



WELLS FARGO SECURITIES, LLC
(An Indirect Wholly-Owned Subsidiary of Wells Fargo & Company)

Statement of Financial Condition

June 30, 2017

(Unaudited)

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(Unaudited, In thousands)

Assets

Cash	\$ 243,099
Cash segregated pursuant to federal regulations	659,154
Financial instruments owned, at fair value (\$29,976,201 pledged as collateral)	47,215,311
Securities borrowed	28,929,912
Securities purchased under agreements to resell	13,235,500
Receivable from broker-dealers and clearing organizations	23,110,382
Receivable from customers	3,312,998
Goodwill	79,687
Property, equipment, and leasehold improvements, net	1,056
Other assets	425,624
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Total assets	\$ 117,212,723

Liabilities and Member's Equity

Liabilities:

Securities sold under agreements to repurchase	\$ 61,343,498
Financial instruments sold, not yet purchased, at fair value	14,623,370
Securities loaned	8,505,890
Payable to customers	13,346,701
Payable to broker-dealers and clearing organizations	2,223,155
Other liabilities	4,711,437
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Total liabilities 104,754,051

Subordinated borrowings 7,300,000

Member's equity:

Member's contributions	1,565,244
Accumulated earnings	3,593,428
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Total member's equity 5,158,672

Total liabilities and member's equity \$ 117,212,723

See accompanying notes to statement of financial condition.

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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 period in which the transfer occurred. For the period ended June 30, 2017, the Company transferred \$2,723,000, net, of financial instruments from Level 2 to Level 3 and \$839,000 of financial instruments from Level 3 to Level 2, each due to changes in observable market inputs. There were no transfers between Level 1 and Level 2 during the period.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the period ended June 30, 2017 are summarized in the table below.

Changes in Level 3 Assets and Liabilities on a Recurring Basis							
	Beginning balance January 1, 2017	Total net gains/(losses) included in earnings	Purchases, issuances, sales and settlements, net	Transfers into Level 3	Transfers out of Level 3	Ending balance June 30, 2017	Net gains/(losses) included in earnings related to positions held at period end
	(in thousands)						
Financial instruments owned (excluding derivatives):							
Corporate obligations	\$ 33,934	774	(11,264)	2,966	(839)	25,571	18
Collateralized loan obligations and asset-backed securities	308,787	(2,835)	97,158	-	-	403,110	6,709
Mortgage-backed securities	209	(209)	-	-	-	-	-
US government, US agency and municipal government obligations	3,458	4	(42)	-	-	3,420	-
Equity securities	46	-	-	-	-	46	-
	<u>\$ 346,434</u>	<u>(2,266)</u>	<u>85,852</u>	<u>2,966</u>	<u>(839)</u>	<u>432,147</u>	<u>6,727</u>
Financial instruments sold, not yet purchased (excluding derivatives):							
Corporate obligations	\$ (13)	-	-	-	-	(13)	(13)
Collateralized loan obligations and asset-backed securities	-	-	-	-	-	-	-
Mortgage-backed securities	-	-	-	-	-	-	-
US government, US agency and municipal government obligations	-	-	-	-	-	-	-
Equity securities	-	7	(12)	-	-	(5)	(10)
	<u>\$ (13)</u>	<u>7</u>	<u>(12)</u>	<u>-</u>	<u>-</u>	<u>(18)</u>	<u>(23)</u>
Net derivative assets and liabilities:							
Equity contracts, net	7,178	(3,147)	(7,359)	(243)	-	(3,571)	(1,498)
Credit contracts, net	(4,867)	3,090	(526)	-	-	(2,303)	2,563
	<u>\$ 2,311</u>	<u>(57)</u>	<u>(7,885)</u>	<u>(243)</u>	<u>-</u>	<u>(5,874)</u>	<u>1,065</u>

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Repurchase and securities lending agreements

Securities sold under repurchase agreements and securities lending arrangements are effectively short-term collateralized borrowings. In these transactions, cash is received in exchange for transferring securities as collateral and an obligation is recognized 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 the Company to reacquire the security prior to contractual maturity. The Company attempts to mitigate these risks by the fact that the majority of our securities financing activities involve highly liquid securities; we underwrite and monitor the financial strength of our counterparties; we monitor the fair value of collateral pledged relative to contractually required repurchase amounts; and we monitor that our collateral is properly returned through the clearing and settlement process in advance of our cash repayment. The following table provides the underlying collateral types of our gross obligations under repurchase and securities lending agreements.

		Total Gross Obligation
		(in thousands)
Repurchase agreements:		
Corporate obligations	\$	8,108,598
Collateralized loan obligations and asset-backed securities		2,351,714
Mortgage-backed securities		29,150,676
U.S. government, U.S. agency and municipal government obligations		44,152,958
Equity securities		937,339
Money market securities		1,088,054
Total repurchases		85,789,339
Securities lending:		
Corporate obligations	\$	303,632
Mortgage-backed securities		21,330
U.S. government, U.S. agency and municipal government obligations		—
Equity securities (1)		8,180,928
Total securities lending		8,505,890
Total repurchases and securities lending	\$	94,295,229

(1) Equity securities are generally exchange traded and either re-hypothecated under margin lending agreements or obtained through contemporaneous securities borrowing transactions with other counterparties.

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The following table provides the contractual maturities of gross obligations under repurchase and securities lending agreements.

(in thousands)	<u>Overnight/ Continuous</u>	<u>Up to 30 days</u>	<u>30-90 days</u>	<u>>90 days</u>	<u>Total Gross Obligation</u>
Repurchase agreements	\$ 68,624,805	9,574,534	3,225,000	4,365,000	85,789,339
Securities lending	6,372,031	517,874	1,615,985	—	8,505,890
Total repurchases and securities lending (1)	<u>\$ 74,996,836</u>	<u>10,092,408</u>	<u>4,840,985</u>	<u>4,365,000</u>	<u>94,295,229</u>

- (1) Repurchase and securities lending transactions are primarily conducted under enforceable master lending agreements that allow either party to terminate the transaction on demand. These transactions have been reported as continuous obligations unless the MRA or MSLA has been modified with an overriding agreement that specifies an alternative termination date.

(16) Net Capital

The Company is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1) and the Commodities Futures Trading Commission (CFTC) Regulation 1.17 which requires the maintenance of minimum net capital. Under SEC Rule 15c3-1, the Company has elected to use the alternative method, permitted by the rule, which requires that the Company maintain minimum net capital, as defined, or 2% of combined aggregate debit balances arising from customer transactions. Under CFTC Regulation 1.17, the Company is required to maintain an adjusted net capital equivalent to the greater of \$1,500,000 or \$836,865,000, which was 8% of the total risk margin requirements for all positions carried in customer and non-customer accounts plus additional net capital requirements related to certain reverse repurchase agreements. At June 30, 2017, the Company had net capital of \$8,428,575,000, which was 66.01% of aggregate debit items and \$7,591,710,000 in excess of the minimum net capital requirement.

(17) Subsequent Events

The Company has evaluated the effects of subsequent events that have occurred subsequent to period end June 30, 2017, and through August 31, 2017 which is the date we issued the statement of financial condition. During this period, there have been no material subsequent events that would require recognition or disclosure in the statement of financial condition.

The audited Statement of Financial Condition of Wells Fargo Securities, LLC as of December 31, 2016, filed with the Securities and Exchange Commission pursuant to Rule 17a-5 of the Securities Exchange Act, is available for inspection at the principal office of the Company and at the regional office of the Securities and Exchange Commission.

This statement may be viewed on our website at www.wellsfargo.com/com/securities/financial-reports