Incorporation, including the Certificate of Designation, or Bylaws to authorize, create, or increase the authorized amount of, any shares of, or any securities convertible into shares of, any class or series of the Corporation's capital stock ranking senior to the Series V Preferred Stock with respect to either the payment of dividends or in the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; or (iv) any consummation of a reclassification involving the Series V Preferred Stock or a merger or consolidation with another corporation or other entity, except holders of the Series V Preferred Stock will have no right to vote under this section 7(c)(iv) if in each case (a) the shares of Series V Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (b) such shares of Series V Preferred Stock remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Series V Preferred Stock, taken as a whole; *provided, however*, that any authorization, creation or increase in the authorized amount of or issuance of the Series V Preferred Stock or any Parity Stock or Junior Stock or any securities convertible into any class or series of Parity Stock (whether dividends payable in respect of such Parity Stock are cumulative or non-cumulative) or Junior Stock will be deemed not to adversely affect the rights,

preferences, privileges or voting powers of the Series V Preferred Stock, and holders of the Series V Preferred Stock shall have no right to vote thereon.

If any amendment, alteration, repeal, reclassification, merger or consolidation specified in this Section 7(c) would adversely affect one or more but not all series of voting Preferred Stock (including the Series V Preferred Stock), then only those series affected by and entitled to vote on the matter shall vote on the matter together as a class (in lieu of all other series of Preferred Stock).

Each holder of the Series V Preferred Stock will have 25 votes per share on any matter on which holders of the Series V Preferred Stock are entitled to vote, whether separately or together with any other series of stock of the Corporation (the holders of any shares of any other series of stock being entitled to such number of votes, if any, for each share of stock as may be granted to them), pursuant to Delaware law or otherwise, including by written consent.

**(d) Changes after Provision for Redemption.** No vote or consent of the holders of Series V Preferred Stock shall be required pursuant to Section 7(b) or (c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding Series V Preferred Stock shall have been redeemed, or notice of redemption has been given and sufficient funds shall have been irrevocably deposited in trust to effect such redemption.

**(e) Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series V Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Restated Certificate of Incorporation, the Bylaws, applicable law and any national securities exchange or other trading facility in which the Series V Preferred Stock is listed or traded at the time.

**Section 8. Preemption and Conversion.** The holders of Series V Preferred Stock shall not have any rights of preemption or rights to convert such Series V Preferred Stock into shares of any other class of capital stock of the Corporation.

**Section 9. Reacquired Shares.** Shares of Series V Preferred Stock which have been issued and redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of Preferred Stock without designation as to series.

**Section 10. No Sinking Fund.** Shares of Series V Preferred Stock are not subject to the operation of a sinking fund.

**Section 11. Additional Classes or Series of Stock.** Notwithstanding anything set forth in the Restated Certificate of Incorporation or this Certificate of Designation to the contrary, the Board of Directors of the Corporation, or any authorized committee

of the Board of Directors of the Corporation, (i) without the vote of the holders of the Series V Preferred Stock, may authorize and issue additional shares of Junior Stock and Parity Stock and (ii) with the requisite vote of the holders of the Series V Preferred Stock and Parity Stock entitled to vote thereon, may authorize and issue any additional class or series of Preferred Stock or Preference Stock senior to the Series V Preferred Stock as to the payment of dividends and/or the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

*[Signature Page Follows]*

US.98639891.01

**In Witness Whereof, Wells Fargo & Company** has caused this Certificate of Designation to be signed by Barbara S. Brett, its Senior Vice President and Assistant Treasurer, and Jeannine E. Zahn, its Assistant Secretary, this 10<sup>th</sup> day of September, 2015.

**Wells Fargo & Company**

By: /s/ Barbara S. Brett

Barbara S. Brett, Senior Vice President and  
Assistant Treasurer

/s/ Jeannine E. Zahn

Jeannine E. Zahn, Assistant Secretary

[As filed with the Delaware Secretary of State on September 11, 2015.]

WELLS FARGO & COMPANY

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CERTIFICATE OF DESIGNATION  
Pursuant to Section 151 of the  
General Corporation Law of the State of Delaware

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2016 ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK  
(Without Par Value)

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WELLS FARGO & COMPANY, a corporation organized and existing under the laws of the State of Delaware (the “Company”), HEREBY CERTIFIES that, pursuant to authority conferred upon the Board of Directors of the Company (the “Board”) by the provisions of the Restated Certificate of Incorporation of the Company, as amended, which authorize the issuance of not more than 20,000,000 shares of Preferred Stock, without par value (the “Preferred Stock”), and pursuant to authority conferred upon the ESOP Preferred Stock Committee I of the Board (the “ESOP Committee”) in accordance with Section 141(c) of the General Corporation Law of the State of Delaware (the “General Corporation Law”) and by the resolutions of the Board set forth herein, the following resolutions were duly adopted by the Board at meetings of the Board duly held on January 25, 2000, January 27, 2009, and February 24, 2009, and by the ESOP Committee pursuant to the written consent of the ESOP Committee duly adopted on January 4, 2016, in accordance with Section 141(f) of the General Corporation Law:

1. On January 25, 2000, the Board adopted the following resolution (the “ESOP Board Resolutions”) appointing the ESOP Committee and delegating to the ESOP Committee the full powers of the Board, subject to the ESOP Board Resolutions, in all matters relating to issuance of one or more series of Preferred Stock (“ESOP Preferred Stock”) to the trustee on behalf of the Company’s 401(k) Plan:

RESOLVED that a committee of one member of the Board of the Company is hereby appointed by the Board as the ESOP Preferred Stock Committee I (the “First Committee”), which shall have and may exercise the full powers of the Board, subject to these resolutions, to issue from time to time one or more series of ESOP Preferred Stock, including any shares of Company common stock (\$1 2/3 par value) issuable upon conversion of ESOP Preferred Stock, and in connection therewith, to fix the designations, voting powers, preferences, and all other rights, qualifications and restrictions of such ESOP Preferred Stock, to sell such ESOP Preferred Stock to the Plan on such terms and conditions and for such purchase price as the First Committee in its discretion shall approve, and to take any and all actions as the First Committee shall deem necessary or appropriate.

2. On January 27, 2009, the Board adopted the following resolutions (the “January 2009 Resolutions”) amending the ESOP Board Resolutions to allow the ESOP Committee to establish the voting rights of any series of ESOP Preferred Stock:

RESOLVED that the resolution set forth in the ESOP Board Resolutions under the caption “Voting Rights of ESOP Preferred Stock” is hereby deleted in its entirety.

RESOLVED that the ESOP Board Resolutions are hereby further amended to delete “Appendix A - Voting Rights” in its entirety.

3. Pursuant to resolutions adopted on February 24, 2009, the Board designated John G. Stumpf as the sole member of the ESOP Committee, effective April 29, 2009.

4. On January 4, 2016, pursuant to authority conferred upon it by the Board in the ESOP Board Resolutions as amended by the January 2009 Resolutions, the ESOP Committee adopted the following resolution by written consent in accordance with Section 141(f) of the General Corporation Law:

RESOLVED that the issuance of a series of Preferred Stock, without par value, of the Company is hereby authorized and the designation, voting powers, preferences, and relative, participating, optional, and other special rights, and qualifications, limitations and restrictions thereof, in addition to those set forth in the Restated Certificate of Incorporation of the Company, as amended, are hereby fixed as follows:

#### 2016 ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK

##### 1. Designation and Number of Shares; Restricted Issue.

(a) The designation of the series of Preferred Stock, without par value, provided for herein shall be “2016 ESOP Cumulative Convertible Preferred Stock” (hereinafter referred to as the “2016 ESOP Preferred Stock”) and the number of authorized shares constituting the 2016 ESOP Preferred Stock is 1,150,000, based on an offering price for the 2016 ESOP Preferred Stock of \$1,086.00 per share. Each share of 2016 ESOP Preferred Stock shall have a stated value of \$1,000.00 per share. The number of authorized shares of 2016 ESOP Preferred Stock may be reduced by further resolution duly adopted by the Board or the Securities Committee and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such reduction has been so authorized; provided, however, that the authorized number of shares of 2016 ESOP Preferred Stock shall not be decreased below the then outstanding number of such shares, and provided further that the number of authorized shares of 2016 ESOP Preferred Stock shall not be increased. All shares of the 2016 ESOP Preferred Stock purchased, redeemed, or converted by the Company shall be retired and canceled and shall be restored to the status of authorized but unissued shares of Preferred Stock, without designation as to series, and may thereafter be issued, but not as shares of 2016 ESOP Preferred Stock.

(b) Shares of 2016 ESOP Preferred Stock shall be issued only to a trustee (the "Trustee") acting on behalf of the Wells Fargo & Company 401(k) Plan, or any successor to such plan (the "Plan"). All references to the holder of shares of 2016 ESOP Preferred Stock shall mean the Trustee or any company with which or into which the Trustee may merge or any successor trustee under the trust agreement with respect to the Plan. In the event of any transfer of record ownership of shares of 2016 ESOP Preferred Stock to any person other than any successor trustee under the Plan, the shares of 2016 ESOP Preferred Stock so transferred, upon such transfer and without any further action by the Company or the holder thereof, shall be automatically converted into shares of the common stock, par value \$1-2/3 per share, of the Company (the "Common Stock") on the terms otherwise providing for the conversion of the shares of 2016 ESOP Preferred Stock into shares of Common Stock pursuant to paragraph (a) of Section 4 hereof, and no such transferee shall have any of the voting powers, preferences, and relative, participating, optional or special rights ascribed to shares of 2016 ESOP Preferred Stock hereunder but, rather, only the powers and rights pertaining to the Common Stock into which such shares of 2016 ESOP Preferred Stock shall be so converted. In the event of such a conversion, the transferee of the shares of 2016 ESOP Preferred Stock shall be treated for all purposes as the record holder of the shares of Common Stock into which such shares of 2016 ESOP Preferred Stock have been automatically converted as of the date of such transfer. Shares of 2016 ESOP Preferred Stock may be certificated or uncertificated, at the Company's option. Certificates representing shares of 2016 ESOP Preferred Stock shall bear a legend to reflect the foregoing provisions. In the case of uncertificated 2016 ESOP Preferred Stock, the transfer agent for the 2016 ESOP Preferred Stock shall note the foregoing provisions on each 2016 ESOP Preferred Stock book entry account. The Company may require that, as a condition to transferring record ownership of any uncertificated 2016 ESOP Preferred Stock, the proposed transferee acknowledge in writing that the shares of 2016 ESOP Preferred Stock are subject to the foregoing provisions. Notwithstanding the foregoing provisions of this paragraph (b) of Section 1, shares of 2016 ESOP Preferred Stock (i)(A) shall be converted into shares of Common Stock as provided in paragraph (a) of Section 4 hereof, and (B) may be converted into shares of Common Stock as provided by paragraph (b) of Section 4 hereof and the shares of Common Stock issued upon such conversion may be transferred by the holder thereof as permitted by law and (ii) shall be redeemable by the Company upon the terms and conditions provided in Sections 5 and 6(c) hereof.

2. Voting Rights. No shares of 2016 ESOP Preferred Stock shall have voting rights except such voting rights as may from time to time be required by law and as set forth in this Section 2, as follows:

(a) Whenever, at any time or times, dividends payable on shares of 2016 ESOP Preferred Stock shall be in arrears for such number of dividend periods which shall in the aggregate contain not less than 540 days, the holders of the outstanding shares of 2016 ESOP Preferred Stock shall have the exclusive right, voting together as a class with holders of shares of any one or more series of Voting Parity Stock, as defined in

paragraph (e) of this Section 2, whose voting rights are exercisable, to elect two directors of the Company's Board at the Company's next annual meeting of stockholders and at each subsequent annual meeting of stockholders (the "Preferred Stock Directors") by a plurality of the votes cast; provided that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Parity Stock are entitled to elect pursuant to like voting rights). At elections for such directors, each holder of the shares of 2016 ESOP Preferred Stock shall be entitled to one vote for each share held (the holders of shares of any series of Voting Parity Stock being entitled to such number of votes, if any, for each share of Preferred Stock held as may be granted to them). Upon the vesting of such right of such holders, the maximum authorized number of members of the Board shall automatically be increased by two and the two vacancies so created shall be filled by a vote of the holders of such outstanding shares of 2016 ESOP Preferred Stock (together with the holders of shares of any one or more series of Voting Parity Stock whose voting rights are exercisable) as herein set forth. The right of such holders of such shares of 2016 ESOP Preferred Stock (voting together as a class with the holders of shares of any one or more series of Voting Parity Stock whose voting rights are exercisable) to elect Preferred Stock Directors as aforesaid shall continue until such time as all dividends accumulated on such shares of 2016 ESOP Preferred Stock shall have been paid in full, at which time such right with respect to such shares of 2016 ESOP Preferred Stock shall terminate, except as herein or by law expressly provided, subject to re-vesting in the event of each and every subsequent default of the character above mentioned.

(b) Upon any termination of the right of the holders of all shares of 2016 ESOP Preferred Stock and Voting Parity Stock entitled to vote for Preferred Stock Directors, the term of office of all Preferred Stock Directors then in office elected by such holders voting as a class shall terminate immediately. Any Preferred Stock Director may be removed at any time without cause by the holders of a majority of the outstanding shares of 2016 ESOP Preferred Stock and Voting Parity Stock, when they have the voting rights described above (voting together as a class). In case any vacancy shall occur among the Preferred Stock Directors, a successor may be elected by a plurality of the votes cast by the holders of 2016 ESOP Preferred Stock and Voting Parity Stock having the voting rights described above, voting together as a class, unless the vacancy has already been filled. The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Whenever the term of office of the directors elected by such holders voting as a class shall end and the special voting powers vested in such holders as provided in this resolution shall have expired, the number of directors shall be such number as may be provided for in the By-Laws of the Company irrespective of any increase made pursuant to the provisions of this Section 2(b).

(c) In addition to any other vote required by law or the Restated Certificate of Incorporation, so long as any shares of 2016 ESOP Preferred Stock remain outstanding, the vote or consent of the holders of the outstanding shares of 2016 ESOP Preferred



Stock and outstanding shares of all series of Voting Parity Stock entitled to vote on the matter, by a vote of at least two-thirds in voting power of all such outstanding shares of 2016 ESOP Preferred Stock and such series of Voting Parity Stock voting together as a class, given in person or by proxy, either in writing or at any special or annual meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following whether or not such approval is required by Delaware law:

(i) the authorization, creation or issuance, or any increase in the authorized or issued amount, of any class or series of stock ranking prior to shares of 2016 ESOP Preferred Stock with respect to payment of dividends or the distribution of assets on the Company's voluntary or involuntary liquidation, dissolution or winding up, or

(ii) the amendment, alteration or repeal, whether by merger, consolidation or otherwise, of any of the provisions of the Restated Certificate of Incorporation or of the resolutions set forth in a Certificate of Designation designating shares of 2016 ESOP Preferred Stock and the preferences, powers and relative, participating, optional and other special rights and qualifications, limitations and restrictions thereof which would materially and adversely affect any right, preference, privilege or voting power of the shares of 2016 ESOP Preferred Stock or of the holders thereof; provided, however, that any increase in the amount of authorized Preferred Stock, or the creation and issuance of other series of Preferred Stock, or any increase in the amount of authorized shares of any series of Preferred Stock, in each case ranking on a parity with or junior to the shares of 2016 ESOP Preferred Stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

(d) The foregoing voting provisions shall not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of 2016 ESOP Preferred Stock shall have been redeemed or sufficient funds shall have been irrevocably deposited in trust to effect such redemption.

(e) As used in this Section 2, "Voting Parity Stock" means any other class or series of stock of the Company now existing or hereafter authorized that ranks on par with the 2016 ESOP Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) or in the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company and having similar voting rights as the 2016 ESOP Preferred Stock.

3. Dividends. (a)(i) Holders of shares of 2016 ESOP Preferred Stock will be entitled to receive, when and as declared by the Board or a duly authorized committee thereof, out of assets of the Company legally available for payment, an annual cash dividend of \$93.00 (the "Base Dividend") per share, which Base Dividend shall be subject to adjustment from time to time as provided in this Section 3.

(ii) The Base Dividend shall be adjusted, effective on December 1, 2017 and on each December 1 thereafter until December 1, 2024, as follows:

(1) If the Current Market Price (as hereinafter defined) of one share of Common Stock on November 30 (or the next preceding Trading Day (as hereinafter defined) if November 30 is not a Trading Day) of any year listed in the Dividend Adjustment Table below is equal to or greater than the First Target Price but less than the Second Target Price shown opposite that year in such table, then holders of shares of the 2016 ESOP Preferred Stock will be entitled to receive a cash dividend for the immediately following twelve month period equal to \$98.00 per share (the “First Adjusted Dividend”).

(2) If the Current Market Price of one share of Common Stock on November 30 (or the next preceding Trading Day if November 30 is not a Trading Day) of any year listed in the Dividend Adjustment Table below is equal to or greater than the Second Target Price shown opposite that year in such table, then holders of shares of 2016 ESOP Preferred Stock will be entitled to receive a cash dividend for the immediately following twelve month period equal to \$103.00 per share (the “Second Adjusted Dividend”).

(3) If the Current Market Price of one share of Common Stock on November 30 (or next preceding Trading Day if November 30 is not a Trading Day) of any year listed in the Dividend Adjustment Table below is less than the First Target Price shown opposite that year in such table, then the holders of shares of 2016 ESOP Preferred Stock will be entitled to receive a cash dividend for the immediately following twelve month period equal to the Base Dividend.

**Dividend Adjustment Table**

<b><u>Closing Price on 11/30</u></b>	<b><u>First Target Price</u></b>	<b><u>Second Target Price</u></b>
2017	\$63.00	\$66.74
2018	\$67.10	\$73.25
2019	\$71.46	\$80.39
2020	\$76.10	\$88.23
2021	\$81.05	\$96.83
2022	\$86.32	\$106.27
2023	\$91.93	\$116.63
2024	\$97.91	\$128.00

(4) As an example of the adjustments described in subparagraphs (1) through (3) above, if on November 30, 2017, the Current Market Price of one share of Common Stock is \$64.00, then the cash dividend

payable for the immediately following twelve month period per share of 2016 ESOP Preferred Stock would equal \$98.00, with the first quarterly payment of such \$98.00 dividend to be made on March 1, 2018. If on November 30, 2018, the Current Market Price of one share of Common Stock is \$74.00, then the cash dividend payable for the immediately following twelve month period per share of 2016 ESOP Preferred Stock would equal \$103.00, with the first quarterly payment of such \$103.00 dividend to be made on March 1, 2019. If on November 30, 2019, the Current Market Price of one share of Common Stock is \$68.00, then the cash dividend payable for the immediately following twelve month period per share of 2016 ESOP Preferred Stock would equal \$93.00, with the first quarterly payment of such \$93.00 dividend to be made on March 1, 2020.

(5) For purposes of this Section 3, the terms “First Adjusted Dividend” and “Second Adjusted Dividend” are sometimes referred to as an “Adjusted Dividend;” the term “Current Market Price” shall have the meaning given to it in Section 4(c)(iv); and the term “Trading Day” shall have the meaning given to it in Section 4(c)(vi).

(iii) If one share of Common Stock in any year listed in the Dividend Adjustment Table shall be changed into a different number of shares or a different class of shares by reason of any reclassification, recapitalization, split-up, combination, exchange of shares or readjustment, or if a stock dividend thereon shall be declared with a record date within such period, then the First Target Price and the Second Target Price listed in such table for that year and each subsequent year will be appropriately and proportionately adjusted.

(iv) Dividends payable on shares of the 2016 ESOP Preferred Stock (whether such dividends are equal to the Base Dividend or to an Adjusted Dividend) shall be payable quarterly on March 1, June 1, September 1, and December 1 of each year, commencing March 1, 2016. Dividends on shares of the 2016 ESOP Preferred Stock will be cumulative from the date of initial issuance of such shares of 2016 ESOP Preferred Stock. Dividends will be payable, in arrears, to holders of record as they appear on the stock books of the Company on such record dates, not more than 30 days nor less than 15 days preceding the payment dates thereof, as shall be fixed by the Board or a duly authorized committee thereof. The amount of dividends payable per share for each dividend period shall be computed by dividing by four the Base Dividend or the Adjusted Dividend, whichever is then applicable. The amount of dividends payable for the initial dividend period or any period shorter than a full dividend period shall be calculated on the basis of actual days elapsed in a 360-day year of twelve 30-day months.

(b)(i) No full dividends shall be declared or paid or set apart for payment on any stock of the Company ranking, as to dividends, on a parity with or junior to the 2016 ESOP Preferred Stock for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the

payment thereof has been set apart for such payment on shares of 2016 ESOP Preferred Stock for all dividend payment periods terminating on or prior to the date of payment of such full cumulative dividends. When dividends are not paid in full, as aforesaid, upon the shares of 2016 ESOP Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends with 2016 ESOP Preferred Stock, all dividends declared upon shares of 2016 ESOP Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends with 2016 ESOP Preferred Stock shall be declared pro rata so that the amount of dividends declared per share on 2016 ESOP Preferred Stock and such other series of Preferred Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the shares of 2016 ESOP Preferred Stock and such other series of Preferred Stock bear to each other. Holders of shares of 2016 ESOP Preferred Stock shall not be entitled to any dividend, whether payable in cash, property, or stock, in excess of full cumulative dividends, as herein provided, on 2016 ESOP Preferred Stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on 2016 ESOP Preferred Stock which may be in arrears.

(ii) So long as any shares of 2016 ESOP Preferred Stock are outstanding, no dividend (other than dividends or distributions paid in shares of, or options, warrants, or rights to subscribe for or purchase shares of, Common Stock or any other stock ranking junior to 2016 ESOP Preferred Stock as to dividends or upon liquidation and other than as provided in paragraph (b)(i) of this Section 3) shall be declared or paid or set aside for payment or other distribution declared or made upon Common Stock or any other capital stock of the Company ranking junior to or on a parity with 2016 ESOP Preferred Stock as to dividends or upon liquidation, nor shall any Common Stock or any other capital stock of the Company ranking junior to or on a parity with 2016 ESOP Preferred Stock as to dividends or upon liquidation, dissolution or winding up be redeemed, purchased, or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Company (except by conversion into or exchange for stock of the Company ranking junior to 2016 ESOP Preferred Stock as to dividends or upon liquidation, dissolution or winding up), unless, in each case, the full cumulative dividends on all outstanding shares of 2016 ESOP Preferred Stock shall have been paid or declared and set aside for payment of the then current dividend payment period and all past dividend payment periods.

4. Conversion. Shares of 2016 ESOP Preferred Stock are convertible from time to time hereafter pursuant to the provisions of paragraphs (a) or (b) of this Section 4 into that number of shares of Common Stock determined by dividing the stated value of each share of 2016 ESOP Preferred Stock by the then applicable Conversion Price, (as determined in accordance with the provisions of paragraph (c)(iii) of this Section 4), as follows:

(a) Each share of 2016 ESOP Preferred Stock released from the unallocated reserve of the Plan in accordance with the terms thereof shall be

automatically converted, without any further action by the Company or the holder thereof, as of the date such release occurs (the “Release Date”), into fully paid and nonassessable shares of Common Stock at the then applicable Conversion Price for the 2016 ESOP Preferred Stock provided for in paragraph (c) of this Section 4.

(b) Subject to and upon compliance with the provisions of this Section 4, a holder of 2016 ESOP Preferred Stock shall be entitled at any time, prior to the close of business on the date fixed for redemption of such shares pursuant to Sections 5 or 6 hereof, to cause any or all of the shares of 2016 ESOP Preferred Stock held by such holder to be converted into fully paid and nonassessable shares of Common Stock at the then applicable Conversion Price for 2016 ESOP Preferred Stock provided for in paragraph (c) of this Section 4.

(c) For purposes of these resolutions, the following terms shall have the meanings set forth below:

(i) The “Average Current Market Price” per share of Common Stock on any date shall be deemed to be the average of the Current Market Price for one share of Common Stock for the twenty (20) consecutive Trading Days ending on the Trading Day occurring prior to the date the “Purchase Offer” is made (as that term is defined in Section 6(d) hereof).

(ii) A “Business Day” means each day that is not a Saturday, Sunday, or a day on which state or federally chartered banking institutions in the State of New York are not required to be open.

(iii) (A) For purposes of a mandatory conversion of shares of 2016 ESOP Preferred Stock into shares of Common Stock pursuant to the provisions of paragraph (a) of this Section 4, the “Conversion Price” for such shares of 2016 ESOP Preferred Stock shall be the Current Market Price of one share of Common Stock on the relevant Release Date.

(B) For purposes of an optional conversion of shares of 2016 ESOP Preferred Stock into shares of Common Stock pursuant to the provisions of paragraph (b) of this Section 4, the “Conversion Price” for such shares of 2016 ESOP Preferred Stock shall be the Current Market Price of one share of Common Stock on the date the Conversion Notice (as that term is defined in paragraph (d) of this Section 4) is received by the Company, by the transfer agent for the 2016 ESOP Preferred Stock or by any agent for conversion of the 2016 ESOP Preferred Stock designated as such pursuant to paragraph (d) of this Section 4.

(C) For purposes of a conversion of shares of 2016 ESOP Preferred Stock into shares of Common Stock in connection with a “Purchase Offer” (as defined in Section 6(d) hereof), the “Conversion Price” for such shares of 2016 ESOP Preferred Stock shall be the Average Current Market Price of one share of Common Stock.

Each share of 2016 ESOP Preferred Stock shall be valued at its stated value of \$1,000.00 for purposes of computing, based on the applicable Conversion Price, the number of shares of Common Stock into which the shares of 2016 ESOP Preferred Stock will be converted.

(iv) The “Current Market Price” of publicly traded shares of Common Stock or any other class of capital stock or other security of the Company or any other issuer for any day shall mean the reported last sale price, regular way, or, in case no sale takes place on such day, the average of the reported closing bid and asked prices, regular way, in either case as reported on the New York Stock Exchange only or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which the Common Stock is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the National Market System of the National Association of Securities Dealers, Inc. Automated Quotations System (“NASDAQ”) or, if the Common Stock is not quoted on such National Market System, the average of the closing bid and asked prices on such day in the over-the-counter market as reported by NASDAQ or, if bid and asked prices for the Common Stock on each such day shall not have been reported through NASDAQ, the average of the bid and asked prices for such day as furnished by any New York Stock Exchange member firm regularly making a market in the Common Stock selected for such purpose by the Board or a committee thereof or, if no such quotations are available, the fair market value of the Common Stock as determined by a New York Stock Exchange member firm regularly making a market in the Common Stock selected for such purpose by the Board or a committee thereof.

(v) “Common Stock” shall mean the Common Stock of the Company as the same exists at the date of this Certificate of Designation or as such stock may be constituted from time to time.

(vi) “Trading Day” with respect to Common Stock means (x) if the Common Stock is listed or admitted for trading on the New York Stock Exchange or another national securities exchange, a day on which the New York Stock Exchange or such other national securities exchange is open for business or (y) if the Common Stock is quoted on the National Market System of NASDAQ, a day on which trades may be made on such National Market System or (z) otherwise, any Business Day.

(d) In connection with any conversion of 2016 ESOP Preferred Stock pursuant to this Section 4, a written notice of conversion (the “Conversion Notice”) shall be delivered to the Company at its principal executive office or the offices of the transfer agent for the 2016 ESOP Preferred Stock or such office or offices in the continental United States of an agent for conversion as may from time to time be designated by notice to the holders of the 2016 ESOP Preferred Stock by the Company or the transfer agent for the 2016 ESOP Preferred Stock, which Conversion Notice shall be accompanied by (a) in the case of certificated 2016 ESOP Preferred Stock, the certificate or certificates representing the shares of 2016 ESOP Preferred Stock being

converted pursuant to this Section 4, duly assigned or endorsed for transfer to the Company (or accompanied by duly executed stock powers relating thereto) and (b) in the case of uncertificated 2016 ESOP Preferred Stock, duly executed assignment and transfer documents for the shares of 2016 ESOP Preferred Stock being converted pursuant to this Section 4. Each Conversion Notice shall specify (i)(y) in the case of a mandatory conversion pursuant to paragraph (a) of this Section 4, the number of shares of 2016 ESOP Preferred Stock released from the unallocated reserve of the Plan on the Release Date or (z) in the case of an optional conversion pursuant to paragraph (b) of this Section 4, the number of shares of 2016 ESOP Preferred Stock being converted, and (ii) in connection with any conversion hereunder, (x) the name or names in which such holder wishes the certificate or certificates for Common Stock and, in the case of certificated 2016 ESOP Preferred Stock, for any shares of 2016 ESOP Preferred Stock not to be so converted to be issued, (y) the address to which such holder wishes delivery to be made of such new certificates to be issued upon such conversion, and (z) such other information as the Company or its agents may reasonably request.

(e) Upon delivery to the Company or the transfer agent for the 2016 ESOP Preferred Stock of the Conversion Notice and all other documentation and certificates required to effect the conversion, as provided in paragraph (d) of this Section 4, the Company shall issue and send by hand delivery, by courier or by first-class mail (postage prepaid) to the holder thereof or to such holder's designee, at the address designated by such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled upon conversion. If there shall have been surrendered a certificate or certificates representing shares of 2016 ESOP Preferred Stock only part of which are to be converted, the Company shall issue and deliver to such holder or such holder's designee, in the manner set forth in the preceding sentence, a new certificate or certificates representing the number of shares of 2016 ESOP Preferred Stock which shall not have been converted.

(f) The issuance by the Company of shares of Common Stock upon a conversion of shares of 2016 ESOP Preferred Stock into shares of Common Stock made pursuant to this Section 4 shall be effective (i) in the case of a mandatory conversion of shares of 2016 ESOP Preferred Stock pursuant to paragraph (a) of this Section 4, as of the Release Date; and (ii) in the case of an optional conversion of such shares pursuant to paragraph (b) of this Section 4, as of the earlier of (A) the delivery to such holder or such holder's designee of the certificates representing the shares of Common Stock issued upon conversion thereof or (B) the commencement of business on the second Business Day after the delivery to the Company or the transfer agent for the 2016 ESOP Preferred Stock of the Conversion Notice and all other documentation and certificates required to effect the conversion, as provided in paragraph (d) of this Section 4. On and after the effective date of a conversion, the person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock, but no allowance or adjustment shall be made in respect of dividends payable to holders of Common Stock in

respect of any period prior to such effective date. The Company shall not be obligated to pay any dividends which shall have accrued or have been declared and shall be payable to holders of shares of 2016 ESOP Preferred Stock if the date on which such dividends are paid is on or after the effective date of conversion of such shares.

(g) The Company shall not be obligated to deliver to holders of 2016 ESOP Preferred Stock any fractional share or shares of Common Stock issuable upon any conversion of such shares of 2016 ESOP Preferred Stock, but in lieu thereof may make a cash payment in respect thereof in any manner permitted by law.

(h) The Company shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for issuance upon the conversion of shares of 2016 ESOP Preferred Stock as herein provided, free from any preemptive rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of 2016 ESOP Preferred Stock then outstanding.

(i) The Company will use its best efforts to cause the listing of the shares of Common Stock required to be delivered upon conversion of the 2016 ESOP Preferred Stock prior to distribution to Plan participants on the national securities exchange, if any, upon which the outstanding Common Stock is listed at the time of such delivery.

(j) The Company will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock on conversions of the 2016 ESOP Preferred Stock pursuant hereto; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock in a name other than that of the holder of the 2016 ESOP Preferred Stock to be converted and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that such tax has been paid.

5. Redemption at the Option of the Company. (a) The 2016 ESOP Preferred Stock shall be redeemable out of assets legally available therefor, in whole or in part, at the option of the Company at any time, at a redemption price per share of 2016 ESOP Preferred Stock equal to the higher of (x) \$1,000.00 per share, plus an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption, and (y) the Fair Market Value (as that term is defined in paragraph (d) of this Section 5) per share of 2016 ESOP Preferred Stock on the date fixed for redemption. Payment of the redemption price shall be made by the Company in cash or shares of Common Stock, or a combination thereof, as permitted by paragraph (c) of this Section 5. From and after the date fixed for redemption, dividends on shares of 2016 ESOP Preferred Stock called for redemption will cease to accrue and all rights in respect of such shares of the Company shall cease, except the right to receive the redemption price. Upon payment of the redemption price, such shares shall be deemed to have been transferred to the Company, to be retired as provided in paragraph (a) of Section 1. If the full cumulative dividends have not been paid, or contemporaneously declared and set aside for payment,



on all outstanding shares of 2016 ESOP Preferred Stock, the Company may not redeem fewer than all the outstanding shares of 2016 ESOP Preferred Stock pursuant to this Section 5.

(b) Unless otherwise required by law, notice of any redemption pursuant to this Section 5 will be sent to the holders of 2016 ESOP Preferred Stock at the address shown on the books of the Company or any transfer agent for the 2016 ESOP Preferred Stock by hand delivery, by courier, by standard form of telecommunication or by first-class mail (postage prepaid) delivered, sent or mailed, as the case may be, not less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Each such notice shall state: (i) the redemption date; (ii) the total number of shares of the 2016 ESOP Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) whether the redemption price shall be paid in cash or in shares of Common Stock, or in a combination of such Common Stock and cash; (v) in the case of certificated 2016 ESOP Preferred Stock the place or places where certificates for such shares are to be surrendered for payment of the redemption price; (vi) that dividends on the shares to be redeemed will cease to accrue on such redemption date; and (vii) the conversion rights of the shares to be redeemed, the period within which conversion rights may be exercised and the manner in which the number of shares of Common Stock issuable upon conversion of a share of 2016 ESOP Preferred Stock will be determined. The Company shall redeem shares so called for redemption and not previously converted at the date fixed for redemption and at the redemption price set forth in this Section 5, provided that, in the case of certificated 2016 ESOP Preferred Stock, the Company shall not be obligated to pay the redemption price until the certificates for the shares to be redeemed are surrendered (properly endorsed or assigned for transfer, if the Board of Directors of the Company shall so require and the notice shall so state).

(c) The Company, at its option, may make payment of the redemption price required upon redemption of shares of 2016 ESOP Preferred Stock in cash or in shares of Common Stock, or in a combination of such Common Stock and cash, any such shares of Common Stock to be valued for such purposes at their Fair Market Value (as defined in paragraph (d)(ii) of this Section 5) or their Current Market Price, in either case as of the date fixed for redemption of the 2016 ESOP Preferred Stock, whichever value will result in the issuance of the greater number of shares of Common Stock to the holder of the 2016 ESOP Preferred Stock then being redeemed.

(d) For purposes of these resolutions, the following terms shall have the meanings set forth below:

(i) "Adjustment Period" shall mean the period of five (5) consecutive Trading Days preceding the date as of which the Fair Market Value of a security is to be determined.

(ii) “Fair Market Value” shall mean, as to shares of Common Stock or any other class of capital stock or securities of the Company or any other issue which are publicly traded, the average of the Current Market Prices of such shares or securities for each day of the Adjustment Period. The “Fair Market Value” of any security which is not publicly traded (other than the 2016 ESOP Preferred Stock) or of any other property shall mean the fair value thereof on the date as of which the Fair Market Value of the security is to be determined, as determined by an independent investment banking or appraisal firm experienced in the valuation of such securities or property selected in good faith by the Board or a committee thereof. The “Fair Market Value” of the 2016 ESOP Preferred Stock for purposes of paragraph (a) of Section 5, and for purposes of paragraph (c) of Section 6 shall mean the fair market value thereof determined by an independent appraiser, appointed by the Trustee of the Plan in accordance with the provisions of the Plan, as of the date fixed for redemption of the 2016 ESOP Preferred Stock (in the case of a redemption pursuant to Section 5) or as of the date specified in paragraph (c) of Section 6 (in the case of a redemption under that section). For purposes of determining the Fair Market Value of the 2016 ESOP Preferred Stock, the independent appraiser shall assume (i) that all dividends on the 2016 ESOP Preferred Stock would have been paid when due, and (ii) that the mandatory conversion of shares of 2016 ESOP Preferred Stock held by the Plan into shares of Common Stock pursuant to Section 4(a) hereof would have occurred when and as payments of principal (together with accrued interest thereon) would have been made by the Trustee of the Plan in accordance with the terms of that certain 2016 ESOP Cumulative Convertible Preferred Stock Note Agreement dated on or about January 7, 2016 between the Company and the Plan (including any amendments or modifications thereto).

6. Consolidation, Merger, etc. (a) If the Company consummates any consolidation or merger or similar business combination, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged solely for or changed, reclassified or converted solely into stock of any successor or resulting corporation (including the Company) that constitutes “qualifying employer securities” with respect to a holder of 2016 ESOP Preferred Stock within the meaning of Section 409(1) of the Internal Revenue Code of 1986, as amended, and Section 407(d)(5) of the Employee Retirement Income Security Act of 1974, as amended, or any successor provisions of law, and, if applicable, for a cash payment in lieu of fractional shares, if any, the shares of 2016 ESOP Preferred Stock of such holder shall, in connection with such consolidation, merger or similar business combination, be assumed by and shall become Preferred Stock of such successor or resulting corporation, having in respect of such corporation, insofar as possible, the same powers, preferences and relative, participating, optional or other special rights (including the redemption rights provided by Sections 5 and 6 hereof), and the qualifications, limitations or restrictions thereon, that the 2016 ESOP Preferred Stock had immediately prior to such transaction, subject to the following:

(1) After such transaction each share of the 2016 ESOP Preferred Stock shall be convertible, otherwise on the terms and conditions provided by

Section 4 hereof, into the number and kind of qualifying employer securities so receivable by a holder of the number of shares of Common Stock into which such shares of 2016 ESOP Preferred Stock could have been converted immediately prior to such transaction.

(2) The Company shall not consummate any such merger, consolidation or similar transaction unless all then outstanding shares of 2016 ESOP Preferred Stock shall be assumed and authorized by the successor or resulting corporation as aforesaid.

(b) If the Company consummates any consolidation or merger or similar business combination, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged for or changed, reclassified or converted into other stock or securities or cash or any other property, or any combination thereof, other than any such consideration which is constituted solely of qualifying employer securities (as referred to in paragraph (a) of this Section 6) and cash payments, if applicable, in lieu of fractional shares, outstanding shares of 2016 ESOP Preferred Stock shall, without any action on the part of the Company or any holder thereof (but subject to paragraph (c) of this Section 6), be automatically converted by virtue of such merger, consolidation or similar transaction immediately prior to such consummation into the number of shares of Common Stock into which such shares of 2016 ESOP Preferred Stock could have been converted at such time so that each share of 2016 ESOP Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in like kind) receivable by a holder of the number of shares of Common Stock into which such shares of 2016 ESOP Preferred Stock could have been converted immediately prior to such transaction. However, if by virtue of the structure of such transaction, a holder of Common Stock is required to make an election with respect to the nature and kind of consideration to be received in such transaction, which election cannot practicably be made by the holders of the 2016 ESOP Preferred Stock, then the shares of 2016 ESOP Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in kind) receivable by a holder of the number of shares of Common Stock into which such shares of 2016 ESOP Preferred Stock could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election as to the kind or amount of stock, securities, cash or other property receivable upon such transaction. If the kind or amount of stock, securities, cash or other property receivable upon such transaction is not the same for each non-electing share, then the kind and amount of stock, securities, cash or other property receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of the non-electing shares.

(c) In the event the Company shall enter into any agreement providing for any consolidation or merger or similar business combination described in paragraph (b)

of this Section 6 (a “Business Combination”), then the Company shall as soon as practicable thereafter (and in any event at least fifteen (15) Business Days before consummation of such transaction) give notice of such agreement and the material terms thereof to each holder of 2016 ESOP Preferred Stock and each such holder shall have the right to elect, by written notice to the Company, to receive, upon consummation of such transaction (if and when such transaction is consummated), from the Company or the successor of the Company, in redemption and retirement of such 2016 ESOP Preferred Stock, a cash payment per share of 2016 ESOP Preferred Stock equal to the higher of (x) \$1,000.00, plus accrued and unpaid dividends thereon to the date of consummation of such transaction or (y) the Fair Market Value per share of 2016 ESOP Preferred Stock, as of the last Business Day (as defined in paragraph (c) of Section 4 hereof) immediately preceding the date the Business Combination is consummated. No such notice of redemption shall be effective unless given to the Company prior to the close of business on the last Business Day prior to consummation of such transaction, unless the Company or the successor of the Company shall waive such prior notice, but any notice of redemption so given prior to such time may be withdrawn by notice of withdrawal given to the Company prior to the close of business on the last Business Day prior to consummation of such transaction.

(d) In the event that a Purchase Offer (as defined below) shall have been made and shall be continuing, each holder of 2016 ESOP Preferred Stock shall have the right to convert shares of 2016 ESOP Preferred Stock into shares of Common Stock at the Conversion Price specified in Section 4(c)(iii)(C) hereof until the date the Purchase Offer is terminated, including without limitation because the original Purchase Offer is withdrawn or because the Purchase Offer has expired and is not renewed, upon notice of such conversion given to the Company not later than the close of business on the date the Purchase Offer terminates (the “Purchase Offer Conversion Period”), unless the Company or any successor of the Company shall waive such prior notice, but any notice of conversion so given may be withdrawn by notice of withdrawal given to the Company prior to the end of the Purchase Offer Conversion Period.

For purposes of this paragraph (d), the following terms shall have the meanings set forth below:

(i) “Beneficial Ownership” shall have the meaning ascribed to it in Rule 13d-3 under the Securities Exchange Act of 1934 (the “Exchange Act”) and “person” shall have the meanings specified in Sections 3(a)(9) and 13(d)(3) of the Exchange Act.

(ii) A “Purchase Offer” shall have been made when any person (other than the Company or any affiliate of the Company) shall have “commenced” (as such term is defined in Rule 14d-2 under the Exchange Act) a tender offer or exchange offer to purchase shares of Common Stock, such that, upon consummation of such offer, such person would have Beneficial Ownership (as defined herein) or the right to acquire

Beneficial Ownership, of twenty percent (20%) or more of the voting power of the Company.

7. Liquidation Rights. (a) Upon the dissolution, liquidation, or winding up of the Company, the holders of the shares of 2016 ESOP Preferred Stock shall be entitled to receive and to be paid out of the assets of the Company available for distribution to its stockholders, before any payment or distribution shall be made on or set aside for the Common Stock or any other class of stock ranking junior to 2016 ESOP Preferred Stock and subject to the rights of the holders of the shares of any series or class or classes of stock ranking on parity with or senior to the 2016 ESOP Preferred Stock, the amount of \$1,000.00 per share, plus a sum equal to all dividends (whether or not earned or declared) on such shares accrued and unpaid thereon to the date of final distribution.

(b) Neither the sale of all or substantially all the property and assets of the Company, nor the merger, consolidation or other business combination of the Company into or with any other corporation, nor the merger, consolidation or other business combination of any other corporation into or with the Company shall be deemed to be a dissolution, liquidation, or winding up, voluntary or involuntary, for the purposes of this Section 7.

(c) After the payment to the holders of the shares of 2016 ESOP Preferred Stock of the full preferential amounts provided for in this Section 7, the holders of 2016 ESOP Preferred Stock, as such, shall have no right or claim to any of the remaining assets of the Company.

(d) In the event the assets of the Company available for distribution to the holders of shares of 2016 ESOP Preferred Stock upon any dissolution, liquidation, or winding up of the Company, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such holders are entitled pursuant to paragraph (a) of this Section 7, no such distribution shall be made on account of any shares of any other series of Preferred Stock or other capital stock of the Company ranking on a parity with the shares of 2016 ESOP Preferred Stock upon such dissolution, liquidation, or winding up unless proportionate distributive amounts shall be paid on account of the shares of 2016 ESOP Preferred Stock, ratably, in proportion to the full distributable amounts for which holders of all such parity shares are respectively entitled upon such dissolution, liquidation, or winding up.

(e) Subject to the rights of the holders of the shares of any series or class or classes of stock ranking on parity with or prior to the shares of 2016 ESOP Preferred Stock upon liquidation, dissolution, or winding up, upon any liquidation, dissolution, or winding up of the Company, after payment shall have been made in full to the holders of the shares of 2016 ESOP Preferred Stock as provided in this Section 7, but not prior thereto, any other series or class or classes of stock ranking junior to the shares of 2016 ESOP Preferred Stock upon liquidation shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive any and all assets

remaining to be paid or distributed, and the holders of the shares of 2016 ESOP Preferred Stock shall not be entitled to share therein.

8. Ranking. For the purposes of these resolutions, any stock of any series or class or classes of the Company shall be deemed to rank:

(a) prior to the shares of 2016 ESOP Preferred Stock, either as to dividends or upon liquidation, dissolution or winding up, if the holders of such series or class or classes shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation, or winding up of the Company, as the case may be, in preference or priority to the holders of shares of 2016 ESOP Preferred Stock;

(b) on a parity with shares of 2016 ESOP Preferred Stock, either as to dividends or upon liquidation, dissolution or winding up, whether or not the dividend rates, dividend payment dates, or redemption or liquidation prices per share, or sinking fund provisions, if any, be different from those of 2016 ESOP Preferred Stock, if the holders of such stock shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation, or winding up of the Company, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority, one over the other, as between the holders of such stock and the holders of shares of 2016 ESOP Preferred Stock; and

(c) junior to shares of 2016 ESOP Preferred Stock, either as to dividends or upon liquidation, dissolution or winding up, if such class shall be Common Stock or if the holders of shares of 2016 ESOP Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation, or winding up of the Company, as the case may be, in preference or priority to the holders of shares of such series or class or classes.

9. Priority of 2016 ESOP Preferred Stock. The shares of 2016 ESOP Preferred Stock will rank on a parity, both as to payment of dividends and the distribution of assets upon liquidation, with the Company's 2006 ESOP Cumulative Preferred Stock, its 2007 ESOP Cumulative Convertible Preferred Stock, its 2008 ESOP Cumulative Convertible Preferred Stock, its 2010 ESOP Cumulative Convertible Preferred Stock, its 2011 ESOP Cumulative Convertible Preferred Stock, its 2012 ESOP Cumulative Convertible Preferred Stock, its 2013 ESOP Cumulative Convertible Preferred Stock, its 2014 ESOP Cumulative Convertible Preferred Stock, and its 2015 ESOP Cumulative Convertible Preferred Stock.

IN WITNESS WHEREOF, the Company has caused this Certificate of Designation to be signed by John G. Stumpf, its Chairman and Chief Executive Officer, and attested by Jeannine E. Zahn, its Assistant Secretary, on this 4th day of January, 2016.

WELLS FARGO & COMPANY

By /s/ John G. Stumpf  
John G. Stumpf  
Chairman and  
Chief Executive Officer

Attest:

/s/ Jeannine E. Zahn  
Jeannine E. Zahn  
Assistant Secretary

[As filed with the Delaware Secretary of State on January 5, 2016.]

## WELLS FARGO & COMPANY

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### CERTIFICATE OF DESIGNATION

Pursuant to Section 151(g) of the  
General Corporation Law  
of the State of Delaware

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### NON-CUMULATIVE PERPETUAL CLASS A PREFERRED STOCK, SERIES W (Without Par Value)

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WELLS FARGO & COMPANY, a corporation organized and existing under the laws of the State of Delaware (the “*Corporation*”), HEREBY CERTIFIES that, pursuant to authority conferred upon the Board of Directors of the Corporation (the “*Board of Directors*”) by the provisions of the Restated Certificate of Incorporation of the Corporation, as amended, which authorize the issuance of not more than 20,000,000 shares of Preferred Stock, without par value, and pursuant to authority conferred upon the Securities Committee of the Board of Directors (the “*Committee*”) in accordance with Section 141(c) of the General Corporation Law of the State of Delaware (the “*General Corporation Law*”), the following resolutions were duly adopted by the Committee pursuant to the unanimous written consent of the Committee duly adopted on January 27, 2016, in accordance with Section 141(f) of the General Corporation Law:

**Resolved**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated April 29, 2014, the provisions of the Restated Certificate of Incorporation, the By-laws of the Corporation, and applicable law, a series of Preferred Stock, no par value, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

### RIGHTS AND PREFERENCES

**Section 1. Designation.** The shares of such series of Preferred Stock shall be designated Non-Cumulative Perpetual Class A Preferred Stock, Series W, with no par value and a liquidation preference amount of \$25,000 per share (the “*Series W Preferred Stock*”). Each share of Series W Preferred Stock shall be identical in all respects to every other share of Series W Preferred Stock except with respect to the date from which dividends may accrue. Series W Preferred Stock will rank equally with Parity Stock with respect to the payment of dividends and distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the



Corporation and will rank senior to Junior Stock with respect to the payment of dividends and/or the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 2. Number of Shares.** The number of authorized shares of Series W Preferred Stock shall be 40,000. Such number may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock) or decreased (but not below the number of shares of Series W Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law stating that such increase or decrease, as the case may be, has been so authorized. The Corporation shall have the authority to issue fractional shares of Series W Preferred Stock.

**Section 3. Definitions.** As used herein with respect to Series W Preferred Stock:

*“Business Day”* means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in New York, New York.

*“Certificate of Designation”* means this Certificate of Designation relating to the Series W Preferred Stock, as it may be amended from time to time.

*“Common Stock”* means the common stock of the Corporation, par value \$1 $\frac{2}{3}$  per share, as the same exists at the date of this Certificate of Designation or as such stock may be constituted from time to time.

*“Depository Company”* has the meaning set forth in Section 6(d) hereof.

*“Dividend Payment Date”* has the meaning set forth in Section 4(a) hereof.

*“Dividend Period”* has the meaning set forth in Section 4(a) hereof.

*“DTC”* means The Depository Trust Company, together with its successors and assigns.

*“Junior Stock”* means the Common Stock and any other class or series of stock of the Corporation now existing or hereafter authorized over which the Series W Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

*“Liquidation Preference”* has the meaning set forth in Section 5(a) hereof.

*“Nonpayment Event”* shall have the meaning set forth in Section 7(b).

“*Parity Stock*” means any other class or series of stock of the Corporation now existing or hereafter authorized that ranks on par with the Series W Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) or in the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

“*Preference Stock*” means any and all series of preference stock, having no par value, of the Corporation.

“*Preferred Stock*” means any and all series of preferred stock, having no par value, of the Corporation, including the Series W Preferred Stock.

“*Preferred Stock Directors*” shall have the meaning set forth in Section 7(b).

“*Regulatory Capital Treatment Event*” means the Corporation’s reasonable determination that as a result of any (i) amendment to, clarification of, or change (including any announced prospective change) in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective on or after January 19, 2016; (ii) proposed change in those laws or regulations that is announced or becomes effective on or after January 19, 2016; or (iii) official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced on or after January 19, 2016, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation preference amount of all shares of Series W Preferred Stock then outstanding as Tier 1 capital (or its equivalent) for purposes of the capital adequacy guidelines or regulations of the appropriate federal banking agency, as then in effect and applicable, for as long as any share of Series W Preferred Stock is outstanding.

“*Series W Preferred Stock*” has the meaning set forth in Section 1 hereof.

“*Voting Parity Stock*” means any Parity Stock having similar voting rights as the Series W Preferred Stock.

#### **Section 4. Dividends.**

**(a) Rate.** Dividends on the Series W Preferred Stock will not be mandatory. Holders of Series W Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation, but only out of assets legally available therefor, non-cumulative cash dividends on the liquidation preference amount of \$25,000 per share of the Series W Preferred Stock, payable quarterly in arrears on the 15th day of March, June, September and December of each year (commencing on March 15, 2016); provided, however, if any such day is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding day that is a Business Day, without any interest or other payment in respect of such delay (each such

day on which dividends are payable a “*Dividend Payment Date*”). A “*Dividend Period*” means the period from, and including, a Dividend Payment Date to, but excluding, the next succeeding Dividend Payment Date, except for the initial Dividend Period, which will be the period from, and including, January 29, 2016 to, but excluding, March 15, 2016. Dividends on each share of Series W Preferred Stock will accrue at a rate *per annum* equal to 5.70%. The record date for payment of dividends on the Series W Preferred Stock shall be the last Business Day of the calendar month immediately preceding the month during which the Dividend Payment Date falls or such other date as determined by the Corporation’s Board of Directors. The amount of dividends payable shall be computed on the basis of a 360-day year of twelve 30-day months. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward.

**(b) Non-Cumulative Dividends.** Dividends on shares of Series W Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series W Preferred Stock on any Dividend Payment Date are not declared prior to such Dividend Payment Date, then such dividends shall not cumulate and shall cease to accrue and be payable, and the Corporation shall have no obligation to pay, and the holders of Series W Preferred Stock shall have no right to receive, dividends accrued for such Dividend Period on the Dividend Payment Date for such Dividend Period or at any time in the future or interest with respect to such dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series W Preferred Stock or any other series of authorized Preferred Stock, Preference Stock, or Common Stock of the Corporation.

**(c) Priority of Dividends.** So long as any shares of Series W Preferred Stock remain outstanding,

(1) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Common Stock, and no shares of Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Common Stock by the Corporation (other than (i) a dividend payable in Common Stock or (ii) the acquisition of shares of Common Stock in exchange for, or through application of proceeds of the sale of, shares of Common Stock);

(2) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Junior Stock other than Common Stock, and no shares of Junior Stock other than Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Junior Stock other than Common Stock by the Corporation (other than (i) a dividend payable solely in shares of Junior Stock, (ii) any dividend in connection with the implementation of a stockholder rights plan, or the

redemption or repurchase of any rights under any such plan, (iii) any dividend in the form of stock, warrants, options or other rights where the dividend stock or stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks equally with or junior to such stock, (iv) as a result of a reclassification of Junior Stock other than Common Stock for or into other Junior Stock, (v) the exchange or conversion of one share of Junior Stock other than Common Stock for or into another share of Junior Stock, (vi) through the use of proceeds of a substantially contemporaneous sale of other shares of Junior Stock, (vii) any purchase, redemption or other acquisition of Junior Stock other than Common Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after January 19, 2016, (viii) any purchase of fractional interests in shares of Junior Stock other than Common Stock pursuant to the conversion or exchange provisions of such Junior Stock other than Common Stock or the securities being converted or exchanged, (ix) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (x) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business); and

(3) no shares of Parity Stock will be repurchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series W Preferred Stock and such Parity Stock during a Dividend Period (other than (i) as a result of a reclassification of Parity Stock for or into other Parity Stock or Junior Stock, (ii) the exchange or conversion of one share of Parity Stock for or into another share of Parity Stock or Junior Stock, (iii) through the use of proceeds of a substantially contemporaneous sale of other shares of Parity Stock or Junior Stock, (iv) any purchase, redemption or other acquisition of Parity Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after January 19, 2016, (v) any purchase of fractional interests in shares of Parity Stock pursuant to the conversion or exchange provisions of such Parity Stock or the securities being converted or exchanged, (vi) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (vii) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business),

unless, in each case, the full dividends for the then-current Dividend Period on all outstanding shares of the Series W Preferred Stock have been declared and paid or declared and a sum sufficient for the payment of those dividends has been set aside.

Subject to the succeeding sentence, for so long as any shares of Series W Preferred Stock remain outstanding, no dividends shall be declared, paid, or set aside for payment on any Parity Stock for any period unless full dividends on all outstanding shares of Series W Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. To the extent the Corporation declares dividends on the Series W Preferred Stock and on any Parity Stock but cannot make full payment of those declared dividends, the Corporation will allocate the dividend payments on a proportional basis among the holders of shares of Series W Preferred Stock and the holders of any Parity Stock then outstanding where the terms of such Parity Stock provide similar dividend rights.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may be declared and paid on the Common Stock and any other stock that is Parity Stock or Junior Stock, from time to time out of any assets legally available for such payment, and the shares of Series W Preferred Stock shall not be entitled to participate in any such dividends.

#### **Section 5. Liquidation Rights.**

**(a) Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series W Preferred Stock shall be entitled to receive in full out of assets available for distribution to its stockholders before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of the Common Stock or any other Junior Stock, and subject to the rights of the holders of Parity Stock or any stock of the Corporation ranking senior to the Series W Preferred Stock as to such distribution, a liquidating distribution in the amount of \$25,000 per share, plus an amount equal to any dividends which have been declared but not yet paid, without accumulation of any undeclared dividends, to the date of liquidation (the "*Liquidation Preference*"). The holders of Series W Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

**(b) Partial Payment.** If the assets of the Corporation are not sufficient to pay in full the Liquidation Preference to all holders of Series W Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series W Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preference of Series W Preferred Stock and all such Parity Stock.

**(c) Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series W Preferred Stock and all other amounts payable upon liquidation, dissolution or winding up of the Corporation have been paid in full to all holders of any Parity Stock, the holders of Common Stock and any other Junior Stock

shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

## **Section 6. Redemption.**

**(a) Optional Redemption.** The Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may redeem, subject to the prior approval of the Federal Reserve Board, out of funds legally available therefor, in whole or in part, the shares of Series W Preferred Stock at the time outstanding, at any time on any Dividend Payment Date on or after March 15, 2021, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series W Preferred Stock shall be \$25,000 per share plus an amount equal to any dividends that have been declared but not paid up to the redemption date without accumulation of any undeclared dividends.

Notwithstanding the foregoing, within 90 days of the Corporation's good faith determination that a Regulatory Capital Treatment Event has occurred, the Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may, subject to the approval of the appropriate federal banking agency, redeem out of funds legally available therefor, in whole, but not in part, the shares of Series W Preferred Stock at the time outstanding, prior to March 15, 2021, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series W Preferred Stock shall be \$25,000 per share plus an amount equal to any dividends that have been declared but not paid, without accumulation of any undeclared dividends.

**(b) Notice of Redemption.** Notice of every redemption of shares of Series W Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the stock register of the Corporation. Such mailing shall be at least 40 days and not more than 70 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(b) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series W Preferred Stock designated for redemption shall not affect the validity of the

proceedings for the redemption of any other shares of Series W Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series W Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, if applicable, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where the certificates for those shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date. Notwithstanding the foregoing, if the Series W Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC.

**(c) Partial Redemption.** In case of any redemption of only part of the shares of Series W Preferred Stock at the time outstanding, the shares of Series W Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series W Preferred Stock in proportion to the number of Series W Preferred Stock held by such holders or in such other manner consistent with the rules and policies of the New York Stock Exchange as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine to be fair and equitable. Subject to the provisions of this Section 6, the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series W Preferred Stock shall be redeemed from time to time.

**(d) Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been irrevocably set aside by the Corporation, separate and apart from its other assets, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors (the “*Depository Company*”) in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding, all dividends with respect to such shares shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from the Depository Company at any time after the redemption date from the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depository Company any interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of two years from the redemption date shall, to the extent permitted by law, be released or repaid to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

## **Section 7. Voting Rights.**

**(a) General.** The holders of Series W Preferred Stock shall not be entitled to vote on any matter except as set forth in paragraph 7(b) below or as required by applicable law.

**(b) Right To Elect Two Directors Upon Nonpayment Events.** Whenever dividends payable on any shares of Series W Preferred Stock or any class or series of Voting Parity Stock have not been declared and paid in an aggregate amount equal to, as to any class or series, at least six quarterly Dividend Periods or their equivalent, whether or not for consecutive Dividend Periods (a “*Nonpayment Event*”), the holders of the outstanding Series W Preferred Stock, voting together as a class with holders of Voting Parity Stock whose voting rights are exercisable, will be entitled to vote for the election of two additional directors of the Corporation’s Board of Directors at the Corporation’s next annual meeting of stockholders and at each subsequent annual meeting of stockholders (the “*Preferred Stock Directors*”) by a plurality of the votes cast; *provided* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Parity Stock are entitled to elect pursuant to like voting rights). Upon the vesting of such right of such holders, the maximum authorized number of members of the Board of Directors shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of the outstanding Series W Preferred Stock (together with the holders of shares of any one or more other series of Voting Parity Stock). At elections for such directors, each holder of the Series W Preferred Stock shall be entitled to 25 votes for each share held (the holders of shares of any other series of Voting Parity Stock being entitled to such number of votes, if any, for each share of such stock as may be granted to them). The right of the holders of the Series W Preferred Stock (voting together as a class with the holders of shares of any one or more other series of Voting Parity Stock) to elect Preferred Stock Directors shall continue until such time as the Corporation has paid in full dividends for the equivalent of at least four quarterly Dividend Periods or their equivalent, at which time such right with respect to the Series W Preferred Stock shall terminate, except as provided by law, and subject to revesting in the event of each and every subsequent default of the character described in this Section 7(b).

Upon any termination of the right of the holders of all shares of Series W Preferred Stock and Voting Parity Stock to vote for Preferred Stock Directors, the term of office of all Preferred Stock Directors then in office elected by only those holders voting as a class shall terminate immediately. Any Preferred Stock Director may be removed at any time without cause by the holders of a majority of the outstanding shares of Series W Preferred Stock and Voting Parity Stock, when they have the voting rights described above (voting together as a class). In case any vacancy shall occur among the Preferred Stock Directors, a successor may be elected by a plurality of the votes cast by the holders of Series W Preferred Stock and Voting Parity Stock having the voting rights described above, voting together as a class, unless the vacancy has already



been filled. The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Whenever the term of office of the directors elected by such holders voting as a class shall end and the special voting powers vested in such holders as provided in this Section 7(b) shall have expired, the number of directors shall be such number as may be provided for in the By-Laws irrespective of any increase made pursuant to this Section 7(b).

**(c) Other Voting Rights.** In addition to any other vote required by law or the Restated Certificate of Incorporation, so long as any shares of the Series W Preferred Stock remain outstanding, the vote or consent of the holders of the outstanding shares of Series W Preferred Stock and outstanding shares of all other series of Voting Parity Stock entitled to vote on the matter, by a vote of at least 66 2/3% in voting power of all such outstanding Series W Preferred Stock and such Voting Parity Stock, voting together as a class, given in person or by proxy, either in writing without a meeting or at any meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following actions, whether or not such approval is required by Delaware law: (i) the issuance of any class or series of Preferred Stock or Preference Stock ranking senior to the Series W Preferred Stock in the payment of dividends or the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; (ii) any amendment, alteration or repeal of any provision of the Restated Certificate of Incorporation, including the Certificate of Designation, or the Bylaws that would adversely affect the rights, preferences, privileges or voting powers of the Series W Preferred Stock; (iii) any amendment or alteration of the Restated Certificate of Incorporation, including the Certificate of Designation, or Bylaws to authorize, create, or increase the authorized amount of, any shares of, or any securities convertible into shares of, any class or series of the Corporation's capital stock ranking senior to the Series W Preferred Stock with respect to either the payment of dividends or in the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; or (iv) any consummation of a reclassification involving the Series W Preferred Stock or a merger or consolidation with another corporation or other entity, except holders of the Series W Preferred Stock will have no right to vote under this Section 7(c)(iv) if in each case (a) the shares of Series W Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (b) such shares of Series W Preferred Stock remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Series W Preferred Stock, taken as a whole; *provided, however*, that any authorization, creation or increase in the authorized amount of or issuance of the Series W Preferred Stock or any Parity Stock or Junior Stock or any securities convertible into any class or series of Parity Stock (whether dividends payable in respect of such Parity Stock are cumulative or non-cumulative) or Junior Stock will be deemed not to adversely affect the rights, preferences, privileges or voting powers of the Series W

Preferred Stock, and holders of the Series W Preferred Stock shall have no right to vote thereon.

If any amendment, alteration, repeal, reclassification, merger or consolidation specified in this Section 7(c) would adversely affect one or more but not all series of voting Preferred Stock (including the Series W Preferred Stock), then only those series affected by and entitled to vote on the matter shall vote on the matter together as a class (in lieu of all other series of Preferred Stock).

Each holder of the Series W Preferred Stock will have 25 votes per share on any matter on which holders of the Series W Preferred Stock are entitled to vote, whether separately or together with any other series of stock of the Corporation (the holders of any shares of any other series of stock being entitled to such number of votes, if any, for each share of stock as may be granted to them), pursuant to Delaware law or otherwise, including by written consent.

**(d) Changes after Provision for Redemption.** No vote or consent of the holders of Series W Preferred Stock shall be required pursuant to Section 7(b) or (c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding Series W Preferred Stock shall have been redeemed, or notice of redemption has been given and sufficient funds shall have been irrevocably deposited in trust to effect such redemption.

**(e) Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series W Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Restated Certificate of Incorporation, the Bylaws, applicable law and any national securities exchange or other trading facility in which the Series W Preferred Stock is listed or traded at the time.

**Section 8. Preemption and Conversion.** The holders of Series W Preferred Stock shall not have any rights of preemption or rights to convert such Series W Preferred Stock into shares of any other class of capital stock of the Corporation.

**Section 9. Recquired Shares.** Shares of Series W Preferred Stock which have been issued and redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of Preferred Stock without designation as to series.

**Section 10. No Sinking Fund.** Shares of Series W Preferred Stock are not subject to the operation of a sinking fund.

**Section 11. Additional Classes or Series of Stock.** Notwithstanding anything set forth in the Restated Certificate of Incorporation or this Certificate of Designation to the contrary, the Board of Directors of the Corporation, or any authorized committee

of the Board of Directors of the Corporation, (i) without the vote of the holders of the Series W Preferred Stock, may authorize and issue additional shares of Junior Stock and Parity Stock and (ii) with the requisite vote of the holders of the Series W Preferred Stock and Parity Stock entitled to vote thereon, may authorize and issue any additional class or series of Preferred Stock or Preference Stock senior to the Series W Preferred Stock as to the payment of dividends and/or the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

*[Signature Page Follows]*

US.103920609.06

**In Witness Whereof, Wells Fargo & Company** has caused this Certificate of Designation to be signed by Barbara S. Brett, its Senior Vice President and Assistant Treasurer, and Jeannine E. Zahn, its Assistant Secretary, this 28th day of January, 2016.

**Wells Fargo & Company**

By: /s/ Barbara S. Brett

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Barbara S. Brett, Senior Vice President and  
Assistant Treasurer

/s/ Jeannine E. Zahn \_\_\_\_\_

Jeannine E. Zahn, Assistant Secretary

[As filed with the Delaware Secretary of State on January 28, 2016.]

## WELLS FARGO & COMPANY

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### CERTIFICATE OF DESIGNATION

Pursuant to Section 151(g) of the  
General Corporation Law  
of the State of Delaware

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### NON-CUMULATIVE PERPETUAL CLASS A PREFERRED STOCK, SERIES X (Without Par Value)

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WELLS FARGO & COMPANY, a corporation organized and existing under the laws of the State of Delaware (the “*Corporation*”), HEREBY CERTIFIES that, pursuant to authority conferred upon the Board of Directors of the Corporation (the “*Board of Directors*”) by the provisions of the Restated Certificate of Incorporation of the Corporation, as amended, which authorize the issuance of not more than 20,000,000 shares of Preferred Stock, without par value, and pursuant to authority conferred upon the Securities Committee of the Board of Directors (the “*Committee*”) in accordance with Section 141(c) of the General Corporation Law of the State of Delaware (the “*General Corporation Law*”), the following resolutions were duly adopted by the Committee pursuant to the unanimous written consent of the Committee duly adopted on June 14, 2016, in accordance with Section 141(f) of the General Corporation Law:

**Resolved**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated April 29, 2014, the provisions of the Restated Certificate of Incorporation, the By-laws of the Corporation, and applicable law, a series of Preferred Stock, no par value, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

### RIGHTS AND PREFERENCES

**Section 1. Designation.** The shares of such series of Preferred Stock shall be designated Non-Cumulative Perpetual Class A Preferred Stock, Series X, with no par value and a liquidation preference amount of \$25,000 per share (the “*Series X Preferred Stock*”). Each share of Series X Preferred Stock shall be identical in all respects to every other share of Series X Preferred Stock except with respect to the date from which dividends may accrue. Series X Preferred Stock will rank equally with Parity Stock with respect to the payment of dividends and distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the

Corporation and will rank senior to Junior Stock with respect to the payment of dividends and/or the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 2. Number of Shares.** The number of authorized shares of Series X Preferred Stock shall be 46,000. Such number may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock) or decreased (but not below the number of shares of Series X Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law stating that such increase or decrease, as the case may be, has been so authorized. The Corporation shall have the authority to issue fractional shares of Series X Preferred Stock.

**Section 3. Definitions.** As used herein with respect to Series X Preferred Stock:

*“Business Day”* means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in New York, New York.

*“Certificate of Designation”* means this Certificate of Designation relating to the Series X Preferred Stock, as it may be amended from time to time.

*“Common Stock”* means the common stock of the Corporation, par value \$1 $\frac{2}{3}$  per share, as the same exists at the date of this Certificate of Designation or as such stock may be constituted from time to time.

*“Depository Company”* has the meaning set forth in Section 6(d) hereof.

*“Dividend Payment Date”* has the meaning set forth in Section 4(a) hereof.

*“Dividend Period”* has the meaning set forth in Section 4(a) hereof.

*“DTC”* means The Depository Trust Company, together with its successors and assigns.

*“Junior Stock”* means the Common Stock and any other class or series of stock of the Corporation now existing or hereafter authorized over which the Series X Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

*“Liquidation Preference”* has the meaning set forth in Section 5(a) hereof.

*“Nonpayment Event”* shall have the meaning set forth in Section 7(b).

“*Parity Stock*” means any other class or series of stock of the Corporation now existing or hereafter authorized that ranks on par with the Series X Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) or in the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

“*Preference Stock*” means any and all series of preference stock, having no par value, of the Corporation.

“*Preferred Stock*” means any and all series of preferred stock, having no par value, of the Corporation, including the Series X Preferred Stock.

“*Preferred Stock Directors*” shall have the meaning set forth in Section 7(b).

“*Regulatory Capital Treatment Event*” means the Corporation’s reasonable determination that as a result of any (i) amendment to, clarification of, or change (including any announced prospective change) in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective on or after June 8, 2016; (ii) proposed change in those laws or regulations that is announced or becomes effective on or after June 8, 2016; or (iii) official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced on or after June 8, 2016, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation preference amount of all shares of Series X Preferred Stock then outstanding as Tier 1 capital (or its equivalent) for purposes of the capital adequacy guidelines or regulations of the appropriate federal banking agency, as then in effect and applicable, for as long as any share of Series X Preferred Stock is outstanding.

“*Series X Preferred Stock*” has the meaning set forth in Section 1 hereof.

“*Voting Parity Stock*” means any Parity Stock having similar voting rights as the Series X Preferred Stock.

#### **Section 4. Dividends.**

**(a) Rate.** Dividends on the Series X Preferred Stock will not be mandatory. Holders of Series X Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation, but only out of assets legally available therefor, non-cumulative cash dividends on the liquidation preference amount of \$25,000 per share of the Series X Preferred Stock, payable quarterly in arrears on the 15th day of March, June, September and December of each year (commencing on September 15, 2016); provided, however, if any such day is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding day that is a Business Day, without any interest or other payment in respect of such delay (each such day on which dividends are payable a “*Dividend Payment Date*”). A “*Dividend Period*” means the period from, and including, a Dividend Payment Date to, but excluding, the

next succeeding Dividend Payment Date, except for the initial Dividend Period, which will be the period from, and including, June 15, 2016 to, but excluding, September 15, 2016. Dividends on each share of Series X Preferred Stock will accrue at a rate *per annum* equal to 5.50%. The record date for payment of dividends on the Series X Preferred Stock shall be the last Business Day of the calendar month immediately preceding the month during which the Dividend Payment Date falls or such other date as determined by the Corporation's Board of Directors. The amount of dividends payable shall be computed on the basis of a 360-day year of twelve 30-day months. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward.

**(b) Non-Cumulative Dividends.** Dividends on shares of Series X Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series X Preferred Stock on any Dividend Payment Date are not declared prior to such Dividend Payment Date, then such dividends shall not cumulate and shall cease to accrue and be payable, and the Corporation shall have no obligation to pay, and the holders of Series X Preferred Stock shall have no right to receive, dividends accrued for such Dividend Period on the Dividend Payment Date for such Dividend Period or at any time in the future or interest with respect to such dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series X Preferred Stock or any other series of authorized Preferred Stock, Preference Stock, or Common Stock of the Corporation.

**(c) Priority of Dividends.** So long as any shares of Series X Preferred Stock remain outstanding,

(1) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Common Stock, and no shares of Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Common Stock by the Corporation (other than (i) a dividend payable in Common Stock or (ii) the acquisition of shares of Common Stock in exchange for, or through application of proceeds of the sale of, shares of Common Stock);

(2) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Junior Stock other than Common Stock, and no shares of Junior Stock other than Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Junior Stock other than Common Stock by the Corporation (other than (i) a dividend payable solely in shares of Junior Stock, (ii) any dividend in connection with the implementation of a stockholder rights plan, or the redemption or repurchase of any rights under any such plan, (iii) any dividend in the form of stock, warrants, options or other rights where the dividend stock or stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks equally with or junior to such stock, (iv) as a result of a reclassification of Junior



Stock other than Common Stock for or into other Junior Stock, (v) the exchange or conversion of one share of Junior Stock other than Common Stock for or into another share of Junior Stock, (vi) through the use of proceeds of a substantially contemporaneous sale of other shares of Junior Stock, (vii) any purchase, redemption or other acquisition of Junior Stock other than Common Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after June 8, 2016, (viii) any purchase of fractional interests in shares of Junior Stock other than Common Stock pursuant to the conversion or exchange provisions of such Junior Stock other than Common Stock or the securities being converted or exchanged, (ix) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of

the Corporation, in connection with the distribution thereof or (x) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business); and

(3) no shares of Parity Stock will be repurchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series X Preferred Stock and such Parity Stock during a Dividend Period (other than (i) as a result of a reclassification of Parity Stock for or into other Parity Stock or Junior Stock, (ii) the exchange or conversion of one share of Parity Stock for or into another share of Parity Stock or Junior Stock, (iii) through the use of proceeds of a substantially contemporaneous sale of other shares of Parity Stock or Junior Stock, (iv) any purchase, redemption or other acquisition of Parity Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after June 8, 2016, (v) any purchase of fractional interests in shares of Parity Stock pursuant to the conversion or exchange provisions of such Parity Stock or the securities being converted or exchanged, (vi) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (vii) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business),

unless, in each case, the full dividends for the then-current Dividend Period on all outstanding shares of the Series X Preferred Stock have been declared and paid or declared and a sum sufficient for the payment of those dividends has been set aside.

Subject to the succeeding sentence, for so long as any shares of Series X Preferred Stock remain outstanding, no dividends shall be declared, paid, or set aside for payment on any Parity Stock for any period unless full dividends on all outstanding shares of Series X Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. To the extent the Corporation declares

dividends on the Series X Preferred Stock and on any Parity Stock but cannot make full payment of those declared dividends, the Corporation will allocate the dividend payments on a proportional basis among the holders of shares of Series X Preferred Stock and the holders of any Parity Stock then outstanding where the terms of such Parity Stock provide similar dividend rights.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may be declared and paid on the Common Stock and any other stock that is Parity Stock or Junior Stock, from time to time out of any assets legally available for such payment, and the shares of Series X Preferred Stock shall not be entitled to participate in any such dividends.

## **Section 5. Liquidation Rights.**

**(a) Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series X Preferred Stock shall be entitled to receive in full out of assets available for distribution to its stockholders before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of the Common Stock or any other Junior Stock, and subject to the rights of the holders of Parity Stock or any stock of the Corporation ranking senior to the Series X Preferred Stock as to such distribution, a liquidating distribution in the amount of \$25,000 per share, plus an amount equal to any dividends which have been declared but not yet paid, without accumulation of any undeclared dividends, to the date of liquidation (the “*Liquidation Preference*”). The holders of Series X Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

**(b) Partial Payment.** If the assets of the Corporation are not sufficient to pay in full the Liquidation Preference to all holders of Series X Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series X Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preference of Series X Preferred Stock and all such Parity Stock.

**(c) Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series X Preferred Stock and all other amounts payable upon liquidation, dissolution or winding up of the Corporation have been paid in full to all holders of any Parity Stock, the holders of Common Stock and any other Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of

the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

## **Section 6. Redemption.**

**(a) Optional Redemption.** The Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may redeem, subject to the prior approval of the Federal Reserve Board, out of funds legally available therefor, in whole or in part, the shares of Series X Preferred Stock at the time outstanding, at any time on any Dividend Payment Date on or after September 15, 2021, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series X Preferred Stock

shall be \$25,000 per share plus an amount equal to any dividends that have been declared but not paid up to the redemption date without accumulation of any undeclared dividends.

Notwithstanding the foregoing, within 90 days of the Corporation's good faith determination that a Regulatory Capital Treatment Event has occurred, the Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may, subject to the approval of the appropriate federal banking agency, redeem out of funds legally available therefor, in whole, but not in part, the shares of Series X Preferred Stock at the time outstanding, prior to September 15, 2021, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series X Preferred Stock shall be \$25,000 per share plus an amount equal to any dividends that have been declared but not paid, without accumulation of any undeclared dividends.

**(b) Notice of Redemption.** Notice of every redemption of shares of Series X Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the stock register of the Corporation. Such mailing shall be at least 40 days and not more than 70 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(b) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series X Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series X Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series X Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, if applicable, the number of such shares to be redeemed from such holder; (iii)

the redemption price; (iv) the place or places where the certificates for those shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date. Notwithstanding the foregoing, if the Series X Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC.

**(c) Partial Redemption.** In case of any redemption of only part of the shares of Series X Preferred Stock at the time outstanding, the shares of Series X Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series X Preferred Stock in proportion to the number of Series X Preferred Stock held by such holders or in such other manner consistent with the rules and policies of the New York Stock Exchange as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine to be fair and equitable. Subject to the provisions of this Section 6, the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series X Preferred Stock shall be redeemed from time to time.

**(d) Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been irrevocably set aside by the Corporation, separate and apart from its other assets, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and

continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors (the “*Depository Company*”) in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding, all dividends with respect to such shares shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from the Depository Company at any time after the redemption date from the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depository Company any interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of two years from the redemption date shall, to the extent permitted by law, be released or repaid to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

## **Section 7. Voting Rights.**

**(a) General.** The holders of Series X Preferred Stock shall not be entitled to vote on any matter except as set forth in paragraph 7(b) below or as required by applicable law.

**(b) Right To Elect Two Directors Upon Nonpayment Events.** Whenever dividends payable on any shares of Series X Preferred Stock or any class or series of Voting Parity Stock have not been declared and paid in an aggregate amount equal to, as to any class or series, at least six quarterly Dividend Periods or their equivalent, whether or not for consecutive Dividend Periods (a “*Nonpayment Event*”), the holders of the outstanding Series X Preferred Stock, voting together as a class with holders of Voting Parity Stock whose voting rights are exercisable, will be entitled to vote for the election of two additional directors of the Corporation’s Board of Directors at the Corporation’s next annual meeting of stockholders and at each subsequent annual meeting of stockholders (the “*Preferred Stock Directors*”) by a plurality of the votes cast; *provided* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Parity Stock are entitled to elect pursuant to like voting rights). Upon the vesting of such right of such holders, the maximum authorized number of members of the Board of Directors shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of the outstanding Series X Preferred Stock (together with the holders of shares of any one or more other series of Voting Parity Stock). At elections for such directors, each holder of the Series X Preferred Stock shall be entitled to 25 votes for each share held (the holders of shares of any other series of Voting Parity Stock being entitled to such number of votes, if any, for each share of such stock as may be granted to them). The right of the holders of the Series X Preferred Stock (voting together as a class with the holders of shares of any one or more other series of Voting Parity Stock) to elect Preferred Stock Directors shall continue until such time as the Corporation has paid in full dividends for the equivalent of at least four quarterly Dividend Periods or their equivalent, at which time such right with respect to the Series X Preferred Stock shall terminate, except as provided by law, and subject to re-vesting in the event of each and every subsequent default of the character described in this Section 7(b).

Upon any termination of the right of the holders of all shares of Series X Preferred Stock and Voting Parity Stock to vote for Preferred Stock Directors, the term of office of all Preferred Stock Directors then in office elected by only those holders voting as a class shall terminate immediately. Any Preferred Stock Director may be removed at any time without cause by the holders of a majority of the outstanding shares of Series X Preferred Stock and Voting Parity Stock, when they have the voting rights described above (voting together as a class). In case any vacancy shall occur among the Preferred Stock Directors, a successor may be elected by a plurality of the votes cast by the holders of Series X Preferred Stock and Voting Parity Stock having the voting rights described above, voting together as a class, unless the vacancy has already been filled.

The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Whenever the term of office of the directors elected by such holders voting as a class shall end and the special voting powers vested in such holders as provided in this Section 7(b) shall have expired, the number of directors shall be such number as may be provided for in the By-Laws irrespective of any increase made pursuant to this Section 7(b).

**(c) Other Voting Rights.** In addition to any other vote required by law or the Restated Certificate of Incorporation, so long as any shares of the Series X Preferred Stock remain outstanding, the vote or consent of the holders of the outstanding shares of Series X Preferred Stock and outstanding shares of all other series of Voting Parity Stock entitled to vote on the matter, by a vote of at least 66 2/3% in voting power of all such outstanding Series X Preferred Stock and such Voting Parity Stock, voting together as a class, given in person or by proxy, either in writing without a meeting or at any meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following actions, whether or not such approval is required by Delaware law: (i) the issuance of any class or series of Preferred Stock or Preference Stock ranking senior to the Series X Preferred Stock in the payment of dividends or the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; (ii) any amendment, alteration or repeal of any provision of the Restated Certificate of Incorporation, including the Certificate of Designation, or the By-laws that would adversely affect the rights, preferences, privileges or voting powers of the Series X Preferred Stock; (iii) any amendment or alteration of the Restated Certificate of Incorporation, including the Certificate of Designation, or By-laws to authorize, create, or increase the authorized amount of, any shares of, or any securities convertible into shares of, any class or series of the Corporation's capital stock ranking senior to the Series X Preferred Stock with respect to either the payment of dividends or in the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; or (iv) any consummation of a reclassification involving the Series X Preferred Stock or a merger or consolidation with another corporation or other entity, except holders of the Series X Preferred Stock will have no right to vote under this Section 7(c)(iv) if in each case (a) the shares of Series X Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (b) such shares of Series X Preferred Stock remaining outstanding or such preference

securities, as the case may be, have such rights, preferences, privileges and voting powers, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Series X Preferred Stock, taken as a whole; *provided, however*, that any authorization, creation or increase in the authorized amount of or issuance of the Series X Preferred Stock or any Parity Stock or Junior Stock or any securities convertible into any class or series of Parity Stock (whether dividends payable in respect of such Parity Stock are cumulative or non-

cumulative) or Junior Stock will be deemed not to adversely affect the rights, preferences, privileges or voting powers of the Series X Preferred Stock, and holders of the Series X Preferred Stock shall have no right to vote thereon.

If any amendment, alteration, repeal, reclassification, merger or consolidation specified in this Section 7(c) would adversely affect one or more but not all series of voting Preferred Stock (including the Series X Preferred Stock), then only those series affected by and entitled to vote on the matter shall vote on the matter together as a class (in lieu of all other series of Preferred Stock).

Each holder of the Series X Preferred Stock will have 25 votes per share on any matter on which holders of the Series X Preferred Stock are entitled to vote, whether separately or together with any other series of stock of the Corporation (the holders of any shares of any other series of stock being entitled to such number of votes, if any, for each share of stock as may be granted to them), pursuant to Delaware law or otherwise, including by written consent.

**(d) Changes after Provision for Redemption. No vote or consent of the holders of Series X Preferred Stock shall be required pursuant to Section 7(b) or (c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding Series X Preferred Stock shall have been redeemed, or notice of redemption has been given and sufficient funds shall have been irrevocably deposited in trust to effect such redemption.**

**(e) Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series X Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Restated Certificate of Incorporation, the By-laws, applicable law and any national securities exchange or other trading facility in which the Series X Preferred Stock is listed or traded at the time.

**Section 8. Preemption and Conversion.** The holders of Series X Preferred Stock shall not have any rights of preemption or rights to convert such Series X Preferred Stock into shares of any other class of capital stock of the Corporation.

**Section 9. Reacquired Shares.** Shares of Series X Preferred Stock which have been issued and redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of Preferred Stock without designation as to series.

**Section 10. No Sinking Fund.** Shares of Series X Preferred Stock are not subject to the operation of a sinking fund.

**Section 11. Additional Classes or Series of Stock.** Notwithstanding anything set forth in the Restated Certificate of Incorporation or this Certificate of Designation to the contrary, the Board of Directors of the Corporation, or any authorized committee of the Board of Directors of the Corporation, (i) without the vote of the holders of the Series X Preferred Stock, may authorize and issue additional shares of Junior Stock and Parity Stock and (ii) with the requisite vote of the holders of the Series X Preferred Stock and Parity Stock entitled to vote thereon, may authorize and issue any additional class or series of Preferred Stock or Preference Stock senior to the Series X Preferred Stock as to the payment of dividends and/or the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

*[Signature Page Follows]*

US.106566229.03



**In Witness Whereof, Wells Fargo & Company** has caused this Certificate of Designation to be signed by Barbara S. Brett, its Senior Vice President and Assistant Treasurer, and Jeannine E. Zahn, its Assistant Secretary, this 14th day of June, 2016.

**Wells Fargo & Company**

By: /s/ Barbara S. Brett  
Barbara S. Brett, Senior Vice President and Assistant  
Treasurer

/s/ Jeannine E. Zahn  
Jeannine E. Zahn, Assistant Secretary

[As filed with the Delaware Secretary of State on June 14, 2016.]

WELLS FARGO & COMPANY

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CERTIFICATE OF DESIGNATION  
Pursuant to Section 151 of the  
General Corporation Law of the State of Delaware

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2017 ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK  
(Without Par Value)

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WELLS FARGO & COMPANY, a corporation organized and existing under the laws of the State of Delaware (the “Company”), HEREBY CERTIFIES that, pursuant to authority conferred upon the Board of Directors of the Company (the “Board”) by the provisions of the Restated Certificate of Incorporation of the Company, as amended, which authorize the issuance of not more than 20,000,000 shares of Preferred Stock, without par value (the “Preferred Stock”), and pursuant to authority conferred upon the ESOP Preferred Stock Committee I of the Board (the “ESOP Committee”) in accordance with Section 141(c) of the General Corporation Law of the State of Delaware (the “General Corporation Law”) and by the resolutions of the Board set forth herein, the following resolutions were duly adopted by the Board at meetings of the Board duly held on January 25, 2000, January 27, 2009, and October 12, 2016, and by the ESOP Committee pursuant to the written consent of the ESOP Committee duly adopted on January 31, 2017, in accordance with Section 141(f) of the General Corporation Law:

1. On January 25, 2000, the Board adopted the following resolution (the “ESOP Board Resolutions”) appointing the ESOP Committee and delegating to the ESOP Committee the full powers of the Board, subject to the ESOP Board Resolutions, in all matters relating to issuance of one or more series of Preferred Stock (“ESOP Preferred Stock”) to the trustee on behalf of the Company’s 401(k) Plan hereinafter referred to:

RESOLVED that a committee of one member of the Board of the Company is hereby appointed by the Board as the ESOP Preferred Stock Committee I (the “First Committee”), which shall have and may exercise the full powers of the Board, subject to these resolutions, to issue from time to time one or more series of ESOP Preferred Stock, including any shares of Company common stock (\$1 2/3 par value) issuable upon conversion of ESOP Preferred Stock, and in connection therewith, to fix the designations, voting powers, preferences, and all other rights, qualifications and restrictions of such ESOP Preferred Stock, to sell such ESOP Preferred Stock to the Plan on such terms and conditions and for such purchase price as the First Committee in its discretion shall approve, and to take any and all actions as the First Committee shall deem necessary or appropriate.

2. On January 27, 2009, the Board adopted the following resolutions (the “January 2009 Resolutions”) amending the ESOP Board Resolutions to allow the ESOP Committee to establish the voting rights of any series of ESOP Preferred Stock:

RESOLVED that the resolution set forth in the ESOP Board Resolutions under the caption “Voting Rights of ESOP Preferred Stock” is hereby deleted in its entirety.

RESOLVED that the ESOP Board Resolutions are hereby further amended to delete “Appendix A - Voting Rights” in its entirety.

3. Pursuant to resolutions adopted on October 12, 2016, the Board designated Timothy J. Sloan as the sole member of the ESOP Committee, effective October 12, 2016.

4. On January 31, 2017, pursuant to authority conferred upon it by the Board in the ESOP Board Resolutions as amended by the January 2009 Resolutions, the ESOP Committee adopted the following resolution by written consent in accordance with Section 141(f) of the General Corporation Law:

RESOLVED that the issuance of a series of Preferred Stock, without par value, of the Company is hereby authorized and the designation, voting powers, preferences, and relative, participating, optional, and other special rights, and qualifications, limitations and restrictions thereof, in addition to those set forth in the Restated Certificate of Incorporation of the Company, as amended, are hereby fixed as follows:

#### 2017 ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK

##### 1. Designation and Number of Shares; Restricted Issue.

(a) The designation of the series of Preferred Stock, without par value, provided for herein shall be “2017 ESOP Cumulative Convertible Preferred Stock” (hereinafter referred to as the “2017 ESOP Preferred Stock”) and the number of authorized shares constituting the 2017 ESOP Preferred Stock is 950,000, based on an offering price for the 2017 ESOP Preferred Stock of \$1,033.00 per share. Each share of 2017 ESOP Preferred Stock shall have a stated value of \$1,000.00 per share. The number of authorized shares of 2017 ESOP Preferred Stock may be reduced by further resolution duly adopted by the Board or the Securities Committee and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such reduction has been so authorized, provided, however, that the authorized number of shares of 2017 ESOP Preferred Stock shall not be decreased below the then outstanding number of such shares, and provided further that the number of authorized shares of 2017 ESOP Preferred Stock shall not be increased. All shares of the 2017 ESOP Preferred Stock purchased, redeemed, or converted by the Company shall be retired and canceled and shall be restored to the status of authorized

but unissued shares of Preferred Stock, without designation as to series, and may thereafter be issued, but not as shares of 2017 ESOP Preferred Stock.

(b) Shares of 2017 ESOP Preferred Stock shall be issued only to a trustee (the "Trustee") acting on behalf of the Wells Fargo & Company 401(k) Plan, or any successor to such plan (the "Plan"). All references to the holder of shares of 2017 ESOP Preferred Stock shall mean the Trustee or any company with which or into which the Trustee may merge or any successor trustee under the trust agreement with respect to the Plan. In the event of any transfer of record ownership of shares of 2017 ESOP Preferred Stock to any person other than any successor trustee under the Plan, the shares of 2017 ESOP Preferred Stock so transferred, upon such transfer and without any further action by the Company or the holder thereof, shall be automatically converted into shares of the common stock, par value \$1-2/3 per share, of the Company (the "Common Stock") on the terms otherwise provided for the conversion of the shares of 2017 ESOP Preferred Stock into shares of Common Stock pursuant to paragraph (a) of Section 4 hereof, and no such transferee shall have any of the voting powers, preferences, and relative, participating, optional or special rights ascribed to shares of 2017 ESOP Preferred Stock hereunder but, rather, only the powers and rights pertaining to the Common Stock into which such shares of 2017 ESOP Preferred Stock shall be so converted. In the event of such a conversion, the transferee of the shares of 2017 ESOP Preferred Stock shall be treated for all purposes as the record holder of the shares of Common Stock into which such shares of 2017 ESOP Preferred Stock have been automatically converted as of the date of such transfer. Shares of 2017 ESOP Preferred Stock may be certificated or uncertificated, at the Company's option. Certificates representing shares of 2017 ESOP Preferred Stock shall bear a legend to reflect the foregoing provisions. In the case of uncertificated 2017 ESOP Preferred Stock, the transfer agent for the 2017 ESOP Preferred Stock shall note the foregoing provisions on each 2017 ESOP Preferred Stock book entry account. The Company may require that, as a condition to transferring record ownership of any uncertificated 2017 ESOP Preferred Stock, the proposed transferee acknowledge in writing that the shares of 2017 ESOP Preferred Stock are subject to the foregoing provisions. Notwithstanding the foregoing provisions of this paragraph (b) of Section 1, shares of 2017 ESOP Preferred Stock (i)(A) shall be converted into shares of Common Stock as provided in paragraph (a) of Section 4 hereof, and (B) may be converted into shares of Common Stock as provided by paragraph (b) of Section 4 hereof and the shares of Common Stock issued upon such conversion may be transferred by the holder thereof as permitted by law and (ii) shall be redeemable by the Company upon the terms and conditions provided in Sections 5 and 6(c) hereof.

2. Voting Rights. No shares of 2017 ESOP Preferred Stock shall have voting rights except such voting rights as may from time to time be required by law and as set forth in this Section 2, as follows:

(a) Whenever, at any time or times, dividends payable on shares of 2017 ESOP Preferred Stock shall be in arrears for such number of dividend periods which shall in the aggregate contain not less than 540 days, the holders of the outstanding shares of 2017 ESOP Preferred Stock shall have the exclusive right, voting together as a class with holders of shares of any one or more series of Voting Parity Stock, as defined in paragraph (e) of this Section 2, whose voting rights are exercisable, to elect two directors of the Company's Board at the Company's next annual meeting of stockholders and at each subsequent annual meeting of stockholders (the "Preferred Stock Directors") by a plurality of the votes cast; provided that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Parity Stock are entitled to elect pursuant to like voting rights). At elections for such directors, each holder of the shares of 2017 ESOP Preferred Stock shall be entitled to one vote for each share held (the holders of shares of any series of Voting Parity Stock being entitled to such number of votes, if any, for each share of Preferred Stock held as may be granted to them). Upon the vesting of such right of such holders, the maximum authorized number of members of the Board shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of such outstanding shares of 2017 ESOP Preferred Stock (together with the holders of shares of any one or more series of Voting Parity Stock whose voting rights are exercisable) as herein set forth. The right of such holders of such shares of 2017 ESOP Preferred Stock (voting together as a class with the holders of shares of any one or more series of Voting Parity Stock whose voting rights are exercisable) to elect Preferred Stock Directors as aforesaid shall continue until such time as all dividends accumulated on such shares of 2017 ESOP Preferred Stock shall have been paid in full, at which time such right with respect to such shares of 2017 ESOP Preferred Stock shall terminate, except as herein or by law expressly provided, subject to re-vesting in the event of each and every subsequent default of the character above mentioned.

(b) Upon any termination of the right of the holders of all shares of 2017 ESOP Preferred Stock and Voting Parity Stock entitled to vote for Preferred Stock Directors, the term of office of all Preferred Stock Directors then in office elected by such holders voting as a class shall terminate immediately. Any Preferred Stock Director may be removed at any time without cause by the holders of a majority of the outstanding shares of 2017 ESOP Preferred Stock and Voting Parity Stock, when they have the voting rights described above (voting together as a class). In case any vacancy shall occur among the Preferred Stock Directors, a successor may be elected by a plurality of the votes cast by the holders of 2017 ESOP Preferred Stock and Voting Parity Stock having the voting rights described above, voting together as a class, unless the vacancy has already been filled. The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Whenever the term of office of the directors elected by such holders voting as a class shall end and the special voting powers vested in such holders as provided in this resolution shall have expired, the number of directors shall be such number as may be

provided for in the By-Laws of the Company irrespective of any increase made pursuant to the provisions of this Section 2(b).

(c) In addition to any other vote required by law or the Restated Certificate of Incorporation, so long as any shares of 2017 ESOP Preferred Stock remain outstanding, the vote or consent of the holders of the outstanding shares of 2017 ESOP Preferred Stock and outstanding shares of all series of Voting Parity Stock entitled to vote on the matter, by a vote of at least two-thirds in voting power of all such outstanding shares of 2017 ESOP Preferred Stock and such series of Voting Parity Stock voting together as a class, given in person or by proxy, either in writing or at any special or annual meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following whether or not such approval is required by Delaware law:

(i) the authorization, creation or issuance, or any increase in the authorized or issued amount, of any class or series of stock ranking prior to shares of 2017 ESOP Preferred Stock with respect to payment of dividends or the distribution of assets on the Company's voluntary or involuntary liquidation, dissolution or winding up, or

(ii) the amendment, alteration or repeal, whether by merger, consolidation or otherwise, of any of the provisions of the Restated Certificate of Incorporation or of the resolutions set forth in a Certificate of Designation designating shares of 2017 ESOP Preferred Stock and the preferences, powers and relative, participating, optional and other special rights and qualifications, limitations and restrictions thereof which would materially and adversely affect any right, preference, privilege or voting power of the shares of 2017 ESOP Preferred Stock or of the holders thereof; provided, however, that any increase in the amount of authorized Preferred Stock, or the creation and issuance of other series of Preferred Stock, or any increase in the amount of authorized shares of any series of Preferred Stock, in each case ranking on a parity with or junior to the shares of 2017 ESOP Preferred Stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

(d) The foregoing voting provisions shall not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of 2017 ESOP Preferred Stock shall have been redeemed or sufficient funds shall have been irrevocably deposited in trust to effect such redemption.

(e) As used in this Section 2, "Voting Parity Stock" means any other class or series of stock of the Company now existing or hereafter authorized that ranks on par with the 2017 ESOP Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) or in the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company and having similar voting rights as the 2017 ESOP Preferred Stock.

3. Dividends. (a)(i) Holders of shares of 2017 ESOP Preferred Stock will be entitled to receive, when and as declared by the Board or a duly authorized committee thereof, out of assets of the Company legally available for payment, an annual cash dividend of \$70.00 (the “Base Dividend”) per share, which Base Dividend shall be subject to adjustment from time to time as provided in this Section 3.

(ii) The Base Dividend shall be adjusted, effective on December 1, 2018 and on each December 1 thereafter until December 1, 2025, as follows:

(1) If the Current Market Price (as hereinafter defined) of one share of Common Stock on November 30 (or the next preceding Trading Day (as hereinafter defined) if November 30 is not a Trading Day) of any year listed in the Dividend Adjustment Table below is equal to or greater than the First Target Price but less than the Second Target Price shown opposite that year in such table, then holders of shares of the 2017 ESOP Preferred Stock will be entitled to receive a cash dividend for the immediately following twelve month period equal to \$75.00 per share (the “First Adjusted Dividend”).

(2) If the Current Market Price of one share of Common Stock on November 30 (or the next preceding Trading Day if November 30 is not a Trading Day) of any year listed in the Dividend Adjustment Table below is equal to or greater than the Second Target Price shown opposite that year in such table, then holders of shares of 2017 ESOP Preferred Stock will be entitled to receive a cash dividend for the immediately following twelve month period equal to \$80.00 per share (the “Second Adjusted Dividend”).

(3) If the Current Market Price of one share of Common Stock on November 30 (or next preceding Trading Day if November 30 is not a Trading Day) of any year listed in the Dividend Adjustment Table below is less than the First Target Price shown opposite that year in such table, then the holders of shares of 2017 ESOP Preferred Stock will be entitled to receive a cash dividend for the immediately following twelve month period equal to the Base Dividend.

**Dividend Adjustment Table**

<u>Closing Price on 11/30</u>	<u>First Target Price</u>	<u>Second Target Price</u>
2018	\$62.09	\$66.02
2019	\$66.59	\$73.20
2020	\$71.41	\$81.16
2021	\$76.59	\$89.98
2022	\$82.14	\$99.77
2023	\$88.10	\$110.62
2024	\$94.49	\$122.65
2025	\$101.34	\$135.99

(4) As an example of the adjustments described in subparagraphs (1) through (3) above, if on November 30, 2018, the Current Market Price of one share of Common Stock is \$63.00, then the cash dividend payable for the immediately following twelve month period per share of 2017 ESOP Preferred Stock would equal \$75.00, with the first quarterly payment of such \$75.00 dividend to be made on March 1, 2019. If on November 30, 2019, the Current Market Price of one share of Common Stock is \$74.00, then the cash dividend payable for the immediately following twelve month period per share of 2017 ESOP Preferred Stock would equal \$80.00, with the first quarterly payment of such \$80.00 dividend to be made on March 1, 2020. If on November 30, 2020, the Current Market Price of one share of Common Stock is \$68.00, then the cash dividend payable for the immediately following twelve month period per share of 2017 ESOP Preferred Stock would equal \$70.00, with the first quarterly payment of such \$70.00 dividend to be made on March 1, 2021.

(5) For purposes of this Section 3, the terms “First Adjusted Dividend” and “Second Adjusted Dividend” are sometimes referred to as an “Adjusted Dividend;” the term “Current Market Price” shall have the meaning given to it in Section 4(c)(iv); and the term “Trading Day” shall have the meaning given to it in Section 4(c)(vi).

(iii) If one share of Common Stock in any year listed in the Dividend Adjustment Table shall be changed into a different number of shares or a different class of shares by reason of any reclassification, recapitalization, split-up, combination, exchange of shares or readjustment, or if a stock dividend thereon shall be declared with a record date within such period, then the First Target Price and the Second Target Price listed in such table for that year and each subsequent year will be appropriately and proportionately adjusted.

(iv) Dividends payable on shares of the 2017 ESOP Preferred Stock (whether such dividends are equal to the Base Dividend or to an Adjusted Dividend) shall be payable quarterly on March 1, June 1, September 1, and December 1 of each year,



commencing June 1, 2017. Dividends on shares of the 2017 ESOP Preferred Stock will be cumulative from the date of initial issuance of such shares of 2017 ESOP Preferred Stock. Dividends will be payable, in arrears, to holders of record as they appear on the stock books of the Company on such record dates, not more than 30 days nor less than 15 days preceding the payment dates thereof, as shall be fixed by the Board or a duly authorized committee thereof. The amount of dividends payable per share for each dividend period shall be computed by dividing by four the Base Dividend or the Adjusted Dividend, whichever is then applicable. The amount of dividends payable for the initial dividend period or any period shorter than a full dividend period shall be calculated on the basis of actual days elapsed in a 360-day year of twelve 30-day months.

(b)(i) No full dividends shall be declared or paid or set apart for payment on any stock of the Company ranking, as to dividends, on a parity with or junior to the 2017 ESOP Preferred Stock for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been set apart for such payment on shares of 2017 ESOP Preferred Stock for all dividend payment periods terminating on or prior to the date of payment of such full cumulative dividends. When dividends are not paid in full, as aforesaid, upon the shares of 2017 ESOP Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends with 2017 ESOP Preferred Stock, all dividends declared upon shares of 2017 ESOP Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends with 2017 ESOP Preferred Stock shall be declared pro rata so that the amount of dividends declared per share on 2017 ESOP Preferred Stock and such other series of Preferred Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the shares of 2017 ESOP Preferred Stock and such other series of Preferred Stock bear to each other. Holders of shares of 2017 ESOP Preferred Stock shall not be entitled to any dividend, whether payable in cash, property, or stock, in excess of full cumulative dividends, as herein provided, on 2017 ESOP Preferred Stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on 2017 ESOP Preferred Stock which may be in arrears.

(ii) So long as any shares of 2017 ESOP Preferred Stock are outstanding, no dividend (other than dividends or distributions paid in shares of, or options, warrants, or rights to subscribe for or purchase shares of, Common Stock or any other stock ranking junior to 2017 ESOP Preferred Stock as to dividends or upon liquidation and other than as provided in paragraph (b)(i) of this Section 3) shall be declared or paid or set aside for payment or other distribution declared or made upon Common Stock or any other capital stock of the Company ranking junior to or on a parity with 2017 ESOP Preferred Stock as to dividends or upon liquidation, nor shall any Common Stock or any other capital stock of the Company ranking junior to or on a parity with 2017 ESOP Preferred Stock as to dividends or upon liquidation, dissolution or winding up be redeemed, purchased, or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Company (except by conversion into or exchange for stock of

the Company ranking junior to 2017 ESOP Preferred Stock as to dividends or upon liquidation, dissolution or winding up), unless, in each case, the full cumulative dividends on all outstanding shares of 2017 ESOP Preferred Stock shall have been paid or declared and set aside for payment of the then current dividend payment period and all past dividend payment periods.

4. Conversion. Shares of 2017 ESOP Preferred Stock are convertible from time to time hereafter pursuant to the provisions of paragraphs (a) or (b) of this Section 4 into that number of shares of Common Stock determined by dividing the stated value of each share of 2017 ESOP Preferred Stock by the then applicable Conversion Price, (as determined in accordance with the provisions of paragraph (c)(iii) of this Section 4), as follows:

(a) Each share of 2017 ESOP Preferred Stock released from the unallocated reserve of the Plan in accordance with the terms thereof shall be automatically converted, without any further action by the Company or the holder thereof, as of the date such release occurs (the “Release Date”), into fully paid and nonassessable shares of Common Stock at the then applicable Conversion Price for the 2017 ESOP Preferred Stock provided for in paragraph (c) of this Section 4.

(b) Subject to and upon compliance with the provisions of this Section 4, a holder of 2017 ESOP Preferred Stock shall be entitled at any time, prior to the close of business on the date fixed for redemption of such shares pursuant to Sections 5 or 6 hereof, to cause any or all of the shares of 2017 ESOP Preferred Stock held by such holder to be converted into fully paid and nonassessable shares of Common Stock at the then applicable Conversion Price for 2017 ESOP Preferred Stock provided for in paragraph (c) of this Section 4.

(c) For purposes of these resolutions, the following terms shall have the meanings set forth below:

(i) The “Average Current Market Price” per share of Common Stock on any date shall be deemed to be the average of the Current Market Price for one share of Common Stock for the twenty (20) consecutive Trading Days ending on the Trading Day occurring prior to the date the “Purchase Offer” is made (as that term is defined in Section 6(d) hereof).

(ii) A “Business Day” means each day that is not a Saturday, Sunday, or a day on which state or federally chartered banking institutions in the State of New York are not required to be open.

(iii) (A) For purposes of a mandatory conversion of shares of 2017 ESOP Preferred Stock into shares of Common Stock pursuant to the provisions of paragraph (a) of this Section 4, the “Conversion Price” for such shares of 2017 ESOP Preferred Stock shall be the Current Market Price of one share of Common Stock on the relevant Release Date.

(B) For purposes of an optional conversion of shares of 2017 ESOP Preferred Stock into shares of Common Stock pursuant to the provisions of paragraph (b) of this Section 4, the “Conversion Price” for such shares of 2017 ESOP Preferred Stock shall be the Current Market Price of one share of Common Stock on the date the Conversion Notice (as that term is defined in paragraph (d) of this Section 4) is received by the Company, by the transfer agent for the 2017 ESOP Preferred Stock or by any agent for conversion of the 2017 ESOP Preferred Stock designated as such pursuant to paragraph (d) of this Section 4.

(C) For purposes of a conversion of shares of 2017 ESOP Preferred Stock into shares of Common Stock in connection with a “Purchase Offer” (as defined in Section 6(d) hereof), the “Conversion Price” for such shares of 2017 ESOP Preferred Stock shall be the Average Current Market Price of one share of Common Stock.

Each share of 2017 ESOP Preferred Stock shall be valued at its stated value of \$1,000.00 for purposes of computing, based on the applicable Conversion Price, the number of shares of Common Stock into which the shares of 2017 ESOP Preferred Stock will be converted.

(iv) The “Current Market Price” of publicly traded shares of Common Stock or any other class of capital stock or other security of the Company or any other issuer for any day shall mean the reported last sale price, regular way, or, in case no sale takes place on such day, the average of the reported closing bid and asked prices, regular way, in either case as reported on the New York Stock Exchange only or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which the Common Stock is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the National Market System of the National Association of Securities Dealers, Inc. Automated Quotations System (“NASDAQ”) or, if the Common Stock is not quoted on such National Market System, the average of the closing bid and asked prices on such day in the over-the-counter market as reported by NASDAQ or, if bid and asked prices for the Common Stock on each such day shall not have been reported through NASDAQ, the average of the bid and asked prices for such day as furnished by any New York Stock Exchange member firm regularly making a market in the Common Stock selected for such purpose by the Board or a committee thereof or, if no such quotations are available, the fair market value of the Common Stock as determined by a New York Stock Exchange member firm regularly making a market in the Common Stock selected for such purpose by the Board or a committee thereof.

(v) “Common Stock” shall mean the Common Stock of the Company as the same exists at the date of this Certificate of Designation or as such stock may be constituted from time to time.

(vi) “Trading Day” with respect to Common Stock means (x) if the Common Stock is listed or admitted for trading on the New York Stock Exchange or another national securities exchange, a day on which the New York Stock Exchange or such other national securities exchange is open for business or (y) if the Common Stock is quoted on the National Market System of NASDAQ, a day on which trades may be made on such National Market System or (z) otherwise, any Business Day.

(d) In connection with any conversion of 2017 ESOP Preferred Stock pursuant to this Section 4, a written notice of conversion (the “Conversion Notice”) shall be delivered to the Company at its principal executive office or the offices of the transfer agent for the 2017 ESOP Preferred Stock or such office or offices in the continental United States of an agent for conversion as may from time to time be designated by notice to the holders of the 2017 ESOP Preferred Stock by the Company or the transfer agent for the 2017 ESOP Preferred Stock, which Conversion Notice shall be accompanied by (a) in the case of certificated 2017 ESOP Preferred Stock, the certificate or certificates representing the shares of 2017 ESOP Preferred Stock being converted pursuant to this Section 4, duly assigned or endorsed for transfer to the Company (or accompanied by duly executed stock powers relating thereto) and (b) in the case of uncertificated 2017 ESOP Preferred Stock, duly executed assignment and transfer documents for the shares of 2017 ESOP Preferred Stock being converted pursuant to this Section 4. Each Conversion Notice shall specify (i)(y) in the case of a mandatory conversion pursuant to paragraph (a) of this Section 4, the number of shares of 2017 ESOP Preferred Stock released from the unallocated reserve of the Plan on the Release Date or (z) in the case of an optional conversion pursuant to paragraph (b) of this Section 4, the number of shares of 2017 ESOP Preferred Stock being converted, and (ii) in connection with any conversion hereunder, (x) the name or names in which such holder wishes the certificate or certificates for Common Stock and, in the case of certificated 2017 ESOP Preferred Stock, for any shares of 2017 ESOP Preferred Stock not to be so converted to be issued, (y) the address to which such holder wishes delivery to be made of such new certificates to be issued upon such conversion, and (z) such other information as the Company or its agents may reasonably request.

(e) Upon delivery to the Company or the transfer agent for the 2017 ESOP Preferred Stock of the Conversion Notice and all other documentation and certificates required to effect the conversion, as provided in paragraph (d) of this Section 4, the Company shall issue and send by hand delivery, by courier or by first-class mail (postage prepaid) to the holder thereof or to such holder’s designee, at the address designated by such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled upon conversion. If there shall have been surrendered a certificate or certificates representing shares of 2017 ESOP Preferred Stock only part of which are to be converted, the Company shall issue and deliver to such holder or such holder’s designee, in the manner set forth in the preceding sentence, a new certificate or certificates representing the number of shares of 2017 ESOP Preferred Stock which shall not have been converted.

(f) The issuance by the Company of shares of Common Stock upon a conversion of shares of 2017 ESOP Preferred Stock into shares of Common Stock made pursuant to this Section 4 shall be effective (i) in the case of a mandatory conversion of shares of 2017 ESOP Preferred Stock pursuant to paragraph (a) of this Section 4, as of the Release Date; and (ii) in the case of an optional conversion of such shares pursuant to paragraph (b) of this Section 4, as of the earlier of (A) the delivery to such holder or such holder's designee of the certificates representing the shares of Common Stock issued upon conversion thereof or (B) the commencement of business on the second Business Day after the delivery to the Company or the transfer agent for the 2017 ESOP Preferred Stock of the Conversion Notice and all other documentation and certificates required to effect the conversion, as provided in paragraph (d) of this Section 4. On and after the effective date of a conversion, the person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock, but no allowance or adjustment shall be made in respect of dividends payable to holders of Common Stock in respect of any period prior to such effective date. The Company shall not be obligated to pay any dividends which shall have accrued or have been declared and shall be payable to holders of shares of 2017 ESOP Preferred Stock if the date on which such dividends are paid is on or after the effective date of conversion of such shares.

(g) The Company shall not be obligated to deliver to holders of 2017 ESOP Preferred Stock any fractional share or shares of Common Stock issuable upon any conversion of such shares of 2017 ESOP Preferred Stock, but in lieu thereof may make a cash payment in respect thereof in any manner permitted by law.

(h) The Company shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for issuance upon the conversion of shares of 2017 ESOP Preferred Stock as herein provided, free from any preemptive rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of 2017 ESOP Preferred Stock then outstanding.

(i) The Company will use its best efforts to cause the listing of the shares of Common Stock required to be delivered upon conversion of the 2017 ESOP Preferred Stock prior to distribution to Plan participants on the national securities exchange, if any, upon which the outstanding Common Stock is listed at the time of such delivery.

(j) The Company will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock on conversions of the 2017 ESOP Preferred Stock pursuant hereto; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock in a name other than that of the holder of the 2017 ESOP Preferred Stock to be converted and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that such tax has been paid.

5. Redemption At the Option of the Company. (a) The 2017 ESOP Preferred Stock shall be redeemable out of assets legally available therefor, in whole or in part, at the option of the Company at any time, at a redemption price per share of 2017 ESOP Preferred Stock equal to the higher of (x) \$1,000.00 per share, plus an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption, and (y) the Fair Market Value (as that term is defined in paragraph (d) of this Section 5) per share of 2017 ESOP Preferred Stock on the date fixed for redemption. Payment of the redemption price shall be made by the Company in cash or shares of Common Stock, or a combination thereof, as permitted by paragraph (c) of this Section 5. From and after the date fixed for redemption, dividends on shares of 2017 ESOP Preferred Stock called for redemption will cease to accrue and all rights in respect of such shares of the Company shall cease, except the right to receive the redemption price. Upon payment of the redemption price, such shares shall be deemed to have been transferred to the Company, to be retired as provided in paragraph (a) of Section 1. If the full cumulative dividends have not been paid, or contemporaneously declared and set aside for payment, on all outstanding shares of 2017 ESOP Preferred Stock, the Company may not redeem fewer than all the outstanding shares of 2017 ESOP Preferred Stock pursuant to this Section 5.

(b) Unless otherwise required by law, notice of any redemption pursuant to this Section 5 will be sent to the holders of 2017 ESOP Preferred Stock at the address shown on the books of the Company or any transfer agent for the 2017 ESOP Preferred Stock by hand delivery, by courier, by standard form of telecommunication or by first-class mail (postage prepaid) delivered, sent or mailed, as the case may be, not less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Each such notice shall state: (i) the redemption date; (ii) the total number of shares of the 2017 ESOP Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) whether the redemption price shall be paid in cash or in shares of Common Stock, or in a combination of such Common Stock and cash; (v) in the case of certificated 2017 ESOP Preferred Stock the place or places where certificates for such shares are to be surrendered for payment of the redemption price; (vi) that dividends on the shares to be redeemed will cease to accrue on such redemption date; and (vii) the conversion rights of the shares to be redeemed, the period within which conversion rights may be exercised and the manner in which the number of shares of Common Stock issuable upon conversion of a share of 2017 ESOP Preferred Stock will be determined. The Company shall redeem shares so called for redemption and not previously converted at the date fixed for redemption and at the redemption price set forth in this Section 5, provided that, in the case of certificated 2017 ESOP Preferred Stock, the Company shall not be obligated to pay the redemption price until the certificates for the shares to be redeemed are surrendered (properly endorsed or assigned for transfer, if the Board of Directors of the Company shall so require and the notice shall so state).

(c) The Company, at its option, may make payment of the redemption price required upon redemption of shares of 2017 ESOP Preferred Stock in cash or in shares of Common Stock, or in a combination of such Common Stock and cash, any such shares of Common Stock to be valued for such purposes at their Fair Market Value (as defined in paragraph (d)(ii) of this Section 5) or their Current Market Price, in either case as of the date fixed for redemption of the 2017 ESOP Preferred Stock, whichever value will result in the issuance of the greater number of shares of Common Stock to the holder of the 2017 ESOP Preferred Stock then being redeemed.

(d) For purposes of these resolutions, the following terms shall have the meanings set forth below:

(i) “Adjustment Period” shall mean the period of five (5) consecutive Trading Days preceding the date as of which the Fair Market Value of a security is to be determined.

(ii) “Fair Market Value” shall mean, as to shares of Common Stock or any other class of capital stock or securities of the Company or any other issue which are publicly traded, the average of the Current Market Prices of such shares or securities for each day of the Adjustment Period. The “Fair Market Value” of any security which is not publicly traded (other than the 2017 ESOP Preferred Stock) or of any other property shall mean the fair value thereof on the date as of which the Fair Market Value of the security is to be determined, as determined by an independent investment banking or appraisal firm experienced in the valuation of such securities or property selected in good faith by the Board or a committee thereof. The “Fair Market Value” of the 2017 ESOP Preferred Stock for purposes of paragraph (a) of Section 5, and for purposes of paragraph (c) of Section 6 shall mean the fair market value thereof determined by an independent appraiser, appointed by the Trustee of the Plan in accordance with the provisions of the Plan, as of the date fixed for redemption of the 2017 ESOP Preferred Stock (in the case of a redemption pursuant to Section 5) or as of the date specified in paragraph (c) of Section 6 (in the case of a redemption under that section). For purposes of determining the Fair Market Value of the 2017 ESOP Preferred Stock, the independent appraiser shall assume (i) that all dividends on the 2017 ESOP Preferred Stock would have been paid when due, and (ii) that the mandatory conversion of shares of 2017 ESOP Preferred Stock held by the Plan into shares of Common Stock pursuant to Section 4(a) hereof would have occurred when and as payments of principal (together with accrued interest thereon) would have been made by the Trustee of the Plan in accordance with the terms of that certain 2017 ESOP Cumulative Convertible Preferred Stock Note Agreement dated on or about February 2, 2017 between the Company and the Plan (including any amendments or modifications thereto).

6. Consolidation, Merger, etc. (a) If the Company consummates any consolidation or merger or similar business combination, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged solely for or changed, reclassified or converted solely into stock of any successor or resulting

corporation (including the Company) that constitutes “qualifying employer securities” with respect to a holder of 2017 ESOP Preferred Stock within the meaning of Section 409(1) of the Internal Revenue Code of 1986, as amended, and Section 407(d)(5) of the Employee Retirement Income Security Act of 1974, as amended, or any successor provisions of law, and, if applicable, for a cash payment in lieu of fractional shares, if any, the shares of 2017 ESOP Preferred Stock of such holder shall, in connection with such consolidation, merger or similar business combination, be assumed by and shall become Preferred Stock of such successor or resulting corporation, having in respect of such corporation, insofar as possible, the same powers, preferences and relative, participating, optional or other special rights (including the redemption rights provided by Sections 5 and 6 hereof), and the qualifications, limitations or restrictions thereon, that the 2017 ESOP Preferred Stock had immediately prior to such transaction, subject to the following:

(1) After such transaction each share of the 2017 ESOP Preferred Stock shall be convertible, otherwise on the terms and conditions provided by Section 4 hereof, into the number and kind of qualifying employer securities so receivable by a holder of the number of shares of Common Stock into which such shares of 2017 ESOP Preferred Stock could have been converted immediately prior to such transaction.

(2) The Company shall not consummate any such merger, consolidation or similar transaction unless all then outstanding shares of 2017 ESOP Preferred Stock shall be assumed and authorized by the successor or resulting corporation as aforesaid.

(b) If the Company consummates any consolidation or merger or similar business combination, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged for or changed, reclassified or converted into other stock or securities or cash or any other property, or any combination thereof, other than any such consideration which is constituted solely of qualifying employer securities (as referred to in paragraph (a) of this Section 6) and cash payments, if applicable, in lieu of fractional shares, outstanding shares of 2017 ESOP Preferred Stock shall, without any action on the part of the Company or any holder thereof (but subject to paragraph (c) of this Section 6), be automatically converted by virtue of such merger, consolidation or similar transaction immediately prior to such consummation into the number of shares of Common Stock into which such shares of 2017 ESOP Preferred Stock could have been converted at such time so that each share of 2017 ESOP Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in like kind) receivable by a holder of the number of shares of Common Stock into which such shares of 2017 ESOP Preferred Stock could have been converted immediately prior to such transaction. However, if by virtue of the structure of such transaction, a holder of Common Stock is required to make an election with respect to the nature and kind of consideration to be received in such transaction,



which election cannot practicably be made by the holders of the 2017 ESOP Preferred Stock, then the shares of 2017 ESOP Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in kind) receivable by a holder of the number of shares of Common Stock into which such shares of 2017 ESOP Preferred Stock could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election as to the kind or amount of stock, securities, cash or other property receivable upon such transaction. If the kind or amount of stock, securities, cash or other property receivable upon such transaction is not the same for each non-electing share, then the kind and amount of stock, securities, cash or other property receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of the non-electing shares.

(c) In the event the Company shall enter into any agreement providing for any consolidation or merger or similar business combination described in paragraph (b) of this Section 6 (a “Business Combination”), then the Company shall as soon as practicable thereafter (and in any event at least fifteen (15) Business Days before consummation of such transaction) give notice of such agreement and the material terms thereof to each holder of 2017 ESOP Preferred Stock and each such holder shall have the right to elect, by written notice to the Company, to receive, upon consummation of such transaction (if and when such transaction is consummated), from the Company or the successor of the Company, in redemption and retirement of such 2017 ESOP Preferred Stock, a cash payment per share of 2017 ESOP Preferred Stock equal to the higher of (x) \$1,000.00, plus accrued and unpaid dividends thereon to the date of consummation of such transaction or (y) the Fair Market Value per share of 2017 ESOP Preferred Stock, as of the last Business Day (as defined in paragraph (c) of Section 4 hereof) immediately preceding the date the Business Combination is consummated. No such notice of redemption shall be effective unless given to the Company prior to the close of business on the last Business Day prior to consummation of such transaction, unless the Company or the successor of the Company shall waive such prior notice, but any notice of redemption so given prior to such time may be withdrawn by notice of withdrawal given to the Company prior to the close of business on the last Business Day prior to consummation of such transaction.

(d) In the event that a Purchase Offer (as defined below) shall have been made and shall be continuing, each holder of 2017 ESOP Preferred Stock shall have the right to convert shares of 2017 ESOP Preferred Stock into shares of Common Stock at the Conversion Price specified in Section 4(c)(iii)(C) hereof until the date the Purchase Offer is terminated, including without limitation because the original Purchase Offer is withdrawn or because the Purchase Offer has expired and is not renewed, upon notice of such conversion given to the Company not later than the close of business on the date the Purchase Offer terminates (the “Purchase Offer Conversion Period”), unless the Company or any successor of the Company shall waive such prior notice, but any notice

of conversion so given may be withdrawn by notice of withdrawal given to the Company prior to the end of the Purchase Offer Conversion Period.

For purposes of this paragraph (d), the following terms shall have the meanings set forth below:

(i) “Beneficial Ownership” shall have the meaning ascribed to it in Rule 13d-3 under the Securities Exchange Act of 1934 (the “Exchange Act”) and “person” shall have the meanings specified in Sections 3(a)(9) and 13(d)(3) of the Exchange Act.

(ii) A “Purchase Offer” shall have been made when any person (other than the Company or any affiliate of the Company) shall have “commenced” (as such term is defined in Rule 14d-2 under the Exchange Act) a tender offer or exchange offer to purchase shares of Common Stock, such that, upon consummation of such offer, such person would have Beneficial Ownership (as defined herein) or the right to acquire Beneficial Ownership, of twenty percent (20%) or more of the voting power of the Company.

7. Liquidation Rights. (a) Upon the dissolution, liquidation, or winding up of the Company, the holders of the shares of 2017 ESOP Preferred Stock shall be entitled to receive and to be paid out of the assets of the Company available for distribution to its stockholders, before any payment or distribution shall be made on or set aside for the Common Stock or any other class of stock ranking junior to 2017 ESOP Preferred Stock and subject to the rights of the holders of the shares of any series or class or classes of stock ranking on parity with or senior to the 2017 ESOP Preferred Stock, the amount of \$1,000.00 per share, plus a sum equal to all dividends (whether or not earned or declared) on such shares accrued and unpaid thereon to the date of final distribution.

(b) Neither the sale of all or substantially all the property and assets of the Company, nor the merger, consolidation or other business combination of the Company into or with any other corporation, nor the merger, consolidation or other business combination of any other corporation into or with the Company shall be deemed to be a dissolution, liquidation, or winding up, voluntary or involuntary, for the purposes of this Section 7.

(c) After the payment to the holders of the shares of 2017 ESOP Preferred Stock of the full preferential amounts provided for in this Section 7, the holders of 2017 ESOP Preferred Stock, as such, shall have no right or claim to any of the remaining assets of the Company.

(d) In the event the assets of the Company available for distribution to the holders of shares of 2017 ESOP Preferred Stock upon any dissolution, liquidation, or winding up of the Company, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such holders are entitled pursuant to paragraph (a) of this Section 7, no such distribution shall be made on account of any shares of any other series

of Preferred Stock or other capital stock of the Company ranking on a parity with the shares of 2017 ESOP Preferred Stock upon such dissolution, liquidation, or winding up unless proportionate distributive amounts shall be paid on account of the shares of 2017 ESOP Preferred Stock, ratably, in proportion to the full distributable amounts for which holders of all such parity shares are respectively entitled upon such dissolution, liquidation, or winding up.

(e) Subject to the rights of the holders of the shares of any series or class or classes of stock ranking on parity with or prior to the shares of 2017 ESOP Preferred Stock upon liquidation, dissolution, or winding up, upon any liquidation, dissolution, or winding up of the Company, after payment shall have been made in full to the holders of the shares of 2017 ESOP Preferred Stock as provided in this Section 7, but not prior thereto, any other series or class or classes of stock ranking junior to the shares of 2017 ESOP Preferred Stock upon liquidation shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the shares of 2017 ESOP Preferred Stock shall not be entitled to share therein.

8. Ranking. For the purposes of these resolutions, any stock of any series or class or classes of the Company shall be deemed to rank:

(a) prior to the shares of 2017 ESOP Preferred Stock, either as to dividends or upon liquidation, dissolution or winding up, if the holders of such series or class or classes shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation, or winding up of the Company, as the case may be, in preference or priority to the holders of shares of 2017 ESOP Preferred Stock;

(b) on a parity with shares of 2017 ESOP Preferred Stock, either as to dividends or upon liquidation, dissolution or winding up, whether or not the dividend rates, dividend payment dates, or redemption or liquidation prices per share, or sinking fund provisions, if any, be different from those of 2017 ESOP Preferred Stock, if the holders of such stock shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation, or winding up of the Company, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority, one over the other, as between the holders of such stock and the holders of shares of 2017 ESOP Preferred Stock; and

(c) junior to shares of 2017 ESOP Preferred Stock, either as to dividends or upon liquidation, dissolution or winding up, if such class shall be Common Stock or if the holders of shares of 2017 ESOP Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation, or winding up of the Company, as the case may be, in preference or priority to the holders of shares of such series or class or classes.

9. Priority of 2017 ESOP Preferred Stock. The shares of 2017 ESOP Preferred Stock will rank on a parity, both as to payment of dividends and the distribution of assets

upon liquidation, with the Company's 2008 ESOP Cumulative Convertible Preferred Stock, its 2010 ESOP Cumulative Convertible Preferred Stock, its 2011 ESOP Cumulative Convertible Preferred Stock, its 2012 ESOP Cumulative Convertible Preferred Stock, its 2013 ESOP Cumulative Convertible Preferred Stock, its 2014 ESOP Cumulative Convertible Preferred Stock, its 2015 ESOP Cumulative Convertible Preferred Stock, and its 2016 ESOP Cumulative Convertible Preferred Stock.

IN WITNESS WHEREOF, the Company has caused this Certificate of Designation to be signed by Timothy J. Sloan, its Chief Executive Officer and President, and attested by Jeannine E. Zahn, its Assistant Secretary, on this 31st day of January, 2017.

WELLS FARGO & COMPANY

By /s/ Timothy J. Sloan  
Timothy J. Sloan  
President and  
Chief Executive Officer

Attest:

/s/ Jeannine E. Zahn  
Jeannine E. Zahn  
Assistant Secretary

[As filed with the Delaware Secretary of State on February 1, 2017]

**WELLS FARGO & COMPANY**

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**CERTIFICATE OF DESIGNATION**

Pursuant to Section 151(g) of the  
General Corporation Law  
of the State of Delaware

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**NON-CUMULATIVE PERPETUAL CLASS A PREFERRED STOCK, SERIES Y  
(Without Par Value)**

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WELLS FARGO & COMPANY, a corporation organized and existing under the laws of the State of Delaware (the “*Corporation*”), HEREBY CERTIFIES that, pursuant to authority conferred upon the Board of Directors of the Corporation (the “*Board of Directors*”) by the provisions of the Restated Certificate of Incorporation of the Corporation, as amended, which authorize the issuance of not more than 20,000,000 shares of Preferred Stock, without par value, and pursuant to authority conferred upon the Securities Committee of the Board of Directors (the “*Committee*”) in accordance with Section 141(c) of the General Corporation Law of the State of Delaware (the “*General Corporation Law*”), the following resolutions were duly adopted by the Committee pursuant to the unanimous written consent of the Committee duly adopted on April 21, 2017, in accordance with Section 141(f) of the General Corporation Law:

**Resolved**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated October 25, 2016, the provisions of the Restated Certificate of Incorporation, the By-laws of the Corporation, and applicable law, a series of Preferred Stock, no par value, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

**RIGHTS AND PREFERENCES**

**Section 1. Designation.** The shares of such series of Preferred Stock shall be designated Non-Cumulative Perpetual Class A Preferred Stock, Series Y, with no par value and a liquidation preference amount of \$25,000 per share (the “*Series Y Preferred Stock*”). Each share of Series Y Preferred Stock shall be identical in all respects to every other share of Series Y Preferred Stock except with respect to the date from which dividends may accrue. Series Y Preferred Stock will rank equally with Parity Stock with respect to the payment of dividends and distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the

Corporation and will rank senior to Junior Stock with respect to the payment of dividends and/or the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 2. Number of Shares.** The number of authorized shares of Series Y Preferred Stock shall be 27,600. Such number may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock) or decreased (but not below the number of shares of Series Y Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law stating that such increase or decrease, as the case may be, has been so authorized. The Corporation shall have the authority to issue fractional shares of Series Y Preferred Stock.

**Section 3. Definitions.** As used herein with respect to Series Y Preferred Stock:

*“Business Day”* means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in New York, New York.

*“Certificate of Designation”* means this Certificate of Designation relating to the Series Y Preferred Stock, as it may be amended from time to time.

*“Common Stock”* means the common stock of the Corporation, par value \$1 $\frac{2}{3}$  per share, as the same exists at the date of this Certificate of Designation or as such stock may be constituted from time to time.

*“Depository Company”* has the meaning set forth in Section 6(d) hereof.

*“Dividend Payment Date”* has the meaning set forth in Section 4(a) hereof.

*“Dividend Period”* has the meaning set forth in Section 4(a) hereof.

*“DTC”* means The Depository Trust Company, together with its successors and assigns.

*“Junior Stock”* means the Common Stock and any other class or series of stock of the Corporation now existing or hereafter authorized over which the Series Y Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

*“Liquidation Preference”* has the meaning set forth in Section 5(a) hereof.

*“Nonpayment Event”* shall have the meaning set forth in Section 7(b).

“*Parity Stock*” means any other class or series of stock of the Corporation now existing or hereafter authorized that ranks on par with the Series Y Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) or in the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

“*Preference Stock*” means any and all series of preference stock, having no par value, of the Corporation.

“*Preferred Stock*” means any and all series of preferred stock, having no par value, of the Corporation, including the Series Y Preferred Stock.

“*Preferred Stock Directors*” shall have the meaning set forth in Section 7(b).

“*Regulatory Capital Treatment Event*” means the Corporation’s reasonable determination that as a result of any (i) amendment to, clarification of, or change (including any announced prospective change) in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective on or after April 17, 2017; (ii) proposed change in those laws or regulations that is announced or becomes effective on or after April 17, 2017; or (iii) official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced on or after April 17, 2017, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation preference amount of all shares of Series Y Preferred Stock then outstanding as Tier 1 capital (or its equivalent) for purposes of the capital adequacy guidelines or regulations of the appropriate federal banking agency, as then in effect and applicable, for as long as any share of Series Y Preferred Stock is outstanding.

“*Series Y Preferred Stock*” has the meaning set forth in Section 1 hereof.

“*Voting Parity Stock*” means any Parity Stock having similar voting rights as the Series Y Preferred Stock.

#### **Section 4. Dividends.**

**(a) Rate.** Dividends on the Series Y Preferred Stock will not be mandatory. Holders of Series Y Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation, but only out of assets legally available therefor, non-cumulative cash dividends on the liquidation preference amount of \$25,000 per share of the Series Y Preferred Stock, payable quarterly in arrears on the 15th day of March, June, September and December of each year (commencing on June 15, 2017); provided, however, if any such day is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding day that is a Business Day, without any interest or other payment in respect of such delay (each such



day on which dividends are payable a “*Dividend Payment Date*”). A “*Dividend Period*” means the period from, and including, a Dividend Payment Date to, but excluding, the next succeeding Dividend Payment Date, except for the initial Dividend Period, which will be the period from, and including, April 24, 2017 to, but excluding, June 15, 2017. Dividends on each share of Series Y Preferred Stock will accrue at a rate *per annum* equal to 5.625%. The record date for payment of dividends on the Series Y Preferred Stock shall be the last Business Day of the calendar month immediately preceding the month during which the Dividend Payment Date falls or such other date as determined by the Corporation’s Board of Directors. The amount of dividends payable shall be computed on the basis of a 360-day year of twelve 30-day months. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward.

**(b) Non-Cumulative Dividends.** Dividends on shares of Series Y Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series Y Preferred Stock on any Dividend Payment Date are not declared prior to such Dividend Payment Date, then such dividends shall not cumulate and shall cease to accrue and be payable, and the Corporation shall have no obligation to pay, and the holders of Series Y Preferred Stock shall have no right to receive, dividends accrued for such Dividend Period on the Dividend Payment Date for such Dividend Period or at any time in the future or interest with respect to such dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series Y Preferred Stock or any other series of authorized Preferred Stock, Preference Stock, or Common Stock of the Corporation.

**(c) Priority of Dividends.** So long as any shares of Series Y Preferred Stock remain outstanding,

(1) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Common Stock, and no shares of Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Common Stock by the Corporation (other than (i) a dividend payable in Common Stock or (ii) the acquisition of shares of Common Stock in exchange for, or through application of proceeds of the sale of, shares of Common Stock);

(2) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Junior Stock other than Common Stock, and no shares of Junior Stock other than Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Junior Stock other than Common Stock by the Corporation (other than (i) a dividend payable solely in shares of Junior Stock, (ii) any dividend in connection with the implementation of a stockholder rights plan, or the

redemption or repurchase of any rights under any such plan, (iii) any dividend in the form of stock, warrants, options or other rights where the dividend stock or stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks equally with or junior to such stock, (iv) as a result of a reclassification of Junior Stock other than Common Stock for or into other Junior Stock, (v) the exchange or conversion of one share of Junior Stock other than Common Stock for or into another share of Junior Stock, (vi) through the use of proceeds of a substantially contemporaneous sale of other shares of Junior Stock, (vii) any purchase, redemption or other acquisition of Junior Stock other than Common Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after April 17, 2017, (viii) any purchase of fractional interests in shares of Junior Stock other than Common Stock pursuant to the conversion or exchange provisions of such Junior Stock other than Common Stock or the securities being converted or exchanged, (ix) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (x) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business); and

(3) no shares of Parity Stock will be repurchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series Y Preferred Stock and such Parity Stock during a Dividend Period (other than (i) as a result of a reclassification of Parity Stock for or into other Parity Stock or Junior Stock, (ii) the exchange or conversion of one share of Parity Stock for or into another share of Parity Stock or Junior Stock, (iii) through the use of proceeds of a substantially contemporaneous sale of other shares of Parity Stock or Junior Stock, (iv) any purchase, redemption or other acquisition of Parity Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after April 17, 2017, (v) any purchase of fractional interests in shares of Parity Stock pursuant to the conversion or exchange provisions of such Parity Stock or the securities being converted or exchanged, (vi) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (vii) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business),

unless, in each case, the full dividends for the then-current Dividend Period on all outstanding shares of the Series Y Preferred Stock have been declared and paid or declared and a sum sufficient for the payment of those dividends has been set aside.

Subject to the succeeding sentence, for so long as any shares of Series Y Preferred Stock remain outstanding, no dividends shall be declared, paid, or set aside for payment on any Parity Stock for any period unless full dividends on all outstanding shares of Series Y Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. To the extent the Corporation declares dividends on the Series Y Preferred Stock and on any Parity Stock but cannot make full payment of those declared dividends, the Corporation will allocate the dividend payments on a proportional basis among the holders of shares of Series Y Preferred Stock and the holders of any Parity Stock then outstanding where the terms of such Parity Stock provide similar dividend rights.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may be declared and paid on the Common Stock and any other stock that is Parity Stock or Junior Stock, from time to time out of any assets legally available for such payment, and the shares of Series Y Preferred Stock shall not be entitled to participate in any such dividends.

#### **Section 5. Liquidation Rights.**

**(a) Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series Y Preferred Stock shall be entitled to receive in full out of assets available for distribution to its stockholders before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of the Common Stock or any other Junior Stock, and subject to the rights of the holders of Parity Stock or any stock of the Corporation ranking senior to the Series Y Preferred Stock as to such distribution, a liquidating distribution in the amount of \$25,000 per share, plus an amount equal to any dividends which have been declared but not yet paid, without accumulation of any undeclared dividends, to the date of liquidation (the “*Liquidation Preference*”). The holders of Series Y Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

**(b) Partial Payment.** If the assets of the Corporation are not sufficient to pay in full the Liquidation Preference to all holders of Series Y Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series Y Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preference of Series Y Preferred Stock and all such Parity Stock.

**(c) Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series Y Preferred Stock and all other amounts payable upon liquidation, dissolution or winding up of the Corporation have been paid in full to all holders of any Parity Stock, the holders of Common Stock and any other Junior Stock shall be entitled

to receive all remaining assets of the Corporation according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

## **Section 6. Redemption.**

**(a) Optional Redemption.** The Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may redeem, subject to the prior approval of the Federal Reserve Board, out of funds legally available therefor, in whole or in part, the shares of Series Y Preferred Stock at the time outstanding, at any time on any Dividend Payment Date on or after June 15, 2022, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series Y Preferred Stock shall be \$25,000 per share plus an amount equal to any dividends that have been declared but not paid up to the redemption date without accumulation of any undeclared dividends.

Notwithstanding the foregoing, within 90 days of the Corporation's good faith determination that a Regulatory Capital Treatment Event has occurred, the Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may, subject to the approval of the appropriate federal banking agency, redeem out of funds legally available therefor, in whole, but not in part, the shares of Series Y Preferred Stock at the time outstanding, prior to June 15, 2022, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series Y Preferred Stock shall be \$25,000 per share plus an amount equal to any dividends that have been declared but not paid, without accumulation of any undeclared dividends.

**(b) Notice of Redemption.** Notice of every redemption of shares of Series Y Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the stock register of the Corporation. Such mailing shall be at least 40 days and not more than 70 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(b) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series Y Preferred Stock designated for redemption shall not affect the validity of the

proceedings for the redemption of any other shares of Series Y Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series Y Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, if applicable, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where the certificates for those shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date. Notwithstanding the foregoing, if the Series Y Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC.

**(c) Partial Redemption.** In case of any redemption of only part of the shares of Series Y Preferred Stock at the time outstanding, the shares of Series Y Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series Y Preferred Stock in proportion to the number of Series Y Preferred Stock held by such holders or in such other manner consistent with the rules and policies of the New York Stock Exchange as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine to be fair and equitable. Subject to the provisions of this Section 6, the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series Y Preferred Stock shall be redeemed from time to time.

**(d) Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been irrevocably set aside by the Corporation, separate and apart from its other assets, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors (the “*Depository Company*”) in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding, all dividends with respect to such shares shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from the Depository Company at any time after the redemption date from the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depository Company any interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of two years from the redemption date shall, to the extent permitted by law, be released or repaid to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

## **Section 7. Voting Rights.**

**(a) General.** The holders of Series Y Preferred Stock shall not be entitled to vote on any matter except as set forth in paragraph 7(b) below or as required by applicable law.

**(b) Right To Elect Two Directors Upon Nonpayment Events.** Whenever dividends payable on any shares of Series Y Preferred Stock or any class or series of Voting Parity Stock have not been declared and paid in an aggregate amount equal to, as to any class or series, at least six quarterly Dividend Periods or their equivalent, whether or not for consecutive Dividend Periods (a “*Nonpayment Event*”), the holders of the outstanding Series Y Preferred Stock, voting together as a class with holders of Voting Parity Stock whose voting rights are exercisable, will be entitled to vote for the election of two additional directors of the Corporation’s Board of Directors at the Corporation’s next annual meeting of stockholders and at each subsequent annual meeting of stockholders (the “*Preferred Stock Directors*”) by a plurality of the votes cast; *provided* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Parity Stock are entitled to elect pursuant to like voting rights). Upon the vesting of such right of such holders, the maximum authorized number of members of the Board of Directors shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of the outstanding Series Y Preferred Stock (together with the holders of shares of any one or more other series of Voting Parity Stock). At elections for such directors, each holder of the Series Y Preferred Stock shall be entitled to 25 votes for each share held (the holders of shares of any other series of Voting Parity Stock being entitled to such number of votes, if any, for each share of such stock as may be granted to them). The right of the holders of the Series Y Preferred Stock (voting together as a class with the holders of shares of any one or more other series of Voting Parity Stock) to elect Preferred Stock Directors shall continue until such time as the Corporation has paid in full dividends for the equivalent of at least four quarterly Dividend Periods or their equivalent, at which time such right with respect to the Series Y Preferred Stock shall terminate, except as provided by law, and subject to re-vesting in the event of each and every subsequent default of the character described in this Section 7(b).

Upon any termination of the right of the holders of all shares of Series Y Preferred Stock and Voting Parity Stock to vote for Preferred Stock Directors, the term of office of all Preferred Stock Directors then in office elected by only those holders voting as a class shall terminate immediately. Any Preferred Stock Director may be removed at any time without cause by the holders of a majority of the outstanding shares of Series Y Preferred Stock and Voting Parity Stock, when they have the voting rights described above (voting together as a class). In case any vacancy shall occur among the Preferred Stock Directors, a successor may be elected by a plurality of the votes cast by the holders of Series Y Preferred Stock and Voting Parity Stock having the voting rights described above, voting together as a class, unless the vacancy has already been filled.

The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Whenever the term of office of the directors elected by such holders voting as a class shall end and the special voting powers vested in such holders as provided in this Section 7(b) shall have expired, the number of directors shall be such number as may be provided for in the By-Laws irrespective of any increase made pursuant to this Section 7(b).

**(c) Other Voting Rights.** In addition to any other vote required by law or the Restated Certificate of Incorporation, so long as any shares of the Series Y Preferred Stock remain outstanding, the vote or consent of the holders of the outstanding shares of Series Y Preferred Stock and outstanding shares of all other series of Voting Parity Stock entitled to vote on the matter, by a vote of at least 66 2/3% in voting power of all such outstanding Series Y Preferred Stock and such Voting Parity Stock, voting together as a class, given in person or by proxy, either in writing without a meeting or at any meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following actions, whether or not such approval is required by Delaware law: (i) the issuance of any class or series of Preferred Stock or Preference Stock ranking senior to the Series Y Preferred Stock in the payment of dividends or the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; (ii) any amendment, alteration or repeal of any provision of the Restated Certificate of Incorporation, including the Certificate of Designation, or the By-laws that would adversely affect the rights, preferences, privileges or voting powers of the Series Y Preferred Stock; (iii) any amendment or alteration of the Restated Certificate of Incorporation, including the Certificate of Designation, or By-laws to authorize, create, or increase the authorized amount of, any shares of, or any securities convertible into shares of, any class or series of the Corporation's capital stock ranking senior to the Series Y Preferred Stock with respect to either the payment of dividends or in the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; or (iv) any consummation of a reclassification involving the Series Y Preferred Stock or a merger or consolidation with another corporation or other entity, except holders of the Series Y Preferred Stock will have no right to vote under this Section 7(c)(iv) if in each case (a) the shares of Series Y Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (b) such shares of Series Y Preferred Stock remaining outstanding or such preference

securities, as the case may be, have such rights, preferences, privileges and voting powers, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Series Y Preferred Stock, taken as a whole; *provided, however*, that any authorization, creation or increase in the authorized amount of or issuance of the Series Y Preferred Stock or any Parity Stock or Junior Stock or any securities convertible into any class or series of Parity Stock (whether dividends payable in respect of such Parity Stock are cumulative or non-

cumulative) or Junior Stock will be deemed not to adversely affect the rights, preferences, privileges or voting powers of the Series Y Preferred Stock, and holders of the Series Y Preferred Stock shall have no right to vote thereon.

If any amendment, alteration, repeal, reclassification, merger or consolidation specified in this Section 7(c) would adversely affect one or more but not all series of voting Preferred Stock (including the Series Y Preferred Stock), then only those series affected by and entitled to vote on the matter shall vote on the matter together as a class (in lieu of all other series of Preferred Stock).

Each holder of the Series Y Preferred Stock will have 25 votes per share on any matter on which holders of the Series Y Preferred Stock are entitled to vote, whether separately or together with any other series of stock of the Corporation (the holders of any shares of any other series of stock being entitled to such number of votes, if any, for each share of stock as may be granted to them), pursuant to Delaware law or otherwise, including by written consent.

**(d) Changes after Provision for Redemption.** No vote or consent of the holders of Series Y Preferred Stock shall be required pursuant to Section 7(b) or (c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding Series Y Preferred Stock shall have been redeemed, or notice of redemption has been given and sufficient funds shall have been irrevocably deposited in trust to effect such redemption.

**(e) Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series Y Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Restated Certificate of Incorporation, the By-laws, applicable law and any national securities exchange or other trading facility in which the Series Y Preferred Stock is listed or traded at the time.

**Section 8. Preemption and Conversion.** The holders of Series Y Preferred Stock shall not have any rights of preemption or rights to convert such Series Y Preferred Stock into shares of any other class of capital stock of the Corporation.

**Section 9. Reacquired Shares.** Shares of Series Y Preferred Stock which have been issued and redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of Preferred Stock without designation as to series.

**Section 10. No Sinking Fund.** Shares of Series Y Preferred Stock are not subject to the operation of a sinking fund.

**Section 11. Additional Classes or Series of Stock.** Notwithstanding anything set forth in the Restated Certificate of Incorporation or this Certificate of Designation



to the contrary, the Board of Directors of the Corporation, or any authorized committee of the Board of Directors of the Corporation, (i) without the vote of the holders of the Series Y Preferred Stock, may authorize and issue additional shares of Junior Stock and Parity Stock and (ii) with the requisite vote of the holders of the Series Y Preferred Stock and Parity Stock entitled to vote thereon, may authorize and issue any additional class or series of Preferred Stock or Preference Stock senior to the Series Y Preferred Stock as to the payment of dividends and/or the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

*[Signature Page Follows]*

**In Witness Whereof, Wells Fargo & Company** has caused this Certificate of Designation to be signed by Barbara S. Brett, its Senior Vice President and Assistant Treasurer, and Jeannine E. Zahn, its Assistant Secretary, this 21<sup>st</sup> day of April, 2017.

**Wells Fargo & Company**

By: /s/ Barbara S. Brett  
Barbara S. Brett, Senior Vice President and Assistant  
Treasurer

/s/ Jeannine E. Zahn  
Jeannine E. Zahn, Assistant Secretary

[As filed with the Delaware Secretary of State on April 27, 2017]

WELLS FARGO & COMPANY

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CERTIFICATE OF DESIGNATION  
Pursuant to Section 151 of the  
General Corporation Law of the State of Delaware

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2018 ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK  
(Without Par Value)

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WELLS FARGO & COMPANY, a corporation organized and existing under the laws of the State of Delaware (the “Company”), HEREBY CERTIFIES that, pursuant to authority conferred upon the Board of Directors of the Company (the “Board”) by the provisions of the Restated Certificate of Incorporation of the Company, as amended, which authorize the issuance of not more than 20,000,000 shares of Preferred Stock, without par value (the “Preferred Stock”), and pursuant to authority conferred upon the ESOP Preferred Stock Committee I of the Board (the “ESOP Committee”) in accordance with Section 141(c) of the General Corporation Law of the State of Delaware (the “General Corporation Law”) and by the resolutions of the Board set forth herein, the following resolutions were duly adopted by the Board at meetings of the Board duly held on January 25, 2000, January 27, 2009, and October 12, 2016, and by the ESOP Committee pursuant to the written consent of the ESOP Committee duly adopted on January 23, 2018, in accordance with Section 141(f) of the General Corporation Law:

1. On January 25, 2000, the Board adopted the following resolution (the “ESOP Board Resolutions”) appointing the ESOP Committee and delegating to the ESOP Committee the full powers of the Board, subject to the ESOP Board Resolutions, in all matters relating to issuance of one or more series of Preferred Stock (“ESOP Preferred Stock”) to the trustee on behalf of the Company’s 401(k) Plan hereinafter referred to:

RESOLVED that a committee of one member of the Board of the Company is hereby appointed by the Board as the ESOP Preferred Stock Committee I (the “First Committee”), which shall have and may exercise the full powers of the Board, subject to these resolutions, to issue from time to time one or more series of ESOP Preferred Stock, including any shares of Company common stock (\$1 2/3 par value) issuable upon conversion of ESOP Preferred Stock, and in connection therewith, to fix the designations, voting powers, preferences, and all other rights, qualifications and restrictions of such ESOP Preferred Stock, to sell such ESOP Preferred Stock to the Plan on such terms and conditions and for such purchase price as the First Committee in its discretion shall approve, and to take any and all actions as the First Committee shall deem necessary or appropriate.

2. On January 27, 2009, the Board adopted the following resolutions (the “January 2009 Resolutions”) amending the ESOP Board Resolutions to allow the ESOP Committee to establish the voting rights of any series of ESOP Preferred Stock:

RESOLVED that the resolution set forth in the ESOP Board Resolutions under the caption “Voting Rights of ESOP Preferred Stock” is hereby deleted in its entirety.

RESOLVED that the ESOP Board Resolutions are hereby further amended to delete “Appendix A - Voting Rights” in its entirety.

3. Pursuant to resolutions adopted on October 12, 2016, the Board designated Timothy J. Sloan as the sole member of the ESOP Committee, effective October 12, 2016.

4. On January 23, 2018, pursuant to authority conferred upon it by the Board in the ESOP Board Resolutions as amended by the January 2009 Resolutions, the ESOP Committee adopted the following resolution by written consent in accordance with Section 141(f) of the General Corporation Law:

RESOLVED that the issuance of a series of Preferred Stock, without par value, of the Company is hereby authorized and the designation, voting powers, preferences, and relative, participating, optional, and other special rights, and qualifications, limitations and restrictions thereof, in addition to those set forth in the Restated Certificate of Incorporation of the Company, as amended, are hereby fixed as follows:

#### 2018 ESOP CUMULATIVE CONVERTIBLE PREFERRED STOCK

##### 1. Designation and Number of Shares; Restricted Issue.

(a) The designation of the series of Preferred Stock, without par value, provided for herein shall be “2018 ESOP Cumulative Convertible Preferred Stock” (hereinafter referred to as the “2018 ESOP Preferred Stock”) and the number of authorized shares constituting the 2018 ESOP Preferred Stock is 1,100,000, based on an offering price for the 2018 ESOP Preferred Stock of \$1,039.00 per share. Each share of 2018 ESOP Preferred Stock shall have a stated value of \$1,000.00 per share. The number of authorized shares of 2018 ESOP Preferred Stock may be reduced by further resolution duly adopted by the Board or the Securities Committee and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such reduction has been so authorized, provided, however, that the authorized number of shares of 2018 ESOP Preferred Stock shall not be decreased below the then outstanding number of such shares, and provided further that the number of authorized shares of 2018 ESOP Preferred Stock shall not be increased. All shares of the 2018 ESOP Preferred Stock purchased, redeemed, or converted by the Company shall be retired and canceled and shall be restored to the status of authorized

but unissued shares of Preferred Stock, without designation as to series, and may thereafter be issued, but not as shares of 2018 ESOP Preferred Stock.

(b) Shares of 2018 ESOP Preferred Stock shall be issued only to a trustee (the "Trustee") acting on behalf of the Wells Fargo & Company 401(k) Plan, or any successor to such plan (the "Plan"). All references to the holder of shares of 2018 ESOP Preferred Stock shall mean the Trustee or any company with which or into which the Trustee may merge or any successor trustee under the trust agreement with respect to the Plan. In the event of any transfer of record ownership of shares of 2018 ESOP Preferred Stock to any person other than any successor trustee under the Plan, the shares of 2018 ESOP Preferred Stock so transferred, upon such transfer and without any further action by the Company or the holder thereof, shall be automatically converted into shares of the common stock, par value \$1-2/3 per share, of the Company (the "Common Stock") on the terms otherwise provided for the conversion of the shares of 2018 ESOP Preferred Stock into shares of Common Stock pursuant to paragraph (a) of Section 4 hereof, and no such transferee shall have any of the voting powers, preferences, and relative, participating, optional or special rights ascribed to shares of 2018 ESOP Preferred Stock hereunder but, rather, only the powers and rights pertaining to the Common Stock into which such shares of 2018 ESOP Preferred Stock shall be so converted. In the event of such a conversion, the transferee of the shares of 2018 ESOP Preferred Stock shall be treated for all purposes as the record holder of the shares of Common Stock into which such shares of 2018 ESOP Preferred Stock have been automatically converted as of the date of such transfer. Shares of 2018 ESOP Preferred Stock may be certificated or uncertificated, at the Company's option. Certificates representing shares of 2018 ESOP Preferred Stock shall bear a legend to reflect the foregoing provisions. In the case of uncertificated 2018 ESOP Preferred Stock, the transfer agent for the 2018 ESOP Preferred Stock shall note the foregoing provisions on each 2018 ESOP Preferred Stock book entry account. The Company may require that, as a condition to transferring record ownership of any uncertificated 2018 ESOP Preferred Stock, the proposed transferee acknowledge in writing that the shares of 2018 ESOP Preferred Stock are subject to the foregoing provisions. Notwithstanding the foregoing provisions of this paragraph (b) of Section 1, shares of 2018 ESOP Preferred Stock (i)(A) shall be converted into shares of Common Stock as provided in paragraph (a) of Section 4 hereof, and (B) may be converted into shares of Common Stock as provided by paragraph (b) of Section 4 hereof and the shares of Common Stock issued upon such conversion may be transferred by the holder thereof as permitted by law and (ii) shall be redeemable by the Company upon the terms and conditions provided in Sections 5 and 6(c) hereof.

2. Voting Rights. No shares of 2018 ESOP Preferred Stock shall have voting rights except such voting rights as may from time to time be required by law and as set forth in this Section 2, as follows:

(a) Whenever, at any time or times, dividends payable on shares of 2018 ESOP Preferred Stock shall be in arrears for such number of dividend periods which shall in the aggregate contain not less than 540 days, the holders of the outstanding shares of 2018 ESOP Preferred Stock shall have the exclusive right, voting together as a class with holders of shares of any one or more series of Voting Parity Stock, as defined in paragraph (e) of this Section 2, whose voting rights are exercisable, to elect two directors of the Company's Board at the Company's next annual meeting of stockholders and at each subsequent annual meeting of stockholders (the "Preferred Stock Directors") by a plurality of the votes cast; provided that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Parity Stock are entitled to elect pursuant to like voting rights). At elections for such directors, each holder of the shares of 2018 ESOP Preferred Stock shall be entitled to one vote for each share held (the holders of shares of any series of Voting Parity Stock being entitled to such number of votes, if any, for each share of Preferred Stock held as may be granted to them). Upon the vesting of such right of such holders, the maximum authorized number of members of the Board shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of such outstanding shares of 2018 ESOP Preferred Stock (together with the holders of shares of any one or more series of Voting Parity Stock whose voting rights are exercisable) as herein set forth. The right of such holders of such shares of 2018 ESOP Preferred Stock (voting together as a class with the holders of shares of any one or more series of Voting Parity Stock whose voting rights are exercisable) to elect Preferred Stock Directors as aforesaid shall continue until such time as all dividends accumulated on such shares of 2018 ESOP Preferred Stock shall have been paid in full, at which time such right with respect to such shares of 2018 ESOP Preferred Stock shall terminate, except as herein or by law expressly provided, subject to revesting in the event of each and every subsequent default of the character above mentioned.

(b) Upon any termination of the right of the holders of all shares of 2018 ESOP Preferred Stock and Voting Parity Stock entitled to vote for Preferred Stock Directors, the term of office of all Preferred Stock Directors then in office elected by such holders voting as a class shall terminate immediately. Any Preferred Stock Director may be removed at any time without cause by the holders of a majority of the outstanding shares of 2018 ESOP Preferred Stock and Voting Parity Stock, when they have the voting rights described above (voting together as a class). In case any vacancy shall occur among the Preferred Stock Directors, a successor may be elected by a plurality of the votes cast by the holders of 2018 ESOP Preferred Stock and Voting Parity Stock having the voting rights described above, voting together as a class, unless the vacancy has already been filled. The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Whenever the term of office of the directors elected by such holders voting as a class shall end and the special voting powers vested in such holders as provided in this resolution shall have expired, the number of directors shall be such number as may be

provided for in the By-Laws of the Company irrespective of any increase made pursuant to the provisions of this Section 2(b).

(c) In addition to any other vote required by law or the Restated Certificate of Incorporation, so long as any shares of 2018 ESOP Preferred Stock remain outstanding, the vote or consent of the holders of the outstanding shares of 2018 ESOP Preferred Stock and outstanding shares of all series of Voting Parity Stock entitled to vote on the matter, by a vote of at least two-thirds in voting power of all such outstanding shares of 2018 ESOP Preferred Stock and such series of Voting Parity Stock voting together as a class, given in person or by proxy, either in writing or at any special or annual meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following whether or not such approval is required by Delaware law:

(i) the authorization, creation or issuance, or any increase in the authorized or issued amount, of any class or series of stock ranking prior to shares of 2018 ESOP Preferred Stock with respect to payment of dividends or the distribution of assets on the Company's voluntary or involuntary liquidation, dissolution or winding up, or

(ii) the amendment, alteration or repeal, whether by merger, consolidation or otherwise, of any of the provisions of the Restated Certificate of Incorporation or of the resolutions set forth in a Certificate of Designation designating shares of 2018 ESOP Preferred Stock and the preferences, powers and relative, participating, optional and other special rights and qualifications, limitations and restrictions thereof which would materially and adversely affect any right, preference, privilege or voting power of the shares of 2018 ESOP Preferred Stock or of the holders thereof; provided, however, that any increase in the amount of authorized Preferred Stock, or the creation and issuance of other series of Preferred Stock, or any increase in the amount of authorized shares of any series of Preferred Stock, in each case ranking on a parity with or junior to the shares of 2018 ESOP Preferred Stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

(d) The foregoing voting provisions shall not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of 2018 ESOP Preferred Stock shall have been redeemed or sufficient funds shall have been irrevocably deposited in trust to effect such redemption.

(e) As used in this Section 2, "Voting Parity Stock" means any other class or series of stock of the Company now existing or hereafter authorized that ranks on par with the 2018 ESOP Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) or in the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company and having similar voting rights as the 2018 ESOP Preferred Stock.

3. Dividends. (a)(i) Holders of shares of 2018 ESOP Preferred Stock will be entitled to receive, when and as declared by the Board or a duly authorized committee thereof, out of assets of the Company legally available for payment, an annual cash dividend of \$70.00 (the “Base Dividend”) per share, which Base Dividend shall be subject to adjustment from time to time as provided in this Section 3.

(ii) The Base Dividend shall be adjusted, effective on December 1, 2019 and on each December 1 thereafter until December 1, 2026, as follows:

(1) If the Current Market Price (as hereinafter defined) of one share of Common Stock on November 30 (or the next preceding Trading Day (as hereinafter defined) if November 30 is not a Trading Day) of any year listed in the Dividend Adjustment Table below is equal to or greater than the First Target Price but less than the Second Target Price shown opposite that year in such table, then holders of shares of the 2018 ESOP Preferred Stock will be entitled to receive a cash dividend for the immediately following twelve month period equal to \$75.00 per share (the “First Adjusted Dividend”).

(2) If the Current Market Price of one share of Common Stock on November 30 (or the next preceding Trading Day if November 30 is not a Trading Day) of any year listed in the Dividend Adjustment Table below is equal to or greater than the Second Target Price shown opposite that year in such table, then holders of shares of 2018 ESOP Preferred Stock will be entitled to receive a cash dividend for the immediately following twelve month period equal to \$80.00 per share (the “Second Adjusted Dividend”).

(3) If the Current Market Price of one share of Common Stock on November 30 (or next preceding Trading Day if November 30 is not a Trading Day) of any year listed in the Dividend Adjustment Table below is less than the First Target Price shown opposite that year in such table, then the holders of shares of 2018 ESOP Preferred Stock will be entitled to receive a cash dividend for the immediately following twelve month period equal to the Base Dividend.

**Dividend Adjustment Table**



<u>Closing Price on 11/30</u>	<u>First Target Price</u>	<u>Second Target Price</u>
2019	\$70.95	\$75.35
2020	\$75.92	\$83.26
2021	\$81.23	\$92.00
2022	\$86.92	\$101.66
2023	\$93.00	\$112.33
2024	\$99.51	\$124.13
2025	\$106.48	\$137.16
2026	\$113.93	\$151.57

(4) As an example of the adjustments described in subparagraphs (1) through (3) above, if on November 30, 2019, the Current Market Price of one share of Common Stock is \$73.00, then the cash dividend payable for the immediately following twelve month period per share of 2018 ESOP Preferred Stock would equal \$75.00, with the first quarterly payment of such \$75.00 dividend to be made on March 1, 2020. If on November 30, 2020, the Current Market Price of one share of Common Stock is \$84.00, then the cash dividend payable for the immediately following twelve month period per share of 2018 ESOP Preferred Stock would equal \$80.00, with the first quarterly payment of such \$80.00 dividend to be made on March 1, 2021. If on November 30, 2021, the Current Market Price of one share of Common Stock is \$78.00, then the cash dividend payable for the immediately following twelve month period per share of 2018 ESOP Preferred Stock would equal \$70.00, with the first quarterly payment of such \$70.00 dividend to be made on March 1, 2022.

(5) For purposes of this Section 3, the terms “First Adjusted Dividend” and “Second Adjusted Dividend” are sometimes referred to as an “Adjusted Dividend;” the term “Current Market Price” shall have the meaning given to it in Section 4(c)(iv); and the term “Trading Day” shall have the meaning given to it in Section 4(c)(vi).

(iii) If one share of Common Stock in any year listed in the Dividend Adjustment Table shall be changed into a different number of shares or a different class of shares by reason of any reclassification, recapitalization, split-up, combination, exchange of shares or readjustment, or if a stock dividend thereon shall be declared with a record date within such period, then the First Target Price and the Second Target Price listed in such table for that year and each subsequent year will be appropriately and proportionately adjusted.

(iv) Dividends payable on shares of the 2018 ESOP Preferred Stock (whether such dividends are equal to the Base Dividend or to an Adjusted Dividend) shall be payable quarterly on March 1, June 1, September 1, and December 1 of each year,

commencing June 1, 2018. Dividends on shares of the 2018 ESOP Preferred Stock will be cumulative from the date of initial issuance of such shares of 2018 ESOP Preferred Stock. Dividends will be payable, in arrears, to holders of record as they appear on the stock books of the Company on such record dates, not more than 30 days nor less than 15 days preceding the payment dates thereof, as shall be fixed by the Board or a duly authorized committee thereof. The amount of dividends payable per share for each dividend period shall be computed by dividing by four the Base Dividend or the Adjusted Dividend, whichever is then applicable. The amount of dividends payable for the initial dividend period or any period shorter than a full dividend period shall be calculated on the basis of actual days elapsed in a 360-day year of twelve 30-day months.

(b)(i) No full dividends shall be declared or paid or set apart for payment on any stock of the Company ranking, as to dividends, on a parity with or junior to the 2018 ESOP Preferred Stock for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been set apart for such payment on shares of 2018 ESOP Preferred Stock for all dividend payment periods terminating on or prior to the date of payment of such full cumulative dividends. When dividends are not paid in full, as aforesaid, upon the shares of 2018 ESOP Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends with 2018 ESOP Preferred Stock, all dividends declared upon shares of 2018 ESOP Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends with 2018 ESOP Preferred Stock shall be declared pro rata so that the amount of dividends declared per share on 2018 ESOP Preferred Stock and such other series of Preferred Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the shares of 2018 ESOP Preferred Stock and such other series of Preferred Stock bear to each other. Holders of shares of 2018 ESOP Preferred Stock shall not be entitled to any dividend, whether payable in cash, property, or stock, in excess of full cumulative dividends, as herein provided, on 2018 ESOP Preferred Stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on 2018 ESOP Preferred Stock which may be in arrears.

(ii) So long as any shares of 2018 ESOP Preferred Stock are outstanding, no dividend (other than dividends or distributions paid in shares of, or options, warrants, or rights to subscribe for or purchase shares of, Common Stock or any other stock ranking junior to 2018 ESOP Preferred Stock as to dividends or upon liquidation and other than as provided in paragraph (b)(i) of this Section 3) shall be declared or paid or set aside for payment or other distribution declared or made upon Common Stock or any other capital stock of the Company ranking junior to or on a parity with 2018 ESOP Preferred Stock as to dividends or upon liquidation, nor shall any Common Stock or any other capital stock of the Company ranking junior to or on a parity with 2018 ESOP Preferred Stock as to dividends or upon liquidation, dissolution or winding up be redeemed, purchased, or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Company (except by conversion into or exchange for stock of

the Company ranking junior to 2018 ESOP Preferred Stock as to dividends or upon liquidation, dissolution or winding up), unless, in each case, the full cumulative dividends on all outstanding shares of 2018 ESOP Preferred Stock shall have been paid or declared and set aside for payment of the then current dividend payment period and all past dividend payment periods.

4. Conversion. Shares of 2018 ESOP Preferred Stock are convertible from time to time hereafter pursuant to the provisions of paragraphs (a) or (b) of this Section 4 into that number of shares of Common Stock determined by dividing the stated value of each share of 2018 ESOP Preferred Stock by the then applicable Conversion Price, (as determined in accordance with the provisions of paragraph (c)(iii) of this Section 4), as follows:

(a) Each share of 2018 ESOP Preferred Stock released from the unallocated reserve of the Plan in accordance with the terms thereof shall be automatically converted, without any further action by the Company or the holder thereof, as of the date such release occurs (the “Release Date”), into fully paid and nonassessable shares of Common Stock at the then applicable Conversion Price for the 2018 ESOP Preferred Stock provided for in paragraph (c) of this Section 4.

(b) Subject to and upon compliance with the provisions of this Section 4, a holder of 2018 ESOP Preferred Stock shall be entitled at any time, prior to the close of business on the date fixed for redemption of such shares pursuant to Sections 5 or 6 hereof, to cause any or all of the shares of 2018 ESOP Preferred Stock held by such holder to be converted into fully paid and nonassessable shares of Common Stock at the then applicable Conversion Price for 2018 ESOP Preferred Stock provided for in paragraph (c) of this Section 4.

(c) For purposes of these resolutions, the following terms shall have the meanings set forth below:

(i) The “Average Current Market Price” per share of Common Stock on any date shall be deemed to be the average of the Current Market Price for one share of Common Stock for the twenty (20) consecutive Trading Days ending on the Trading Day occurring prior to the date the “Purchase Offer” is made (as that term is defined in Section 6(d) hereof).

(ii) A “Business Day” means each day that is not a Saturday, Sunday, or a day on which state or federally chartered banking institutions in the State of New York are not required to be open.

(iii) (A) For purposes of a mandatory conversion of shares of 2018 ESOP Preferred Stock into shares of Common Stock pursuant to the provisions of paragraph (a) of this Section 4, the “Conversion Price” for such shares of 2018 ESOP Preferred Stock shall be the Current Market Price of one share of Common Stock on the relevant Release Date.

(B) For purposes of an optional conversion of shares of 2018 ESOP Preferred Stock into shares of Common Stock pursuant to the provisions of paragraph (b) of this Section 4, the “Conversion Price” for such shares of 2018 ESOP Preferred Stock shall be the Current Market Price of one share of Common Stock on the date the Conversion Notice (as that term is defined in paragraph (d) of this Section 4) is received by the Company, by the transfer agent for the 2018 ESOP Preferred Stock or by any agent for conversion of the 2018 ESOP Preferred Stock designated as such pursuant to paragraph (d) of this Section 4.

(C) For purposes of a conversion of shares of 2018 ESOP Preferred Stock into shares of Common Stock in connection with a “Purchase Offer” (as defined in Section 6(d) hereof), the “Conversion Price” for such shares of 2018 ESOP Preferred Stock shall be the Average Current Market Price of one share of Common Stock.

Each share of 2018 ESOP Preferred Stock shall be valued at its stated value of \$1,000.00 for purposes of computing, based on the applicable Conversion Price, the number of shares of Common Stock into which the shares of 2018 ESOP Preferred Stock will be converted.

(iv) The “Current Market Price” of publicly traded shares of Common Stock or any other class of capital stock or other security of the Company or any other issuer for any day shall mean the reported last sale price, regular way, or, in case no sale takes place on such day, the average of the reported closing bid and asked prices, regular way, in either case as reported on the New York Stock Exchange only or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which the Common Stock is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the National Market System of the National Association of Securities Dealers, Inc. Automated Quotations System (“NASDAQ”) or, if the Common Stock is not quoted on such National Market System, the average of the closing bid and asked prices on such day in the over-the-counter market as reported by NASDAQ or, if bid and asked prices for the Common Stock on each such day shall not have been reported through NASDAQ, the average of the bid and asked prices for such day as furnished by any New York Stock Exchange member firm regularly making a market in the Common Stock selected for such purpose by the Board or a committee thereof or, if no such quotations are available, the fair market value of the Common Stock as determined by a New York Stock Exchange member firm regularly making a market in the Common Stock selected for such purpose by the Board or a committee thereof.

(v) “Common Stock” shall mean the Common Stock of the Company as the same exists at the date of this Certificate of Designation or as such stock may be constituted from time to time.

(vi) “Trading Day” with respect to Common Stock means (x) if the Common Stock is listed or admitted for trading on the New York Stock Exchange or another national securities exchange, a day on which the New York Stock Exchange or such other national securities exchange is open for business or (y) if the Common Stock is quoted on the National Market System of NASDAQ, a day on which trades may be made on such National Market System or (z) otherwise, any Business Day.

(d) In connection with any conversion of 2018 ESOP Preferred Stock pursuant to this Section 4, a written notice of conversion (the “Conversion Notice”) shall be delivered to the Company at its principal executive office or the offices of the transfer agent for the 2018 ESOP Preferred Stock or such office or offices in the continental United States of an agent for conversion as may from time to time be designated by notice to the holders of the 2018 ESOP Preferred Stock by the Company or the transfer agent for the 2018 ESOP Preferred Stock, which Conversion Notice shall be accompanied by (a) in the case of certificated 2018 ESOP Preferred Stock, the certificate or certificates representing the shares of 2018 ESOP Preferred Stock being converted pursuant to this Section 4, duly assigned or endorsed for transfer to the Company (or accompanied by duly executed stock powers relating thereto) and (b) in the case of uncertificated 2018 ESOP Preferred Stock, duly executed assignment and transfer documents for the shares of 2018 ESOP Preferred Stock being converted pursuant to this Section 4. Each Conversion Notice shall specify (i)(y) in the case of a mandatory conversion pursuant to paragraph (a) of this Section 4, the number of shares of 2018 ESOP Preferred Stock released from the unallocated reserve of the Plan on the Release Date or (z) in the case of an optional conversion pursuant to paragraph (b) of this Section 4, the number of shares of 2018 ESOP Preferred Stock being converted, and (ii) in connection with any conversion hereunder, (x) the name or names in which such holder wishes the certificate or certificates for Common Stock and, in the case of certificated 2018 ESOP Preferred Stock, for any shares of 2018 ESOP Preferred Stock not to be so converted to be issued, (y) the address to which such holder wishes delivery to be made of such new certificates to be issued upon such conversion, and (z) such other information as the Company or its agents may reasonably request.

(e) Upon delivery to the Company or the transfer agent for the 2018 ESOP Preferred Stock of the Conversion Notice and all other documentation and certificates required to effect the conversion, as provided in paragraph (d) of this Section 4, the Company shall issue and send by hand delivery, by courier or by first-class mail (postage prepaid) to the holder thereof or to such holder’s designee, at the address designated by such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled upon conversion. If there shall have been surrendered a certificate or certificates representing shares of 2018 ESOP Preferred Stock only part of which are to be converted, the Company shall issue and deliver to such holder or such holder’s designee, in the manner set forth in the preceding sentence, a new certificate or certificates representing the number of shares of 2018 ESOP Preferred Stock which shall not have been converted.

(f) The issuance by the Company of shares of Common Stock upon a conversion of shares of 2018 ESOP Preferred Stock into shares of Common Stock made pursuant to this Section 4 shall be effective (i) in the case of a mandatory conversion of shares of 2018 ESOP Preferred Stock pursuant to paragraph (a) of this Section 4, as of the Release Date; and (ii) in the case of an optional conversion of such shares pursuant to paragraph (b) of this Section 4, as of the earlier of (A) the delivery to such holder or such holder's designee of the certificates representing the shares of Common Stock issued upon conversion thereof or (B) the commencement of business on the second Business Day after the delivery to the Company or the transfer agent for the 2018 ESOP Preferred Stock of the Conversion Notice and all other documentation and certificates required to effect the conversion, as provided in paragraph (d) of this Section 4. On and after the effective date of a conversion, the person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock, but no allowance or adjustment shall be made in respect of dividends payable to holders of Common Stock in respect of any period prior to such effective date. The Company shall not be obligated to pay any dividends which shall have accrued or have been declared and shall be payable to holders of shares of 2018 ESOP Preferred Stock if the date on which such dividends are paid is on or after the effective date of conversion of such shares.

(g) The Company shall not be obligated to deliver to holders of 2018 ESOP Preferred Stock any fractional share or shares of Common Stock issuable upon any conversion of such shares of 2018 ESOP Preferred Stock, but in lieu thereof may make a cash payment in respect thereof in any manner permitted by law.

(h) The Company shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for issuance upon the conversion of shares of 2018 ESOP Preferred Stock as herein provided, free from any preemptive rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of 2018 ESOP Preferred Stock then outstanding.

(i) The Company will use its best efforts to cause the listing of the shares of Common Stock required to be delivered upon conversion of the 2018 ESOP Preferred Stock prior to distribution to Plan participants on the national securities exchange, if any, upon which the outstanding Common Stock is listed at the time of such delivery.

(j) The Company will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock on conversions of the 2018 ESOP Preferred Stock pursuant hereto; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock in a name other than that of the holder of the 2018 ESOP Preferred Stock to be converted and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that such tax has been paid.

5. Redemption At the Option of the Company. (a) The 2018 ESOP Preferred Stock shall be redeemable out of assets legally available therefor, in whole or in part, at the option of the Company at any time, at a redemption price per share of 2018 ESOP Preferred Stock equal to the higher of (x) \$1,000.00 per share, plus an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption, and (y) the Fair Market Value (as that term is defined in paragraph (d) of this Section 5) per share of 2018 ESOP Preferred Stock on the date fixed for redemption. Payment of the redemption price shall be made by the Company in cash or shares of Common Stock, or a combination thereof, as permitted by paragraph (c) of this Section 5. From and after the date fixed for redemption, dividends on shares of 2018 ESOP Preferred Stock called for redemption will cease to accrue and all rights in respect of such shares of the Company shall cease, except the right to receive the redemption price. Upon payment of the redemption price, such shares shall be deemed to have been transferred to the Company, to be retired as provided in paragraph (a) of Section 1. If the full cumulative dividends have not been paid, or contemporaneously declared and set aside for payment, on all outstanding shares of 2018 ESOP Preferred Stock, the Company may not redeem fewer than all the outstanding shares of 2018 ESOP Preferred Stock pursuant to this Section 5.

(b) Unless otherwise required by law, notice of any redemption pursuant to this Section 5 will be sent to the holders of 2018 ESOP Preferred Stock at the address shown on the books of the Company or any transfer agent for the 2018 ESOP Preferred Stock by hand delivery, by courier, by standard form of telecommunication or by first-class mail (postage prepaid) delivered, sent or mailed, as the case may be, not less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Each such notice shall state: (i) the redemption date; (ii) the total number of shares of the 2018 ESOP Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) whether the redemption price shall be paid in cash or in shares of Common Stock, or in a combination of such Common Stock and cash; (v) in the case of certificated 2018 ESOP Preferred Stock the place or places where certificates for such shares are to be surrendered for payment of the redemption price; (vi) that dividends on the shares to be redeemed will cease to accrue on such redemption date; and (vii) the conversion rights of the shares to be redeemed, the period within which conversion rights may be exercised and the manner in which the number of shares of Common Stock issuable upon conversion of a share of 2018 ESOP Preferred Stock will be determined. The Company shall redeem shares so called for redemption and not previously converted at the date fixed for redemption and at the redemption price set forth in this Section 5, provided that, in the case of certificated 2018 ESOP Preferred Stock, the Company shall not be obligated to pay the redemption price until the certificates for the shares to be redeemed are surrendered (properly endorsed or assigned for transfer, if the Board of Directors of the Company shall so require and the notice shall so state).

(c) The Company, at its option, may make payment of the redemption price required upon redemption of shares of 2018 ESOP Preferred Stock in cash or in shares of Common Stock, or in a combination of such Common Stock and cash, any such shares of Common Stock to be valued for such purposes at their Fair Market Value (as defined in paragraph (d)(ii) of this Section 5) or their Current Market Price, in either case as of the date fixed for redemption of the 2018 ESOP Preferred Stock, whichever value will result in the issuance of the greater number of shares of Common Stock to the holder of the 2018 ESOP Preferred Stock then being redeemed.

(d) For purposes of these resolutions, the following terms shall have the meanings set forth below:

(i) “Adjustment Period” shall mean the period of five (5) consecutive Trading Days preceding the date as of which the Fair Market Value of a security is to be determined.

(ii) “Fair Market Value” shall mean, as to shares of Common Stock or any other class of capital stock or securities of the Company or any other issue which are publicly traded, the average of the Current Market Prices of such shares or securities for each day of the Adjustment Period. The “Fair Market Value” of any security which is not publicly traded (other than the 2018 ESOP Preferred Stock) or of any other property shall mean the fair value thereof on the date as of which the Fair Market Value of the security is to be determined, as determined by an independent investment banking or appraisal firm experienced in the valuation of such securities or property selected in good faith by the Board or a committee thereof. The “Fair Market Value” of the 2018 ESOP Preferred Stock for purposes of paragraph (a) of Section 5, and for purposes of paragraph (c) of Section 6 shall mean the fair market value thereof determined by an independent appraiser, appointed by the Trustee of the Plan in accordance with the provisions of the Plan, as of the date fixed for redemption of the 2018 ESOP Preferred Stock (in the case of a redemption pursuant to Section 5) or as of the date specified in paragraph (c) of Section 6 (in the case of a redemption under that section). For purposes of determining the Fair Market Value of the 2018 ESOP Preferred Stock, the independent appraiser shall assume (i) that all dividends on the 2018 ESOP Preferred Stock would have been paid when due, and (ii) that the mandatory conversion of shares of 2018 ESOP Preferred Stock held by the Plan into shares of Common Stock pursuant to Section 4(a) hereof would have occurred when and as payments of principal (together with accrued interest thereon) would have been made by the Trustee of the Plan in accordance with the terms of that certain 2018 ESOP Cumulative Convertible Preferred Stock Note Agreement dated on or about January 25, 2018 between the Company and the Plan (including any amendments or modifications thereto).

6. Consolidation, Merger, etc. (a) If the Company consummates any consolidation or merger or similar business combination, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged solely for or changed, reclassified or converted solely into stock of any successor or resulting



corporation (including the Company) that constitutes “qualifying employer securities” with respect to a holder of 2018 ESOP Preferred Stock within the meaning of Section 409(1) of the Internal Revenue Code of 1986, as amended, and Section 407(d)(5) of the Employee Retirement Income Security Act of 1974, as amended, or any successor provisions of law, and, if applicable, for a cash payment in lieu of fractional shares, if any, the shares of 2018 ESOP Preferred Stock of such holder shall, in connection with such consolidation, merger or similar business combination, be assumed by and shall become Preferred Stock of such successor or resulting corporation, having in respect of such corporation, insofar as possible, the same powers, preferences and relative, participating, optional or other special rights (including the redemption rights provided by Sections 5 and 6 hereof), and the qualifications, limitations or restrictions thereon, that the 2018 ESOP Preferred Stock had immediately prior to such transaction, subject to the following:

(1) After such transaction each share of the 2018 ESOP Preferred Stock shall be convertible, otherwise on the terms and conditions provided by Section 4 hereof, into the number and kind of qualifying employer securities so receivable by a holder of the number of shares of Common Stock into which such shares of 2018 ESOP Preferred Stock could have been converted immediately prior to such transaction.

(2) The Company shall not consummate any such merger, consolidation or similar transaction unless all then outstanding shares of 2018 ESOP Preferred Stock shall be assumed and authorized by the successor or resulting corporation as aforesaid.

(b) If the Company consummates any consolidation or merger or similar business combination, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged for or changed, reclassified or converted into other stock or securities or cash or any other property, or any combination thereof, other than any such consideration which is constituted solely of qualifying employer securities (as referred to in paragraph (a) of this Section 6) and cash payments, if applicable, in lieu of fractional shares, outstanding shares of 2018 ESOP Preferred Stock shall, without any action on the part of the Company or any holder thereof (but subject to paragraph (c) of this Section 6), be automatically converted by virtue of such merger, consolidation or similar transaction immediately prior to such consummation into the number of shares of Common Stock into which such shares of 2018 ESOP Preferred Stock could have been converted at such time so that each share of 2018 ESOP Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in like kind) receivable by a holder of the number of shares of Common Stock into which such shares of 2018 ESOP Preferred Stock could have been converted immediately prior to such transaction. However, if by virtue of the structure of such transaction, a holder of Common Stock is required to make an election with respect to the nature and kind of consideration to be received in such transaction,

which election cannot practicably be made by the holders of the 2018 ESOP Preferred Stock, then the shares of 2018 ESOP Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in kind) receivable by a holder of the number of shares of Common Stock into which such shares of 2018 ESOP Preferred Stock could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election as to the kind or amount of stock, securities, cash or other property receivable upon such transaction. If the kind or amount of stock, securities, cash or other property receivable upon such transaction is not the same for each non-electing share, then the kind and amount of stock, securities, cash or other property receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of the non-electing shares.

(c) In the event the Company shall enter into any agreement providing for any consolidation or merger or similar business combination described in paragraph (b) of this Section 6 (a “Business Combination”), then the Company shall as soon as practicable thereafter (and in any event at least fifteen (15) Business Days before consummation of such transaction) give notice of such agreement and the material terms thereof to each holder of 2018 ESOP Preferred Stock and each such holder shall have the right to elect, by written notice to the Company, to receive, upon consummation of such transaction (if and when such transaction is consummated), from the Company or the successor of the Company, in redemption and retirement of such 2018 ESOP Preferred Stock, a cash payment per share of 2018 ESOP Preferred Stock equal to the higher of (x) \$1,000.00, plus accrued and unpaid dividends thereon to the date of consummation of such transaction or (y) the Fair Market Value per share of 2018 ESOP Preferred Stock, as of the last Business Day (as defined in paragraph (c) of Section 4 hereof) immediately preceding the date the Business Combination is consummated. No such notice of redemption shall be effective unless given to the Company prior to the close of business on the last Business Day prior to consummation of such transaction, unless the Company or the successor of the Company shall waive such prior notice, but any notice of redemption so given prior to such time may be withdrawn by notice of withdrawal given to the Company prior to the close of business on the last Business Day prior to consummation of such transaction.

(d) In the event that a Purchase Offer (as defined below) shall have been made and shall be continuing, each holder of 2018 ESOP Preferred Stock shall have the right to convert shares of 2018 ESOP Preferred Stock into shares of Common Stock at the Conversion Price specified in Section 4(c)(iii)(C) hereof until the date the Purchase Offer is terminated, including without limitation because the original Purchase Offer is withdrawn or because the Purchase Offer has expired and is not renewed, upon notice of such conversion given to the Company not later than the close of business on the date the Purchase Offer terminates (the “Purchase Offer Conversion Period”), unless the Company or any successor of the Company shall waive such prior notice, but any notice

of conversion so given may be withdrawn by notice of withdrawal given to the Company prior to the end of the Purchase Offer Conversion Period.

For purposes of this paragraph (d), the following terms shall have the meanings set forth below:

(i) “Beneficial Ownership” shall have the meaning ascribed to it in Rule 13d-3 under the Securities Exchange Act of 1934 (the “Exchange Act”) and “person” shall have the meanings specified in Sections 3(a)(9) and 13(d)(3) of the Exchange Act.

(ii) A “Purchase Offer” shall have been made when any person (other than the Company or any affiliate of the Company) shall have “commenced” (as such term is defined in Rule 14d-2 under the Exchange Act) a tender offer or exchange offer to purchase shares of Common Stock, such that, upon consummation of such offer, such person would have Beneficial Ownership (as defined herein) or the right to acquire Beneficial Ownership, of twenty percent (20%) or more of the voting power of the Company.

7. Liquidation Rights. (a) Upon the dissolution, liquidation, or winding up of the Company, the holders of the shares of 2018 ESOP Preferred Stock shall be entitled to receive and to be paid out of the assets of the Company available for distribution to its stockholders, before any payment or distribution shall be made on or set aside for the Common Stock or any other class of stock ranking junior to 2018 ESOP Preferred Stock and subject to the rights of the holders of the shares of any series or class or classes of stock ranking on parity with or senior to the 2018 ESOP Preferred Stock, the amount of \$1,000.00 per share, plus a sum equal to all dividends (whether or not earned or declared) on such shares accrued and unpaid thereon to the date of final distribution.

(b) Neither the sale of all or substantially all the property and assets of the Company, nor the merger, consolidation or other business combination of the Company into or with any other corporation, nor the merger, consolidation or other business combination of any other corporation into or with the Company shall be deemed to be a dissolution, liquidation, or winding up, voluntary or involuntary, for the purposes of this Section 7.

(c) After the payment to the holders of the shares of 2018 ESOP Preferred Stock of the full preferential amounts provided for in this Section 7, the holders of 2018 ESOP Preferred Stock, as such, shall have no right or claim to any of the remaining assets of the Company.

(d) In the event the assets of the Company available for distribution to the holders of shares of 2018 ESOP Preferred Stock upon any dissolution, liquidation, or winding up of the Company, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such holders are entitled pursuant to paragraph (a) of this Section 7, no such distribution shall be made on account of any shares of any other series

of Preferred Stock or other capital stock of the Company ranking on a parity with the shares of 2018 ESOP Preferred Stock upon such dissolution, liquidation, or winding up unless proportionate distributive amounts shall be paid on account of the shares of 2018 ESOP Preferred Stock, ratably, in proportion to the full distributable amounts for which holders of all such parity shares are respectively entitled upon such dissolution, liquidation, or winding up.

(e) Subject to the rights of the holders of the shares of any series or class or classes of stock ranking on parity with or prior to the shares of 2018 ESOP Preferred Stock upon liquidation, dissolution, or winding up, upon any liquidation, dissolution, or winding up of the Company, after payment shall have been made in full to the holders of the shares of 2018 ESOP Preferred Stock as provided in this Section 7, but not prior thereto, any other series or class or classes of stock ranking junior to the shares of 2018 ESOP Preferred Stock upon liquidation shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the shares of 2018 ESOP Preferred Stock shall not be entitled to share therein.

8. Ranking. For the purposes of these resolutions, any stock of any series or class or classes of the Company shall be deemed to rank:

(a) prior to the shares of 2018 ESOP Preferred Stock, either as to dividends or upon liquidation, dissolution or winding up, if the holders of such series or class or classes shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation, or winding up of the Company, as the case may be, in preference or priority to the holders of shares of 2018 ESOP Preferred Stock;

(b) on a parity with shares of 2018 ESOP Preferred Stock, either as to dividends or upon liquidation, dissolution or winding up, whether or not the dividend rates, dividend payment dates, or redemption or liquidation prices per share, or sinking fund provisions, if any, be different from those of 2018 ESOP Preferred Stock, if the holders of such stock shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation, or winding up of the Company, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority, one over the other, as between the holders of such stock and the holders of shares of 2018 ESOP Preferred Stock; and

(c) junior to shares of 2018 ESOP Preferred Stock, either as to dividends or upon liquidation, dissolution or winding up, if such class shall be Common Stock or if the holders of shares of 2018 ESOP Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation, or winding up of the Company, as the case may be, in preference or priority to the holders of shares of such series or class or classes.

9. Priority of 2018 ESOP Preferred Stock. The shares of 2018 ESOP Preferred Stock will rank on a parity, both as to payment of dividends and the distribution of assets

upon liquidation, with the Company's 2010 ESOP Cumulative Convertible Preferred Stock, its 2011 ESOP Cumulative Convertible Preferred Stock, its 2012 ESOP Cumulative Convertible Preferred Stock, its 2013 ESOP Cumulative Convertible Preferred Stock, its 2014 ESOP Cumulative Convertible Preferred Stock, its 2015 ESOP Cumulative Convertible Preferred Stock, its 2016 ESOP Cumulative Convertible Preferred Stock, and its 2017 ESOP Cumulative Convertible Preferred Stock.

IN WITNESS WHEREOF, the Company has caused this Certificate of Designation to be signed by Timothy J. Sloan, its Chief Executive Officer and President, and attested by Jeannine E. Zahn, its Assistant Secretary, on this 23rd day of January, 2018.

WELLS FARGO & COMPANY

By /s/ Timothy J. Sloan  
Timothy J. Sloan  
President and  
Chief Executive Officer

Attest:

/s/ Jeannine E. Zahn  
Jeannine E. Zahn  
Assistant Secretary

[As filed with the Delaware Secretary of State on January 24, 2018]

## WELLS FARGO & COMPANY

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### CERTIFICATE OF DESIGNATION

Pursuant to Section 151(g) of the  
General Corporation Law  
of the State of Delaware

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### NON-CUMULATIVE PERPETUAL CLASS A PREFERRED STOCK, SERIES Z (Without Par Value)

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WELLS FARGO & COMPANY, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), HEREBY CERTIFIES that, pursuant to authority conferred upon the Board of Directors of the Corporation (the "Board of Directors") by the provisions of the Restated Certificate of Incorporation of the Corporation, as amended, which authorize the issuance of not more than 20,000,000 shares of Preferred Stock, without par value, and pursuant to authority conferred upon the Securities Committee of the Board of Directors (the "Committee") in accordance with Section 141(c) of the General Corporation Law of the State of Delaware (the "General Corporation Law"), the following resolutions were duly adopted by the Committee pursuant to the unanimous written consent of the Committee duly adopted on January 23, 2020, in accordance with Section 141(f) of the General Corporation Law:

**RESOLVED**, that pursuant to the authority vested in the Committee and in accordance with the resolutions of the Board of Directors dated October 25, 2016, the provisions of the Restated Certificate of Incorporation, the By-laws of the Corporation, and applicable law, a series of Preferred Stock, no par value, of the Corporation be and hereby is created, and that the designation and number of shares of such series, and the voting and other powers, designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations and restrictions thereof, of the shares of such series, are as follows:

### RIGHTS AND PREFERENCES

**Section 1. Designation.** The shares of such series of Preferred Stock shall be designated Non-Cumulative Perpetual Class A Preferred Stock, Series Z, with no par value and a liquidation preference amount of \$25,000 per share (the "*Series Z Preferred Stock*"). Each share of Series Z Preferred Stock shall be identical in all respects to every other share of Series Z Preferred Stock except with respect to the date from which dividends may accrue. Series Z Preferred Stock will rank equally with Parity Stock with respect to the payment of dividends and distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation and will rank senior to Junior Stock with respect to the payment of dividends and/or the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

**Section 2. Number of Shares.** The number of authorized shares of Series Z Preferred Stock shall be 80,500. Such number may from time to time be increased (but not in excess of the total number of authorized shares of Preferred Stock) or decreased (but not below the number of shares of Series Z Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law stating that such increase or decrease, as the case may be, has been so authorized. The Corporation shall have the authority to issue fractional shares of Series Z Preferred Stock.

**Section 3. Definitions.** As used herein with respect to Series Z Preferred Stock:

*“Business Day”* means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in New York, New York.

*“Certificate of Designation”* means this Certificate of Designation relating to the Series Z Preferred Stock, as it may be amended from time to time.

*“Common Stock”* means the common stock of the Corporation, par value \$1 $\frac{2}{3}$  per share, as the same exists at the date of this Certificate of Designation or as such stock may be constituted from time to time.

*“Depository Company”* has the meaning set forth in Section 6(d) hereof.

*“Dividend Payment Date”* has the meaning set forth in Section 4(a) hereof.

*“Dividend Period”* has the meaning set forth in Section 4(a) hereof.

*“DTC”* means The Depository Trust Company, together with its successors and assigns.

*“Junior Stock”* means the Common Stock and any other class or series of stock of the Corporation now existing or hereafter authorized over which the Series Z Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

*“Liquidation Preference”* has the meaning set forth in Section 5(a) hereof.

*“Nonpayment Event”* shall have the meaning set forth in Section 7(b).

*“Parity Stock”* means any other class or series of stock of the Corporation now existing or hereafter authorized that ranks on par with the Series Z Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) or



in the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

“*Preference Stock*” means any and all series of preference stock, having no par value, of the Corporation.

“*Preferred Stock*” means any and all series of preferred stock, having no par value, of the Corporation, including the Series Z Preferred Stock.

“*Preferred Stock Directors*” shall have the meaning set forth in Section 7(b).

“*Regulatory Capital Treatment Event*” means the Corporation’s reasonable determination that as a result of any (i) amendment to, clarification of, or change (including any announced prospective change) in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective on or after January 15, 2020; (ii) proposed change in those laws or regulations that is announced or becomes effective on or after January 15, 2020; or (iii) official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced on or after January 15, 2020, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation preference amount of all shares of Series Z Preferred Stock then outstanding as Tier 1 capital (or its equivalent) for purposes of the capital adequacy guidelines or regulations of the appropriate federal banking agency, as then in effect and applicable, for as long as any share of Series Y Preferred Stock is outstanding.

“*Series Z Preferred Stock*” has the meaning set forth in Section 1 hereof.

“*Voting Parity Stock*” means any Parity Stock having similar voting rights as the Series Z Preferred Stock.

#### **Section 4. Dividends.**

**(a) Rate.** Dividends on the Series Z Preferred Stock will not be mandatory. Holders of Series Z Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation, but only out of assets legally available therefor, non-cumulative cash dividends on the liquidation preference amount of \$25,000 per share of the Series Z Preferred Stock, payable quarterly in arrears on the 15th day of March, June, September and December of each year (commencing on March 15, 2020); provided, however, if any such day is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding day that is a Business Day, without any interest or other payment in respect of such delay (each such day on which dividends are payable a “*Dividend Payment Date*”). A “*Dividend Period*” means the period from, and including, a Dividend Payment Date to, but excluding, the next succeeding Dividend Payment Date, except for the initial Dividend Period, which will

be the period from, and including, January 27, 2020 to, but excluding, March 15, 2020. Dividends on each share of Series Z Preferred Stock will accrue at a rate *per annum* equal to 4.75%. The record date for payment of dividends on the Series Z Preferred Stock shall be the last Business Day of the calendar month immediately preceding the month during which the Dividend Payment Date falls or such other date as determined by the Corporation's Board of Directors. The amount of dividends payable shall be computed on the basis of a 360-day year of twelve 30-day months. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward.

**(b) Non-Cumulative Dividends.** Dividends on shares of Series Z Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series Z Preferred Stock on any Dividend Payment Date are not declared prior to such Dividend Payment Date, then such dividends shall not cumulate and shall cease to accrue and be payable, and the Corporation shall have no obligation to pay, and the holders of Series Z Preferred Stock shall have no right to receive, dividends accrued for such Dividend Period on the Dividend Payment Date for such Dividend Period or at any time in the future or interest with respect to such dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series Z Preferred Stock or any other series of authorized Preferred Stock, Preference Stock, or Common Stock of the Corporation.

**(c) Priority of Dividends.** So long as any shares of Series Z Preferred Stock remain outstanding,

(1) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Common Stock, and no shares of Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Common Stock by the Corporation (other than (i) a dividend payable in Common Stock or (ii) the acquisition of shares of Common Stock in exchange for, or through application of proceeds of the sale of, shares of Common Stock);

(2) no dividend shall be declared and paid or set aside for payment and no distribution shall be declared and made or set aside for payment on any Junior Stock other than Common Stock, and no shares of Junior Stock other than Common Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly, nor shall any monies be paid to or made available for a sinking fund for the redemption of any such Junior Stock other than Common Stock by the Corporation (other than (i) a dividend payable solely in shares of Junior Stock, (ii) any dividend in connection with the implementation of a stockholder rights plan, or the redemption or repurchase of any rights under any such plan, (iii) any dividend in the form of stock, warrants, options or other rights where the dividend stock or stock issuable upon exercise of such warrants, options or other rights is the same stock as that on

which the dividend is being paid or ranks equally with or junior to such stock, (iv) as a result of a reclassification of Junior Stock other than Common Stock for or into other Junior Stock, (v) the exchange or conversion of one share of Junior Stock other than Common Stock for or into another share of Junior Stock, (vi) through the use of proceeds of a substantially contemporaneous sale of other shares of Junior Stock, (vii) any purchase, redemption or other acquisition of Junior Stock other than Common Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after January 15, 2020, (viii) any purchase of fractional interests in shares of Junior Stock other than Common Stock pursuant to the conversion or exchange provisions of such Junior Stock other than Common Stock or the securities being converted or exchanged, (ix) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (x) the purchase of Junior Stock other than Common Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business); and

(3) no shares of Parity Stock will be repurchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series Z Preferred Stock and such Parity Stock during a Dividend Period (other than (i) as a result of a reclassification of Parity Stock for or into other Parity Stock or Junior Stock, (ii) the exchange or conversion of one share of Parity Stock for or into another share of Parity Stock or Junior Stock, (iii) through the use of proceeds of a substantially contemporaneous sale of other shares of Parity Stock or Junior Stock, (iv) any purchase, redemption or other acquisition of Parity Stock pursuant to any of the Corporation's or any of its subsidiaries' employee, consultant or director incentive or benefit plans or arrangements (including any employment, severance or consulting arrangements) adopted before or after January 15, 2020, (v) any purchase of fractional interests in shares of Parity Stock pursuant to the conversion or exchange provisions of such Parity Stock or the securities being converted or exchanged, (vi) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with the distribution thereof or (vii) the purchase of Parity Stock by Wells Fargo Securities, LLC, or any other affiliate of the Corporation, in connection with market-making or other secondary market activities in the ordinary course of business),

unless, in each case, the full dividends for the then-current Dividend Period on all outstanding shares of the Series Z Preferred Stock have been declared and paid or declared and a sum sufficient for the payment of those dividends has been set aside.

Subject to the succeeding sentence, for so long as any shares of Series Z Preferred Stock remain outstanding, no dividends shall be declared, paid, or set aside for payment on any Parity Stock for any period unless full dividends on all outstanding shares of Series Z Preferred Stock for the then-current Dividend Period have been paid

in full or declared and a sum sufficient for the payment thereof set aside. To the extent the Corporation declares dividends on the Series Z Preferred Stock and on any Parity Stock but cannot make full payment of those declared dividends, the Corporation will allocate the dividend payments on a proportional basis among the holders of shares of Series Z Preferred Stock and the holders of any Parity Stock then outstanding where the terms of such Parity Stock provide similar dividend rights.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may be declared and paid on the Common Stock and any other stock that is Parity Stock or Junior Stock, from time to time out of any assets legally available for such payment, and the shares of Series Z Preferred Stock shall not be entitled to participate in any such dividends.

## **Section 5. Liquidation Rights.**

**(a) Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series Z Preferred Stock shall be entitled to receive in full out of assets available for distribution to its stockholders before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of the Common Stock or any other Junior Stock, and subject to the rights of the holders of Parity Stock or any stock of the Corporation ranking senior to the Series Z Preferred Stock as to such distribution, a liquidating distribution in the amount of \$25,000 per share, plus an amount equal to any dividends which have been declared but not yet paid, without accumulation of any undeclared dividends, to the date of liquidation (the "*Liquidation Preference*"). The holders of Series Z Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

**(b) Partial Payment.** If the assets of the Corporation are not sufficient to pay in full the Liquidation Preference to all holders of Series Z Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series Z Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preference of Series Z Preferred Stock and all such Parity Stock.

**(c) Residual Distributions.** If the Liquidation Preference has been paid in full to all holders of Series Z Preferred Stock and all other amounts payable upon liquidation, dissolution or winding up of the Corporation have been paid in full to all holders of any Parity Stock, the holders of Common Stock and any other Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

**(d) Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock,

securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

## **Section 6. Redemption.**

**(a) Optional Redemption.** The Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may redeem, subject to the prior approval of the Federal Reserve Board, out of funds legally available therefor, in whole or in part, the shares of Series Z Preferred Stock at the time outstanding, at any time on any Dividend Payment Date on or after March 15, 2025, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series Z Preferred Stock shall be \$25,000 per share plus an amount equal to any dividends that have been declared but not paid up to the redemption date without accumulation of any undeclared dividends.

Notwithstanding the foregoing, within 90 days of the Corporation's good faith determination that a Regulatory Capital Treatment Event has occurred, the Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may, subject to the approval of the appropriate federal banking agency, redeem out of funds legally available therefor, in whole, but not in part, the shares of Series Z Preferred Stock at the time outstanding, prior to March 15, 2025, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series Z Preferred Stock shall be \$25,000 per share plus an amount equal to any dividends that have been declared but not paid, without accumulation of any undeclared dividends.

**(b) Notice of Redemption.** Notice of every redemption of shares of Series Z Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the stock register of the Corporation. Such mailing shall be at least 40 days and not more than 70 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(b) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series Z Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series Z Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series Z Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, if applicable, the number of such shares to be redeemed from such holder; (iii)

the redemption price; (iv) the place or places where the certificates for those shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date. Notwithstanding the foregoing, if the Series Z Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC.

**(c) Partial Redemption.** In case of any redemption of only part of the shares of Series Z Preferred Stock at the time outstanding, the shares of Series Z Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series Z Preferred Stock in proportion to the number of Series Z Preferred Stock held by such holders or in such other manner consistent with the rules and policies of the New York Stock Exchange as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine to be fair and equitable. Subject to the provisions of this Section 6, the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series Z Preferred Stock shall be redeemed from time to time.

**(d) Effectiveness of Redemption.** If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been irrevocably set aside by the Corporation, separate and apart from its other assets, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors (the “*Depository Company*”) in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding, all dividends with respect to such shares shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from the Depository Company at any time after the redemption date from the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depository Company any interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of two years from the redemption date shall, to the extent permitted by law, be released or repaid to the Corporation, after which time the holders of the shares so called for redemption shall look only to the Corporation for payment of the redemption price of such shares.

## **Section 7. Voting Rights.**

**(a) General.** The holders of Series Z Preferred Stock shall not be entitled to vote on any matter except as set forth in paragraph 7(b) below or as required by applicable law.

**(b) Right To Elect Two Directors Upon Nonpayment Events.** Whenever dividends payable on any shares of Series Z Preferred Stock or any class or series of Voting Parity Stock have not been declared and paid in an aggregate amount equal to, as to any class or series, at least six quarterly Dividend Periods or their equivalent, whether or not for consecutive Dividend Periods (a “*Nonpayment Event*”), the holders of the outstanding Series Z Preferred Stock, voting together as a class with holders of Voting Parity Stock whose voting rights are exercisable, will be entitled to vote for the election of two additional directors of the Corporation’s Board of Directors at the Corporation’s next annual meeting of stockholders and at each subsequent annual meeting of stockholders (the “*Preferred Stock Directors*”) by a plurality of the votes cast; *provided* that the Board of Directors shall at no time include more than two Preferred Stock Directors (including, for purposes of this limitation, all directors that the holders of any series of Voting Parity Stock are entitled to elect pursuant to like voting rights). Upon the vesting of such right of such holders, the maximum authorized number of members of the Board of Directors shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of the outstanding Series Z Preferred Stock (together with the holders of shares of any one or more other series of Voting Parity Stock). At elections for such directors, each holder of the Series Z Preferred Stock shall be entitled to 25 votes for each share held (the holders of shares of any other series of Voting Parity Stock being entitled to such number of votes, if any, for each share of such stock as may be granted to them). The right of the holders of the Series Z Preferred Stock (voting together as a class with the holders of shares of any one or more other series of Voting Parity Stock) to elect Preferred Stock Directors shall continue until such time as the Corporation has paid in full dividends for the equivalent of at least four quarterly Dividend Periods or their equivalent, at which time such right with respect to the Series Z Preferred Stock shall terminate, except as provided by law, and subject to re-vesting in the event of each and every subsequent default of the character described in this Section 7(b).

Upon any termination of the right of the holders of all shares of Series Z Preferred Stock and Voting Parity Stock to vote for Preferred Stock Directors, the term of office of all Preferred Stock Directors then in office elected by only those holders voting as a class shall terminate immediately. Any Preferred Stock Director may be removed at any time without cause by the holders of a majority of the outstanding shares of Series Z Preferred Stock and Voting Parity Stock, when they have the voting rights described above (voting together as a class). In case any vacancy shall occur among the Preferred Stock Directors, a successor may be elected by a plurality of the votes cast by the holders of Series Z Preferred Stock and Voting Parity Stock having the voting rights described above, voting together as a class, unless the vacancy has already been filled.

The Preferred Stock Directors shall each be entitled to one vote per director on any matter that shall come before the Board of Directors for a vote. Whenever the term of office of the directors elected by such holders voting as a class shall end and the special voting powers vested in such holders as provided in this Section 7(b) shall have expired, the number of directors shall be such number as may be provided for in the By-Laws irrespective of any increase made pursuant to this Section 7(b).

**(c) Other Voting Rights.** In addition to any other vote required by law or the Restated Certificate of Incorporation, so long as any shares of the Series Z Preferred Stock remain outstanding, the vote or consent of the holders of the outstanding shares of Series Z Preferred Stock and outstanding shares of all other series of Voting Parity Stock entitled to vote on the matter, by a vote of at least 66 2/3% in voting power of all such outstanding Series Z Preferred Stock and such Voting Parity Stock, voting together as a class, given in person or by proxy, either in writing without a meeting or at any meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following actions, whether or not such approval is required by Delaware law: (i) the issuance of any class or series of Preferred Stock or Preference Stock ranking senior to the Series Z Preferred Stock in the payment of dividends or the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; (ii) any amendment, alteration or repeal of any provision of the Restated Certificate of Incorporation, including the Certificate of Designation, or the By-laws that would adversely affect the rights, preferences, privileges or voting powers of the Series Z Preferred Stock; (iii) any amendment or alteration of the Restated Certificate of Incorporation, including the Certificate of Designation, or By-laws to authorize, create, or increase the authorized amount of, any shares of, or any securities convertible into shares of, any class or series of the Corporation's capital stock ranking senior to the Series Z Preferred Stock with respect to either the payment of dividends or in the distribution of assets in the event of the Corporation's voluntary or involuntary liquidation, dissolution or winding up; or (iv) any consummation of a reclassification involving the Series Z Preferred Stock or a merger or consolidation with another corporation or other entity, except holders of the Series Z Preferred Stock will have no right to vote under this Section 7(c)(iv) if in each case (a) the shares of Series Z Preferred Stock remain outstanding or, in the case of any such merger or consolidation with respect to which the Corporation is not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (b) such shares of Series Z Preferred Stock remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Series Z Preferred Stock, taken as a whole; *provided, however*, that any authorization, creation or increase in the authorized amount of or issuance of the Series Z Preferred Stock or any Parity Stock or Junior Stock or any securities convertible into any class or series of Parity Stock (whether dividends payable in respect of such Parity Stock are cumulative or non-cumulative) or Junior Stock will be deemed not to adversely affect the rights,



preferences, privileges or voting powers of the Series Z Preferred Stock, and holders of the Series Z Preferred Stock shall have no right to vote thereon.

If any amendment, alteration, repeal, reclassification, merger or consolidation specified in this Section 7(c) would adversely affect one or more but not all series of voting Preferred Stock (including the Series Z Preferred Stock), then only those series affected by and entitled to vote on the matter shall vote on the matter together as a class (in lieu of all other series of Preferred Stock).

Each holder of the Series Z Preferred Stock will have 25 votes per share on any matter on which holders of the Series Z Preferred Stock are entitled to vote, whether separately or together with any other series of stock of the Corporation (the holders of any shares of any other series of stock being entitled to such number of votes, if any, for each share of stock as may be granted to them), pursuant to Delaware law or otherwise, including by written consent.

**(d) Changes after Provision for Redemption.** No vote or consent of the holders of Series Z Preferred Stock shall be required pursuant to Section 7(b) or (c) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding Series Z Preferred Stock shall have been redeemed, or notice of redemption has been given and sufficient funds shall have been irrevocably deposited in trust to effect such redemption.

**(e) Procedures for Voting and Consents.** The rules and procedures for calling and conducting any meeting of the holders of Series Z Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Restated Certificate of Incorporation, the By-laws, applicable law and any national securities exchange or other trading facility in which the Series Z Preferred Stock is listed or traded at the time.

**Section 8. Preemption and Conversion.** The holders of Series Z Preferred Stock shall not have any rights of preemption or rights to convert such Series Z Preferred Stock into shares of any other class of capital stock of the Corporation.

**Section 9. Reacquired Shares.** Shares of Series Z Preferred Stock which have been issued and redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of Preferred Stock without designation as to series.

**Section 10. No Sinking Fund.** Shares of Series Z Preferred Stock are not subject to the operation of a sinking fund.

**Section 11. Additional Classes or Series of Stock.** Notwithstanding anything set forth in the Restated Certificate of Incorporation or this Certificate of Designation to the contrary, the Board of Directors of the Corporation, or any authorized committee

of the Board of Directors of the Corporation, (i) without the vote of the holders of the Series Z Preferred Stock, may authorize and issue additional shares of Junior Stock and Parity Stock and (ii) with the requisite vote of the holders of the Series Z Preferred Stock and Parity Stock entitled to vote thereon, may authorize and issue any additional class or series of Preferred Stock or Preference Stock senior to the Series Z Preferred Stock as to the payment of dividends and/or the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

*[Signature Page Follows]*

**In Witness Whereof, Wells Fargo & Company** has caused this Certificate of Designation to be signed by Le Roy Davis, its Senior Vice President and Assistant Treasurer, and John J. Muller, its Assistant Secretary, this 24<sup>th</sup> day of January, 2020.

**Wells Fargo & Company**

By: /s/ Le Roy Davis  
Le Roy Davis, Senior Vice President and Assistant  
Treasurer

/s/ John J. Muller  
John J. Muller, Assistant Secretary

[As filed with the Delaware Secretary of State on January 24, 2020]

**Exhibit 10(a)**

Amendment to Wachovia Corporation Savings Restoration Plan

Section 2.1(jj) of the Wachovia Corporation Savings Restoration Plan is amended effective January 1, 2020 to read in full as follows:

“Plan Administrator” of the Plan is the Director of Human Resources and the Director of Compensation and Benefits, each of whom, acting individually, may take action as the Plan Administrator.

**Exhibit 10(b)**

Amendment to Wells Fargo & Company Supplemental 401(k) Plan

The first sentence of Section 24 of the Wells Fargo & Company Supplemental 401(k) Plan is amended effective January 1, 2020 to read in full as follows:

For purposes of Section 3(16)(A) of the Employee Retirement Income Security Act of 1974 (“ERISA”), as amended, the Plan Administrator shall be the Director of Human Resources and the Director of Compensation and Benefits of the Company, each of whom, acting individually, may take action as the Plan Administrator.

**Exhibit 10(c)**

Amendment to Supplemental Cash Balance Plan

The first sentence of Section 19 of the Wells Fargo & Company Supplemental Cash Balance Plan is amended effective January 1, 2020 to read in full as follows:

For purposes of Section 3(16)(A) of the Employee Retirement Income Security Act of 1974 (“ERISA”), as amended, the Plan Administrator shall be the Director of Human Resources and the Director of Compensation and Benefits of the Company, each of whom, acting individually, may take action as the Plan Administrator.

## Exhibit 31(a)

### CERTIFICATION

I, Charles W. Scharf, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2020, of Wells Fargo & Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ CHARLES W. SCHARF

Charles W. Scharf  
Chief Executive Officer

Date: August 4, 2020

## Exhibit 31(b)

### CERTIFICATION

I, John R. Shrewsberry, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2020, of Wells Fargo & Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JOHN R. SHREWSBERRY

John R. Shrewsberry  
Chief Financial Officer

Date: August 4, 2020



**Exhibit 32(a)**

**Certifications Pursuant to  
18 U.S.C. Section 1350,  
As Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Wells Fargo & Company (the “Company”) for the period ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Charles W. Scharf, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ CHARLES W. SCHARF

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Charles W. Scharf  
Chief Executive Officer

Date: August 4, 2020

**Exhibit 32(b)**

**Certifications Pursuant to  
18 U.S.C. Section 1350,  
As Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Wells Fargo & Company (the “Company”) for the period ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John R. Shrewsberry, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JOHN R. SHREWSBERRY

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John R. Shrewsberry  
Chief Financial Officer

Date: August 4, 2020