Equity Research

Financial Services | U.S. Large-Cap Banks

8 October 2013

Wells Fargo

3Q13 EPS Preview: Despite Mortgage Drop, Record EPS Could Persist

Bottom-line: We expect WFC to report 3Q13 EPS of $0.99, above the $0.97 consensus. Although it is no secret that mortgage origination revenue is expected to be under pressure, with guidance pointing to a near-30% decline in originations and a 70bp-plus decline in gain on sale margins, other line items look poised to offset. These include expense measures (reduced mortgage headcount by 4,800 as of mid-Sept.), a reserve release above 2Q13's $500mn level, the deployment of liquidity into securities (purchased $15bn of securities in early 3Q), continued asset purchases ($4.8bn of foreign CRE closed, waiting on $1.6bn of domestic CRE), higher mortgage servicing revenues, possible gains on the sale of MSRs, and increased share repurchase activity (with a lower share count). In our view, these items point to what should be its 10th consecutive quarter of record EPS and 15th consecutive quarter of increased EPS.

Key factors to watch: We expect mortgage, expenses and earning asset growth, especially following its pick-up in loan portfolio acquisitions, to receive particular attention.

Drivers: Relative to 2Q13, we expect results to evidence an expanded balance sheet (AEA +3%), net interest margin pressure (-3bps), lower fee income (mortgage), lower expenses (commission), improving credit quality (including lower NPA and NCO ratios), a reserve release in excess of $500mn, a modestly lower tax rate (-80bps), and a lower average share count (contrary to last couple quarters despite active buyback).

Outlook: We expect WFC to reiterate its efficiency ratio target of 55-59% (57.3% at 2Q), forecast continued credit quality improvement and reiterate its long-term goal of returning 50-65% of EPS to shareholders through higher dividends and buybacks (52% in 2Q). In addition, we expect it to maintain its ROA (1.3-1.6%) and ROE (12-15%) targets, while providing color around near-term trends in mortgage banking and related costs. Commentary around its build-out in the card space would also be welcome.

WFC: Quarterly and Annual EPS (USD)

	2012	2013			2014			Change y/y	
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2013	2014
Q1	0.75A	0.92A	0.92A	0.92A	N/A	N/A	0.93E	23%	N/A
Q2	0.82A	0.98A	0.98A	0.98A	N/A	N/A	0.99E	20%	N/A
Q3	0.88A	0.99E	0.99E	0.97E	N/A	N/A	1.02E	12%	N/A
Q4	0.91A	1.00E	1.00E	0.98E	N/A	N/A	1.05E	10%	N/A
Year	3.36A	3.89E	3.89E	3.84E	4.00E	4.00E	4.00E	16%	3%
P/E	12.3		10.6			10.3			

Source: Barclays Research.
Consensus numbers are from Thomson Reuters

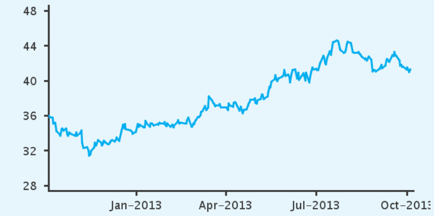
Stock Rating	OVERWEIGHT
	Unchanged
Industry View	POSITIVE
	Unchanged
Price Target	USD 48.00
	Unchanged

Price (04-Oct-2013)	USD 41.30
Potential Upside/Downside	+16%
Tickers	WFC

Market Cap (USD mn)	219383
Shares Outstanding (mn)	5309.79
Free Float (%)	99.87
52 Wk Avg Daily Volume (mn)	20.8
Dividend Yield (%)	2.6
Return on Equity TTM (%)	13.34
Current BVPS (USD)	27.99

Source: FactSet Fundamentals

Price Performance	Exchange-NYSE
52 Week range	USD 44.79-31.25



Link to Barclays Live for interactive charting

U.S. Large-Cap Banks

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U.S. Large-Cap Banks | Industry View: POSITIVE

Wells Fargo (WFC)

Stock Rating: OVERWEIGHT

Income statement ($mn)	2012A	2013E	2014E	2015E	CAGR
Net interest income	43,932.0	44,291.2	45,691.0	48,683.1	3.5%
Operating expenses	48,225	48,049	48,902	50,380	1.5%
Pre-provision earnings	37,206	36,573	36,726	39,520	2.0%
Loan loss provisions	7,217	2,809	2,544	4,541	-14.3%
Pre-tax income	28,471	33,018	33,224	34,083	6.2%
Net income (adj)	17,999	20,859	21,013	21,589	6.3%

Balance sheet ($bn)					Average
Total assets	1,423	1,513	1,589	1,669	1,549
Risk-weighted assets	1,078	1,151	1,209	1,269	1,177
Non-performing loans ($mn)	20,486	17,000	15,300	13,005	16,448
Allowance for loan losses	17	15	15	16	16
Loans	799.6	823.8	865.0	908.2	849.1
Deposits	1,003	1,032	1,083	1,138	1,064
Tier 1 capital	123	134	143	153	138
Tier 1 common capital	109	122	132	142	126
Shareholders' equity	145	153	163	173	159
Tangible common equity	112	121	131	141	126
Loan/deposit ratio (%)	82.4	80.1	80.1	80.1	80.7

Valuation and leverage metrics					Average
P/E (reported) (x)	12.3	10.6	10.3	9.8	10.8
P/BV (tangible) (x)	1.9	1.8	1.6	1.5	1.7
Dividend yield (%)	2.1	2.8	2.9	3.0	2.7
P/PPE (x)	5.9	6.0	5.9	5.4	5.8
Tier 1 (%)	11.75	11.60	11.84	12.05	11.81
Tier 1 Common (%)	10.12	10.64	10.92	11.18	10.72
Tang assets/tang equity (x)	12.4	12.2	11.9	11.6	12.0

Margin and return data					Average
Return on RWAs (%)	1.8	1.9	1.8	1.8	1.8
ROA (%)	1.4	1.5	1.5	1.4	1.5
ROE (tangible common) (%)	17.3	18.3	17.0	16.2	17.2
Fee income/revenue (%)	48.6	47.7	46.6	45.8	47.2
Net interest margin (%)	3.8	3.4	3.4	3.4	3.5
Cost/income (%)	56.4	56.8	57.1	56.0	56.6

Credit quality ratios					Average
Loan loss provs/loans (%)	0.9	0.3	0.3	0.5	0.5
NCO ratio (%)	1.2	0.6	0.3	0.4	0.6
Coverage ratio (%)	83.3	89.0	96.1	120.6	97.2
NPL ratio (%)	2.6	2.1	1.8	1.4	2.0
Reserves/loans (%)	2.1	1.8	1.7	1.7	1.8

Per share data ($)					Average
EPS (reported)	3.36	3.89	4.00	4.20	3.86
DPS	0.88	1.15	1.20	1.26	1.12
BVPS (tangible)	21.2	23.1	25.5	28.0	24.4
Payout ratio (%)	26.2	29.5	30.0	30.0	28.9
Diluted shares (mn)	5,350.5	5,356.7	5,249.5	5,144.5	5,275.3

Price (04-Oct-2013)	USD 41.30
Price Target	USD 48.00

Why Overweight? WFC benefits from a talented management team, diversified business mix, and a retail deposit base that helps drive the highest NIM amongst its U.S. large-cap peers. We expect its cross-selling traction to continue as it drives further revenue and expense synergies from its WB acquisition.

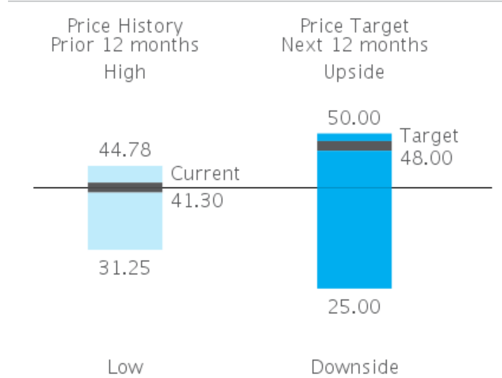
Upside case USD 50.00

If mortgage banking activity comes in better than the MBA's current forecast and loan growth accelerates from our 4% expectations , it could reach the high-end of its 1.3-1.6% ROA target in 2014. As a result we would expect EPS to exceed $4.00 and shares to trade to 13x EPS.

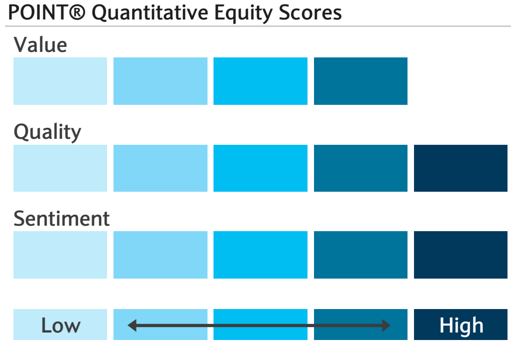
Downside case USD 25.00

If the U.S. housing market were to experience another 10%-15% decline, we could envision a scenario in which WFC shares trade back down to their 1.3x price to tangible book minimum over the past two years or $25.00.

Upside/Downside scenarios



POINT® Quantitative Equity Scores



Source: POINT. The scores are valid as of the date of this report and are independent of the fundamental analysts' views. To view the latest scores, click here.

Source: Company data, Barclays Research
Note: FY End Dec

Please see today's industry note titled "3Q13 EPS Preview – Strong Credit Quality to Ease Revenue Pressures" for macro commentary.

Keys Factors to Watch

1) **Mortgage:** With WFC pointing to a drop in originations to the $80bn dollar level (-29%) sequentially and a decline in its gain on sale margin to the 1.5%-area, mortgage results and guidance are likely to receive attention.

2) **Expenses:** Accompanying the focus on mortgage, we would expect expenses, which serve as an offset to declining origination activity, to receive attention as well. It eliminated an announced 4,800 jobs in mortgage through mid-September. These moves typically have a 60-90 day lag, but we expect there to be a focus on further measures it intends to take.

3) **Earning asset growth:** With WFC disclosing that it purchased $15bn of securities in early 3Q13 and acquired $4.8bn of foreign CRE loans during the quarter, with another $1.6bn of U.S. CRE expected to be acquired from ING in 2H13, we expect earning assets to receive particular attention.

Intra-Quarter Commentary

- **Net interest income/margin:** After seeing its net interest margin decline 2bps sequentially in 2Q13, WFC stated that it expects continued margin pressure in coming quarters. Its goal remains to grow net interest income over time.

- **Securities:** After purchasing $21.1bn of securities in 2Q13, WFC disclosed in September that it had added another $15bn in early 3Q13.

- **Acquisitions:** During 3Q13, it closed on the purchase of $4.8bn of foreign CRE loans (U.K.), and it expects to close on $1.6bn of CRE (U.S.) from ING in 2H13. It also expects a full scale product launch of its credit card partnership with AXP by mid-2014.

- **Mortgage:** Mortgage revenue is expected to decline in 3Q13. This includes a decline in originations to the $80bn level (-29% from 2Q13), and a gain on sale margin near 1.50% (2.21% in 2Q13).

- **Efficiency:** WFC continues to expect an efficiency ratio in the 55-59% range, following the 57.3% reported in 2Q13.

- **Credit quality:** After posting a $500mn reserve release in 2Q13, WFC said that the drivers of credit quality improvement have yet to dissipate. As such, it expects its 3Q13 reserve release to come in above the $500mn mark.

- **Share repurchase:** In April 2013, it entered into a private forward repurchase contract and paid $500mn (0.2% of outstanding) to an unrelated third party. This contract expires in 3Q13. Additionally, in July 2013 it entered into a similar private forward repurchase contract and paid $500mn (0.2%) to an unrelated third party. This contract expires in 3Q13.

Expected Results

- We expect WFC to report 3Q13 EPS of $0.99. This would mark its 10th consecutive quarter of record EPS. Consensus is $0.97. Although mortgage origination revenue is poised to be under pressure, we expect reserve release, expense measures, the deployment of liquidity into securities, loan purchase, higher servicing revenue, possible MSR sale gains, increased share repurchase, and one extra day to help offset.

- Relative to 2Q13, we expect results to evidence an expanded balance sheet (AEA +3%), net interest margin pressure (-3bps), lower fee income (mortgage), lower expenses (commission), improving credit quality (including lower NPA and NCO ratios), a reserve release in excess of $500mn, a modestly lower tax rate (-80bps), and a lower average share count (contrary to last couple quarters despite active buyback).

- We expect WFC to reiterate its efficiency ratio target of 55-59% (57.3% at 2Q), forecast continued credit quality improvement and reiterate its long-term goal of returning 50-65% of EPS to shareholders through higher dividends and buybacks (52% in 2Q). In addition, we expect it to maintain its ROA (1.3-1.6%) and ROE (12-15%) targets, while providing color around near-term trends in mortgage banking and related costs. Commentary around its build-out in the card space would also be welcome.

- We expect WFC to report on October 11th, with a conference call at 10am.

Net Interest Income

- Net interest income (50% of operating revenue) is expected to increase 1.5% linked quarter, as modest net interest margin pressure is expected to be offset by an expanded balance sheet. An extra day relative to 2Q13 also helps. This also represents a 3% increase over 3Q12 net interest income. In 2Q13, net interest income increased 3%, as net interest margin pressure was manageable and average earning assets expanded.

- We expect a 3% increase in average earning assets in the quarter, following a 3% increase in 2Q13. This reflects a number of items, including continued core loan growth, several asset purchases, and the active deployment of liquidity into securities. During the quarter, WFC disclosed that it purchased $15bn of securities in early 3Q13 (6% of 2Q period-end), closed on the purchase of $4.8bn of foreign (U.K.) CRE loans, and expects to close on an additional $1.6bn of domestic CRE loans from ING in 2H13. Although the impact in 3Q13 could be muted, this bodes well for 4Q13. In 2Q13, period-end loans rose a modest 0.3% linked quarter to $802bn. However, excluding the effects of conforming mortgages retained in 1Q13 ($3.4bn) and liquidating loans, period-end balances were 1.3% higher. By category, balances increased in card (+3%), C&I (+2%), other revolving (+2%) and foreign (+2%). Declines were seen in lease finance (-5%), home equity (-3%), other mortgage (-1%) and C&D (-1%). Period-end securities balances rose 0.5% after rising 6% in 1Q13.

FIGURE 1
Period-end Loan Growth in 2Q13

	2Q13	1Q13	% change	$ change
Commercial loans excluding liquidating loans	$ 361	$ 359	0.57%	$ 2.0
Consumer loans excluding liquidating loans	$ 353	$ 350	0.96%	$ 3.4
Retained mortgages	$ -	$ 3.4	-100.0%	$ (3.4)
Consumer loans excluding liquidating loans/retained mortgages	$ 353	$ 347	1.95%	$ 6.8
Total core loans excluding liquidating loans/retained mortgages	$ 714	$ 706	1.25%	$ 8.8
Liquidating loans	$ 88	$ 91	-3.67%	$ (3.3)
Reported loans	$ 802	$ 800	0.26%	$ 2.1
Liquidating loans as a % of total loans	10.9%	11.4%		

Source: Barclays Research and Company Documents

- After 2bps of net interest margin pressure in 2Q13, we expect a 3bp decline in 3Q13 to 3.43%. While competition is expected to continue to weigh on loan yields, WFC actively deployed liquidity into securities and its liability costs should continue to exhibit modest improvement. As such, we expect modest pressure to persist. In 2Q13, the decline in its NIM was largely attributable to deposit growth, which weighed by 6bps.

- PCI-related accretion in 2Q13 totalled $458mn and had a +14bp impact on its net interest margin. This is stable with the +14bp impact witnessed in 1Q13, as PCI accretion totalled $447mn.

- WFC recently returned to its practice of loan portfolio acquisitions after an elongated pause. During the quarter, it closed on $4.8bn of foreign CRE loans in the U.K., with expectations to close on an additional $1.6bn of domestic CRE loans from ING in 2H13. In the past, it completed acquisitions from Allied Irish Bank, the Bank of Ireland and the Irish Bank Resolution Corp. In addition, it acquired Burdale Financial Holdings, BNP Paribas' North American energy lending business and West LB's subscription finance portfolio. All together, these acquisitions added over $13bn to assets. With its two most recently announced deals that total climbs to over $19bn.

- Its yield on average earning assets declined 6bps to 3.80%, including a 3bp decline in total loan yields (to 4.46%). However, its yield on average securities increased 7bps sequentially to 3.77% (prepayments of existing MBS slowed), helping offset. Its cost of interest-bearing liabilities declined 4bps to 0.47%, including a 2bp decline in interest-bearing liabilities and an 18bp decline in LT debt. Its cost of total funding declined 4bps to 0.34%. Its cost of total deposits slipped 1bp to 0.14%. Period-end deposits rose 1.1%, including a 1.6% increase in interest-bearing balances.

- At 2Q13, its most recent interest rate simulation indicated estimated earnings at risk of less than 1.0% (1.0% at 1Q13) of its most likely earnings plan over the next 24 months using a scenario in which the federal funds rate increased to 25bps and the 10-year Constant Maturity Treasury bond yield rises to 3.24%.

- At 2Q13, WFC held $246.7bn ($245.4bn at 1Q13) of debt securities in AFS, with net unrealized gains of $4.5bn vs. $10.7bn at 1Q13. It also held $2.8bn ($2.8bn at 1Q13) of marketable equity securities AFS at 2Q13, with net unrealized gains of $458mn ($516mn at 1Q13). The weighted-average expected remaining maturity of the debt securities within its AFS portfolio was 6.7 years (6.2 years at 1Q13) at 2Q13. Because 58% (57% at 1Q13) of this portfolio is MBS, the expected remaining maturity may differ from contractual maturity because borrowers generally have the right to prepay obligations before the underlying mortgages mature. The estimated effect of a 200bp move in interest rates on the fair value of the MBS available for sale securities at 2Q13 was -$13.6bn (-$4.8bn at 1Q13) for an increase in rates and +$7.2bn (+$10.4bn) for a decrease in rates.

Fee Income & Expenses

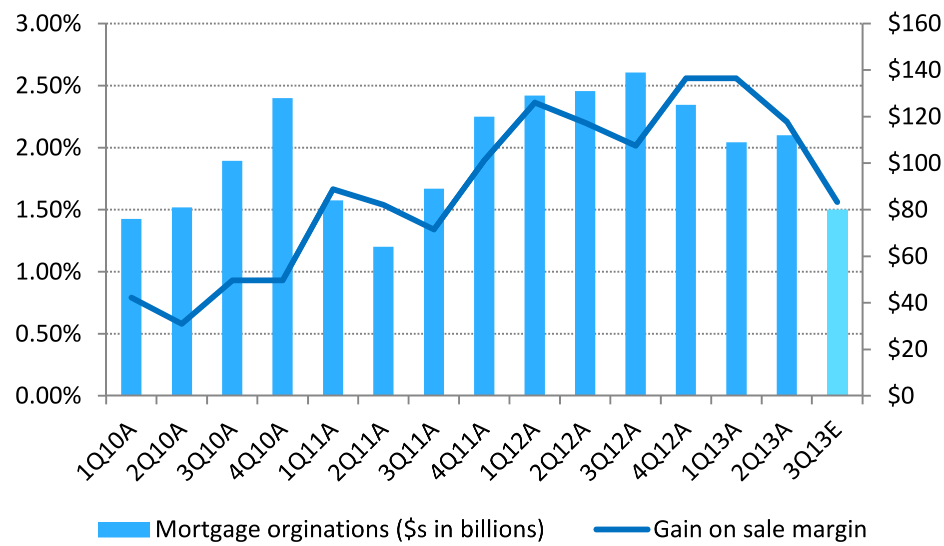
- Fee income (50% of operating revenue) is expected to decline 8% sequentially on softer mortgage results. Expected declines in insurance (-15%) and operating leases (-20%) could also weigh. An increase in other (+$358mn) from a negative result in 2Q13 should help offset. Increases across service charges on deposit accounts (+2%), card fees (+2%), trust and investment fees (+1%), and other fees (+1%) should also help offset lower mortgage. In 2Q13, fee income declined 1% on a negative result in other income.

- We expect mortgage banking revenue to decline 40%. Originations are expected to decline to $80bn (-29% from 2Q13), while gain on sale margins come in near the 1.50% level (2.21% in 2Q13). Higher servicing income, which increased 25% in 2Q13, should help offset over time, as should measures taken on the expense side. Recall, early in

3Q13, WFC announced the termination of 3,000 employees, followed by an additional 1,800 in September. Although rates moved lower post the Fed's decision to not taper, we expect results to remain soft. In going through our model, we expect a 50% decline in gross origination fees (-11% in 2Q13), a $25mn decline in its mortgage repurchase expense to $40mn (-$244mn), and a 15% increase in net servicing fees (+25% in 2Q13). This is based off of a 1.55% gain on sale margin and $80bn of originations.

FIGURE 2

Historical Origination Volume (right) & Gain on Sale Margin (left)



Source: Barclays Research and Company Documents

- Core expenses are expected to decline 3% linked quarter, building on 2Q13's 1% decline. Compared to the prior quarter, we expect declines in commissions (-11%) due to lower mortgage origination volumes, other (-4%), employee benefits (-2%) and core deposit and other intangibles (-1%) to offset increases in equipment (+22%), FDIC and other deposit assessments (+12%), and net occupancy (+2%). Salaries are expected to remain stable, as the lay-offs in its mortgage business have a 60-90 day lag effect. WFC continues to target an efficiency ratio in the 55-59% range (57.3% in 2Q13).

Asset Quality

- Looking toward 3Q13, WFC expects continued credit quality improvement, including ongoing reserve releases and lower NCOs. We would especially highlight that it expects its loan loss reserve release to come in above last quarter's $500mn release, as factors that led to that increase ($200mn in 1Q13) from 1Q13 have not abated.

- Its NCO ratio declined 13bps to 0.58% in 2Q13, and we expect that improvement to continue when it reports 3Q13 results. Specifically, we model an 8bp improvement to 0.50%. This equates to a $140mn decline to $1.0bn. Meanwhile, we expect its provision to improve as well, building on 2Q13's improvement. In that regard, we model a $166mn decline in its provision to $486mn. This equates to a 9bp decline in its provision to loan ratio to 0.24%. Overall, this should result in a $526mn reserve release, up $26mn from 2Q13. Its reserve/loan ratio is expected to decline 9bps to 1.92%, adding to 2Q13's 8bp decline.

- We expect NPAs to also improve, including an expected 8bp decline in its NPA ratio to2.54%. This comes after a 23bp decline in 2Q13. NPLs are expected to decline 2% to

$17.6bn, while OREO is expected to come in 1% lower at $3.1bn. This compares to an 8% decline in NPLs and a 6% decline in OREO in 2Q13. Loans 90-plus days past due, excluding government guaranteed/insured, declined $206mn to $1.15bn in 2Q13.

- Its total troubled debt restructurings (TDRs) at 2Q13 were $27.5bn ($4.6bn commercial and $23.0bn consumer), down slightly from $27.7bn at 1Q13. Of this amount, $18.5bn ($17.4bn at 1Q13) was on accrual status, while $9.0bn ($10.3bn) was on nonaccrual.

- Total loans stood at $802.0bn ($799.9bn at 1Q13) at 2Q13. Its loan mix at 2Q13 was 55% (55% at 1Q13) consumer and 45% (45%) commercial/CRE. Its commercial/CRE categorical mix was commercial 24% of total loans (23% at 1Q13), commercial mortgage 13% (13%), real estate construction 2% (2%), lease financing 1% (2%), and foreign 5% (5%). Its consumer book included residential mortgage 32% (32%), home equity 9% (9%), card 3% (3%) and other 11% (11%). The carrying value of its net loans of $768.1bn was lower than the fair value of $773.3bn by $5.2bn (0.7%).

- The improvement in its credit portfolio in 2Q13 was due in part to the continued decline in balances in its non-strategic/liquidating loan portfolios, which decreased $3.3bn linked quarter to $87.6bn at 2Q13. These portfolios consist primarily of its Pick-a-Pay mortgage portfolio ($54.8bn) acquired from WB, as well as some portfolios from legacy WFC Home Equity ($4.2bn) and WFC Financial ($13.7bn). Effective in 1Q11, it added its education finance government guaranteed loan portfolio ($11.5bn) to the non-strategic and liquidating portfolios as there is no longer a U.S. Government guaranteed student loan program available to private financial institutions pursuant to legislation in 2010.

Capital/Other

- Its Tier 1 capital ratio was 12.12% (12.00% at 1Q13) at 2Q13, its total capital ratio was 15.03% (14.76%), and its leverage ratio stood at 9.63% (9.53%). Its Tier 1 common ratio increased to 10.71% (10.39%). Under its interpretation of current Basel III capital proposals, it estimated its Tier 1 common equity ratio at 8.62% (8.39% at 1Q13) at 2Q13. WFC now targets a 9% tier I common ratio under Basel III, which is modestly higher than the 8-9% range it guided to previously.

- On March 14, 2013, it received a non-objection to its 2013 capital plan under the CCAR, which will allow it to return more capital to its shareholders in the year ahead. The 2013 capital plan included a dividend rate of $0.30 per share for 2Q13 (+$0.05), approved by the Board on April 23, and also included an increase in common stock repurchase activity compared with actual repurchases in 2012 ($4bn). In April 2013 it entered into a private forward repurchase share repurchase contract and paid $500mn (0.2% of outstanding) to an unrelated third party. This contract expires in 3Q13; however, the counterparty has the right to accelerate settlement. In July 2013, it entered into a similar private forward repurchase contract and paid $500mn (0.2%) to an unrelated third party. In return, the counterparty agreed to deliver a variable number of shares based on a per share discount to the volume-weighted average stock price over the contract period. This contract expires in third quarter 2013; however, the counterparty has the right to accelerate settlement. At July 31, 2013, WFC had 5,309,782,331 shares outstanding compared to 5,302,200,000 at 2Q13 (+0.1%). In 2Q13, it repurchased 26.7mn shares, or 0.5% of outstanding, for $1.1bn.

- Its retail household cross-sell metric stood at 6.14, up from 6.10 at 1Q13. Meanwhile, its commercial cross-sell metric was 6.9 as of 2Q13, up from 6.8 in 1Q13. Credit card penetration in its retail households rose to 34.9% from 34.1% at 1Q13. Its goal is 8 products per customer, which is about half of its estimate of potential demand for an average U.S. household. Currently, one of every four of its retail banking households has eight or more products.

- At its 2012 Investor Day, WFC updated its ROA target to a range of 1.30% to 1.60%, as compared to its 2010 Investor Day target of 1.50%-plus. It clarified that it expects to be at the low end of its updated range amid the current low interest rate environment but closer to the high end in a more normalized rate environment. It also unveiled an ROE target of 12-15% (15-19% ROTCE). In 2Q13, it posted an ROA of 1.55% and a ROE of 14.02% (we peg its ROTCE closer to 19.3%).

FIGURE 3

WFC 3Q13 Earnings Sensitivity

		Loan Loss Provision						
		0.09%	0.14%	0.19%	0.24%	0.29%	0.34%	0.39%
Net Interest Margin	3.28%	$0.97	$0.96	$0.95	$0.93	$0.92	$0.91	$0.89
	3.33%	$0.99	$0.98	$0.97	$0.95	$0.94	$0.93	$0.92
	3.38%	$1.01	$1.00	**$0.99**	**$0.97**	**$0.96**	$0.95	$0.94
	3.43%	$1.03	$1.02	**$1.01**	**$0.99**	**$0.98**	$0.97	$0.96
	3.48%	$1.05	$1.04	**$1.03**	**$1.01**	**$1.00**	$0.99	$0.98
	3.53%	$1.07	$1.06	$1.05	$1.04	$1.02	$1.01	$1.00
	3.58%	$1.09	$1.08	$1.07	$1.06	$1.04	$1.03	$1.02

Source: Barclays Research and Company Documents

FIGURE 4

WFC Earnings Model – Income Statement ($ in millions)

		Actual					Quarterly Forecast					Annual Forecast				Annual Change							3Q13E vs.	
	2011A	1Q12A	2Q12A	3Q12A	4Q12A	2012A	1Q13A	2Q13A	3Q13E	4Q13E	2013E	2014E	2015E	2016E	2017E	10/11	11/12	12/13	13/14	14/15	15/16	16/17	3Q12A	2Q13A
EPS - operating	$2.82	$0.75	$0.82	$0.88	$0.91	$3.36	$0.92	$0.98	$0.99	$1.00	$3.89	$4.00	$4.20	$4.30	$4.45	13%	19%	0.158	3%	5%	0.024	4%	13%	2%
EPS - reported	**$2.82**	**$0.75**	**$0.82**	**$0.88**	**$0.91**	**$3.36**	**$0.92**	**$0.98**	**$0.99**	**$1.00**	**$3.89**	**$4.00**	**$4.20**	**$4.30**	**$4.45**	**28%**	**19%**	**16%**	**3%**	**5%**	**2%**	**4%**	**13%**	**2%**
Book value	$24.48	$25.45	$26.06	$27.10	$27.64	$27.64	$28.27	$28.26	$28.60	$29.22	$29.22	$31.71	$34.35	$37.10	$39.97	9%	13%	6%	9%	8%	8%	8%	6%	1%
Tangible book	$18.19	$19.13	$19.50	$20.61	$21.22	$21.22	$21.78	$21.92	$22.50	$23.09	$23.09	$25.45	$27.96	$30.57	$33.31	15%	17%	9%	10%	10%	9%	9%	9%	3%
Dividend	$0.48	$0.22	$0.22	$0.22	$0.22	$0.88	$0.25	$0.30	$0.30	$0.30	$1.15	$1.20	$1.26	$1.29	$1.34	140%	83%	31%	4%	5%	2%	4%	36%	0%
Diluted average shares	5,323	5,338	5,370	5,356	5,339	5,351	5,354	5,385	5,358	5,331	5,357	5,250	5,145	5,042	4,941	1%	1%	0%	-2%	-2%	-2%	-2%	0%	-1%
Period-end shares	5,263	5,302	5,276	5,290	5,266	5,266	5,289	5,302	5,275	5,248	5,248	5,141	5,036	4,933	4,833	0%	0%	0%	-2%	-2%	-2%	-2%	0%	-1%
Payout ratio	17%	29%	27%	25%	24%	26%	27%	31%	30%	30%	30%	30%	30%	30%	30%									
Operating revenue	**$79,956**	**$21,449**	**$21,284**	**$21,204**	**$21,494**	**$85,431**	**$21,277**	**$21,425**	**$20,918**	**$21,003**	**$84,622**	**$85,628**	**$89,899**	**$94,761**	**$99,495**	**-6%**	**7%**	**-1%**	**1%**	**5%**	**5%**	**5%**	**-1%**	**-2%**
Avg earning assets ($bn)	$1,102	$1,135	$1,151	$1,178	$1,213	$1,169	$1,235	$1,266	$1,304	$1,330	$1,284	$1,348	$1,415	$1,486	$1,545	3%	6%	10%	0.05	0.05	0.05	4%	11%	3%
Net interest margin	**3.95%**	**3.91%**	**3.91%**	**3.66%**	**3.56%**	**3.76%**	**3.48%**	**3.46%**	**3.43%**	**3.40%**	**3.44%**	**3.39%**	**3.44%**	**3.50%**	**3.55%**	**-28**	**-19**	**0**	**-5**	**5**	**6**	**5**	(23)	-3
Net interest income	$43,460	$11,058	$11,213	$10,820	$10,841	$43,932	$10,675	$10,946	$11,273	$11,398	$44,291	$45,691	$48,683	$52,009	$54,862	-4%	1%	1%	3%	7%	7%	5%	4%	3%
FTE adjustment	$697	$170	$176	$158	$198	$702	$176	$196	$175	$175	$722	$758	$796	$836	$878	11%	1%	3%	5%	5%	5%	5%	11%	-11%
Average loans ($bn)	$757	$769	$768	$777	$787	$775	$798	$800	$810	$822	$808	$848	$890	$935	$982	-2%	2%	4%	5%	5%	5%	5%	4%	1%
Loan loss provision	$7,899	$1,995	$1,800	$1,591	$1,831	$7,217	$1,219	$652	$486	$452	$2,809	$2,544	$4,541	$7,666	$10,208	-50%	-9%	-61%	-9%	79%	69%	33%	-69%	-25%
Provision/loan ratio	1.04%	1.04%	0.94%	0.82%	0.93%	0.93%	0.61%	0.33%	0.24%	0.22%	0.35%	0.30%	0.51%	0.82%	1.04%	-100	-11	-1	-5	21	31	22	(58)	-9
Net credit income	$34,864	$8,893	$9,237	$9,071	$8,812	$36,013	$9,280	$10,098	$10,612	$10,770	$40,760	$42,389	$43,347	$43,508	$43,776	20%	3%	13%	4%	2%	0%	1%	17%	5%
Service charges on deposit accounts	$4,280	$1,084	$1,139	$1,210	$1,250	$4,683	$1,214	$1,248	$1,275	$1,300	$5,037	$5,339	$5,606	$5,886	$6,181	-13%	9%	8%	0.06	5%	5%	5%	5%	2%
Trust and investment fees	$11,304	$2,839	$2,898	$2,954	$3,199	$11,890	$3,202	$3,494	$3,530	$3,590	$13,816	$15,198	$15,957	$16,755	$17,593	3%	5%	16%	0.1	5%	5%	5%	19%	1%
Card fees	$3,653	$654	$704	$744	$736	$2,838	$738	$813	$830	$840	$3,221	$3,414	$3,585	$3,764	$3,952	0%	-22%	13%	0.06	5%	5%	5%	12%	2%
Other fees	$4,193	$1,095	$1,134	$1,097	$1,193	$4,519	$1,034	$1,089	$1,100	$1,100	$4,323	$4,323	$4,409	$4,630	$4,861	5%	8%	-4%	0	0.02	5%	5%	0%	1%
Mortgage banking (details below)	$7,832	$2,870	$2,893	$2,807	$3,068	$11,638	$2,794	$2,802	$1,660	$1,590	$8,846	$6,500	$6,375	$6,286	$6,412	-20%	49%	-24%	-27%	-2%	-1%	2%	-41%	-41%
Insurance	$1,960	$519	$522	$414	$395	$1,850	$463	$485	$410	$390	$1,748	$1,713	$1,730	$1,782	$1,853	-8%	-6%	-6%	(2%)	1%	3%	4%	-1%	-15%
Net gains from trading activities	$1,014	$640	$263	$529	$275	$1,707	$570	$331	$310	$310	$1,521	$1,597	$1,661	$1,711	$1,796	-38%	68%	-11%	5%	4%	3%	5%	-41%	-6%
Operating leases	$524	$59	$120	$218	$170	$567	$130	$225	$180	$135	$670	$704	$732	$754	$776	-36%	8%	18%	5%	4%	3%	3%	-17%	-20%
Other	$1,736	$631	$398	$411	$367	$1,807	$457	($8)	$350	$350	$1,149	$1,149	$1,160	$1,184	$1,207	-20%	4%	-36%	0%	1%	2%	2%	-15%	NA
Fee income	$36,496	$10,391	$10,071	$10,384	$10,653	$41,499	$10,602	$10,479	$9,645	$9,605	$40,331	$39,937	$41,216	$42,752	$44,633	-9%	14%	-3%	-1%	3%	4%	4%	-7%	-8%
Salaries	$14,462	$3,601	$3,705	$3,648	$3,735	$14,689	$3,663	$3,768	$3,750	$3,750	$14,931	$15,230	$15,687	$16,157	$16,642	4%	2%	2%	2%	3%	3%	3%	3%	0%
Commissions and incentive compensation	$8,857	$2,417	$2,354	$2,368	$2,365	$9,504	$2,577	$2,626	$2,350	$2,325	$9,878	$10,076	$10,378	$10,793	$11,225	2%	7%	4%	2%	3%	4%	4%	-1%	-11%
Employee benefits	$4,348	$1,608	$1,049	$1,063	$891	$4,611	$1,583	$1,118	$1,100	$1,100	$4,901	$4,999	$5,149	$5,303	$5,463	-7%	6%	6%	2%	3%	3%	3%	3%	-2%
Equipment	$2,283	$557	$459	$510	$542	$2,068	$528	$418	$510	$550	$2,006	$2,046	$2,128	$2,213	$2,279	-13%	-9%	-3%	2%	4%	4%	3%	0%	22%
Net occupancy	$3,011	$704	$698	$727	$728	$2,857	$719	$716	$730	$730	$2,895	$2,953	$3,071	$3,194	$3,290	-1%	-5%	1%	2%	4%	4%	3%	0%	2%
Core deposit and other intangibles	$1,880	$419	$418	$419	$418	$1,674	$377	$377	$375	$375	$1,504	$1,534	$1,595	$1,659	$1,709	-15%	-11%	-10%	2%	4%	4%	3%	-11%	-1%
FDIC and other deposit assessments	$1,266	$357	$333	$359	$307	$1,356	$292	$259	$290	$300	$1,141	$1,164	$1,199	$1,223	$1,259	6%	7%	-16%	2%	3%	2%	3%	-19%	12%
Other	$10,258	$2,808	$3,092	$2,771	$2,795	$11,466	$2,466	$2,827	$2,700	$2,800	$10,793	$10,901	$11,173	$11,509	$11,854	-1%	12%	-6%	1%	3%	3%	3%	-3%	-4%
Expenses	$46,365	$12,471	$12,108	$11,865	$11,781	$48,225	$12,205	$12,109	$11,805	$11,930	$48,049	$48,902	$50,380	$52,051	$53,721	-1%	4%	0%	2%	3%	3%	3%	-1%	-3%
Preprovision net revenue	**$33,591**	**$8,978**	**$9,176**	**$9,339**	**$9,713**	**$37,206**	**$9,072**	**$9,316**	**$9,113**	**$9,073**	**$36,573**	**$36,726**	**$39,520**	**$42,710**	**$45,774**	**-13%**	**11%**	**-2%**	**0%**	**8%**	**8%**	**7%**	**-2%**	**-2%**
OREO expense	$1,354	$304	$289	$247	$221	$1,061	$195	$146	$125	$115	$581	$300	$200	$100	$100								-49%	-14%
Securities gains	$54	($7)	($61)	$3	($63)	($128)	$45	$0	$0	$0	$45	$0	$0	$0	$0								NA	NA
OTTI	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0								NA	NA
Net gains (losses) from equity investments	$1,482	$364	$242	$164	$715	$1,485	$113	$203	$125	$125	$566	$100	$100	$100	$100								-24%	-38%
Nonrecurring gains	$153	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0								NA	NA
Nonrecurring losses	$1,674	$218	$0	$0	$894	$1,112	$0	$54	$0	$0	$54	$0	$0	$0	$0								NA	NA
Pretax income	$23,656	$6,648	$7,092	$7,510	$7,221	$28,471	$7,640	$8,471	$8,452	$8,455	$33,018	$33,224	$34,083	$34,209	$34,689	24%	20%	16%	1%	3%	0%	1%	13%	0%
Taxes	$7,445	$2,328	$2,371	$2,480	$1,924	$9,103	$2,420	$2,863	$2,789	$2,790	$10,862	$10,930	$11,213	$11,254	$11,412	17%	22%	19%	1%	3%	0%	1%	12%	-3%
Tax rate - stated	31.5%	35.0%	33.4%	33.0%	26.6%	32.0%	31.7%	33.8%	33.0%	33.0%	32.9%	32.9%	32.9%	32.9%	32.9%								(2)	-80
Net income	$16,211	$4,320	$4,721	$5,030	$5,297	$19,368	$5,220	$5,608	$5,663	$5,665	$22,156	$22,294	$22,870	$22,955	$23,277	28%	19%	14%	1%	3%	0%	1%	13%	1%
Change in acctg. principle/ minority interest	$342	$72	$99	$93	$207	$471	$49	$89	$89	$89	$316	$300	$300	$300	$300	14%	38%	-33%	-5%	0%	0%	0%	-4%	0%
Preferred dividends	$844	$226	$219	$220	$233	$898	$240	$247	$247	$247	$981	$981	$981	$981	$981	16%	6%	9%	0%	0%	0%	0%	12%	0%
Net income to common	**$15,025**	**$4,022**	**$4,403**	**$4,717**	**$4,857**	**$17,999**	**$4,931**	**$5,272**	**$5,327**	**$5,329**	**$20,859**	**$21,013**	**$21,589**	**$21,674**	**$21,996**	**29%**	**20%**	**16%**	**1%**	**3%**	**0%**	**1%**	**13%**	**1%**

Source: Barclays Research and Company Documents

FIGURE 5

WFC Earnings Model – Balance Sheet and Performance Metrics

		Actual					Quarterly Forecast									Annual Change							3Q13E vs.	
	2011A	1Q12A	2Q12A	3Q12A	4Q12A	2012A	1Q13A	2Q13A	3Q13E	4Q13E	2013E	2014E	2015E	2016E	2017E	10/11	11/12	12/13	13/14	14/15	15/16	16/17	3Q12A	2Q13A
Average Balance Sheet ($ in billions)																								
Assets	$1,270	$1,303	$1,322	$1,354	$1,387	$1,341	$1,404	$1,429	$1,472	$1,501	$1,452	$1,524	$1,600	$1,680	$1,748	4%	6%	8%	5%	5%	5%	4%	9%	3%
Earning assets	$1,102	$1,135	$1,151	$1,178	$1,213	$1,169	$1,235	$1,266	$1,304	$1,330	$1,284	$1,348	$1,415	$1,486	$1,545	3%	6%	10%	5%	5%	5%	4%	11%	3%
Securities	$175	$215	$214	$212	$215	$214	$226	$235	$244	$252	$239	$251	$264	$277	$291	8%	23%	5%	5%	5%	5%	5%	15%	4%
Loans held for sale	$38	$48	$50	$53	$47	$50	$43	$44	$44	$44	$44	$44	$44	$44	$44	-5%	29%	0%	0%	0%	0%	0%	-18%	0%
Loans	$757	$769	$768	$777	$787	$775	$798	$800	$810	$822	$808	$848	$890	$935	$982	-2%	2%	4%	5%	5%	5%	5%	4%	1%
Deposits	$872	$915	$924	$947	$976	$940	$986	$1,010	$1,015	$1,020	$1,008	$1,058	$1,111	$1,166	$1,225	7%	8%	5%	5%	5%	5%	5%	7%	0%
Borrowed funds	$193	$176	$179	$179	$180	$179	$183	$183	$183	$183	$183	$192	$202	$212	$223	-19%	-7%	5%	5%	5%	5%	5%	2%	0%
Equity	$137	$145	$149	$152	$158	$151	$160	$165	$167	$169	$165	$175	$184	$194	$203	12%	10%	9%	6%	5%	5%	5%	10%	1%
Period-end Balance Sheet ($ in billions)																								
Assets	$1,314	$1,334	$1,336	$1,375	$1,423	$1,423	$1,437	$1,441	$1,484	$1,513	$1,513	$1,589	$1,669	$1,752	$1,822	4%	8%	6%	5%	5%	5%	4%	8%	3%
Risk-weighted assets	$1,006	$1,000	$1,009	$1,052	$1,078	$1,078	$1,094	$1,096	$1,129	$1,151	$1,151	$1,209	$1,269	$1,333	$1,386	3%	7%	7%	5%	5%	5%	4%	7%	3%
Securities	$223	$230	$227	$229	$235	$235	$248	$249	$259	$267	$267	$281	$295	$309	$325	29%	6%	14%	5%	5%	5%	5%	13%	4%
Loans held for sale	$50	$44	$51	$51	$47	$47	$47	$39	$39	$39	$39	$39	$39	$39	$39	-6%	-5%	-18%	0%	0%	0%	0%	-23%	0%
Loans	$770	$767	$775	$783	$800	$800	$800	$802	$812	$824	$824	$865	$908	$954	$1,001	2%	4%	3%	5%	5%	5%	5%	4%	1%
Loan loss reserve	$19.4	$19	$18	$18	$17	$17.1	$17	$16	$16	$15	$15.1	$15	$16	$19	$22	-16%	-12%	-12%	-3%	7%	19%	21%	-12%	-3%
Deposits	$920	$930	$929	$952	$1,003	$1,003	$1,011	$1,022	$1,027	$1,032	$1,032	$1,083	$1,138	$1,194	$1,254	9%	9%	3%	5%	5%	5%	5%	8%	0%
Tangible common equity	$95	$100	$103	$109	$112	$112	$115	$116	$119	$121	$121	$131	$141	$151	$161	14%	18%	8%	8%	8%	7%	7%	9%	2%
Common equity	$129	$133	$136	$142	$145	$145	$148	$148	$151	$153	$153	$163	$173	$183	$193	9%	12%	6%	6%	6%	6%	6%	6%	2%
Goodwill & other intangibles	$34	$34	$34	$33	$33	$33	$33	$32	$32	$32	$32	$32	$32	$32	$32	-4%	-3%	-2%	0%	0%	0%	0%	-4%	0%
Performance Ratios																								
Return on equity	**11.81%**	**11.92%**	**12.64%**	**13.20%**	**13.44%**	**12.82%**	**13.02%**	**13.62%**	**13.56%**	**13.44%**	**13.41%**	**12.76%**	**12.42%**	**11.85%**	**11.44%**	**145**	**101**	**59**	**-65**	**-35**	**-57**	**-41**	**35**	**-6**
Return on tang com equity	17.10%	17.33%	18.36%	18.46%	18.96%	17.33%	18.13%	19.30%	19.08%	18.79%	18.31%	17.03%	16.24%	15.22%	14.46%	184	23	98	-127	-80	-102	-76	62	-22
Return on assets	**1.28%**	**1.33%**	**1.43%**	**1.49%**	**1.53%**	**1.44%**	**1.49%**	**1.57%**	**1.54%**	**1.52%**	**1.53%**	**1.46%**	**1.43%**	**1.37%**	**1.33%**	**24**	**17**	**8**	**-7**	**-3**	**-6**	**-3**	**5**	**-3**
Return on tangible assets	1.31%	1.36%	1.47%	1.52%	1.56%	1.48%	1.52%	1.61%	1.57%	1.55%	1.56%	1.49%	1.46%	1.39%	1.36%	25	17	8	-7	-4	-7	-4	5	-3
Return on RWA	1.61%	1.73%	1.87%	1.91%	1.97%	1.80%	1.91%	2.05%	2.01%	1.98%	1.93%	1.84%	1.80%	1.72%	1.68%	32	18	13	-8	-4	-8	-4	10	-4
Efficiency ratio	58.0%	58.1%	56.9%	56.0%	54.8%	56.4%	57.4%	56.5%	56.4%	56.8%	56.8%	57.1%	56.0%	54.9%	54.0%	337	-154	33	33	-107	-111	-94	48	-8
Net profit margin	20.3%	20.1%	22.2%	23.7%	24.6%	22.7%	24.5%	26.2%	27.1%	27.1%	26.2%	26.0%	25.4%	24.2%	23.4%	544	240	354	-18	-60	-122	-83	335	90
Fee income/revenue	45.6%	48.4%	47.3%	49.0%	49.6%	48.6%	49.8%	48.9%	46.1%	45.7%	47.7%	46.6%	45.8%	45.1%	44.9%	-120	293	-92	-102	-79	-73	-26	-286	-280
Loans/AEA	67.7%	67.7%	66.7%	66.0%	64.9%	64.9%	64.6%	63.2%	62.1%	61.8%	61.8%	62.9%	62.9%	62.9%	63.5%	-193	-279	-308	110	0	0	60	-385	-110
Equity/loans	18.3%	18.9%	19.4%	19.6%	20.0%	20.0%	20.1%	20.6%	20.6%	20.6%	20.6%	20.6%	20.7%	20.7%	20.7%	155	170	60	-2	9	4	0	101	5
Loans/deposits	87%	84%	83%	82%	81%	82%	81%	79%	80%	81%	80%	80%	80%	80%	80%	-308	-442	-229	0	0	0	0	-226	55
Asset Quality ($ in millions)														\										
Nonperforming loans	$21,304	$22,026	$20,578	$21,044	$20,486	$20,486	$19,526	$17,915	$17,600	$17,000	$17,000	$15,300	$13,005	11054.25	$11,054	-19%	-4%	-10%	-10%	-15%	-0.15	-15%	-16%	-2%
OREO	$4,661	$4,617	$4,307	$4,209	$4,023	$4,023	$3,350	$3,140	$3,100	$3,000	$3,000	$2,850	$2,565	$2,385	$2,385	-22%	-14%	-2%	-5%	-10%	-7%	-7%	-26%	-1%
Nonperforming assets	**$25,965**	**$26,643**	**$24,885**	**$25,253**	**$24,509**	**$24,509**	**$22,876**	**$21,055**	**$20,700**	**$20,000**	**$20,000**	**$18,150**	**$15,570**	**$13,440**	**$13,440**	**-19%**	**-6%**	**-18%**	**-9%**	**-14%**	**-14%**	**0%**	**-18%**	**-2%**
Accruing TDRs	$15,846	$15,859	$16,024	$17,400	$16,765	$16,765	$17,375	$14,500	$14,000	$13,500	$13,500	$12,150	$10,935	$9,295	$9,295	50%	6%	-10%	-10%	-10%	-15%	-15%	-20%	-3%
NPL ratio	2.77%	2.87%	2.65%	2.69%	2.56%	2.56%	2.44%	2.23%	2.17%	2.06%	2.06%	1.77%	1.43%	1.16%	1.10%	-70	-21	-50	-29	-34	-27	-6	-52	-7
NPA ratio	**3.35%**	**3.46%**	**3.19%**	**3.21%**	**3.05%**	**3.05%**	**2.85%**	**2.62%**	**2.54%**	**2.42%**	**2.42%**	**2.09%**	**1.71%**	**1.41%**	**1.34%**	**-87**	**-30**	**-63**	**-33**	**-38**	**-30**	**-7**	**-67**	**-7**
NPA ratio (including accruing TDRs)	5.40%	5.51%	5.25%	5.42%	5.14%	5.14%	5.01%	4.42%	4.26%	4.05%	4.05%	3.49%	2.91%	2.38%	2.27%	-21	-26	-108	-56	-58	-53	-11	-116	-16
NCOs ($)	$11,299	$2,395	$2,200	$2,358	$2,081	$9,034	$1,419	$1,152	$1,012	$945	$4,529	$2,968	$3,561	$4,674	$6,380	-36%	-20%	-50%	-34%	20%	31%	37%	-57%	-12%
NCO ratio	**1.49%**	**1.25%**	**1.15%**	**1.21%**	**1.06%**	**1.17%**	**0.71%**	**0.58%**	**0.50%**	**0.46%**	**0.56%**	**0.35%**	**0.40%**	**0.50%**	**0.65%**	**-81**	**-33**	**-60**	**-21**	**5**	**10**	**15**	**-71**	**-8**
Provision/loans	1.04%	1.04%	0.94%	0.82%	0.93%	0.93%	0.61%	0.33%	0.24%	0.20%	0.34%	0.30%	0.51%	0.82%	1.04%	-100	-11	-59	-4	21	31	22	-58	-9
Reserve/NPLs	90.9%	85.6%	89.0%	84.8%	83.3%	83.3%	85.6%	90.1%	88.7%	88.7%	88.7%	95.8%	120.3%	168.5%	203.2%	320	-765	545	709	2444	4828	3463	399	-138
Reserve/loans	**2.52%**	**2.46%**	**2.36%**	**2.28%**	**2.13%**	**2.13%**	**2.09%**	**2.01%**	**1.92%**	**1.83%**	**1.83%**	**1.69%**	**1.72%**	**1.95%**	**2.24%**	**-52**	**-38**	**-30**	**-14**	**3**	**23**	**29**	**-35**	**-9**
90 days past due	$2,048	$1,636	$1,360	$1,492	$1,435	$1,435	$1,360	$1,154																
Capital ($ in billions)																								
Equity/assets	10.80%	11.13%	11.30%	11.25%	11.36%	11.26%	11.42%	11.53%	11.35%	11.29%	11.40%	11.46%	11.51%	0.1152799	11.64%	84	46	13	6	5	2	11	10	-17
TCE ratio	7.41%	7.67%	7.90%	8.13%	8.04%	8.04%	8.20%	8.25%	8.18%	8.18%	8.18%	8.41%	8.61%	8.77%	8.99%	62	63	14	22	20	16	22	5	-8
Tier 1 common	$95.1	$99.5	$101.7	$105.8	$109.1	$109.1	$113.6	$117.6	$120.0	$122.5	$122.5	$132.1	$141.9	$151.8	$161.8	17%	15%	12%	8%	7%	7%	7%	13%	2%
Tier 1 common ratio	**9.46%**	**9.95%**	**10.08%**	**10.05%**	**10.12%**	**10.12%**	**10.38%**	**10.73%**	**10.64%**	**10.64%**	**10.64%**	**10.93%**	**11.18%**	**11.39%**	**11.67%**	**116**	**66**	**52**	**28**	**25**	**21**	**28**	**58**	**-10**
Tier I capital	$113.9	$117.4	$117.9	$120.9	$123.2	$123.2	$126.1	$128.7	$131.1	$133.6	$133.6	$143.1	$153.0	$162.8	$172.8	4%	8%	8%	7%	7%	6%	6%	8%	2%
Tier I capital ratio	11.33%	11.74%	11.69%	11.66%	11.75%	11.75%	11.80%	12.14%	11.62%	11.60%	11.60%	11.84%	12.05%	12.22%	12.47%	17	42	-15	24	21	17	25	-4	-52
Leverage ratio	9.03%	9.35%	9.25%	9.45%	9.47%	9.47%	9.53%	9.63%	9.03%	9.02%	9.02%	9.19%	9.35%	9.47%	9.66%	-16	44	-45	18	15	12	19	-42	-60
Tang assets/tang equity	13.5x	13.0x	12.7x	12.3x	12.4x	12.4x	12.2x	12.1x	12.2x	12.2x	12.2x	11.9x	11.6x	11.4x	11.1x									

Source: Barclays Research and Company Documents

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Primary Stocks (Ticker, Date, Price)

Wells Fargo (WFC, 04-Oct-2013, USD 41.30), Overweight/Positive, A/C/D/J/K/L/M/N/O

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Stock Rating

Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

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KeyCorp (KEY)	Northern Trust (NTRS)	PNC Financial Services Gp (PNC)
Regions Financial (RF)	State Street (STT)	SunTrust Banks (STI)
The Bank of New York Mellon Corp. (BK)	U.S. Bancorp (USB)	Wells Fargo (WFC)

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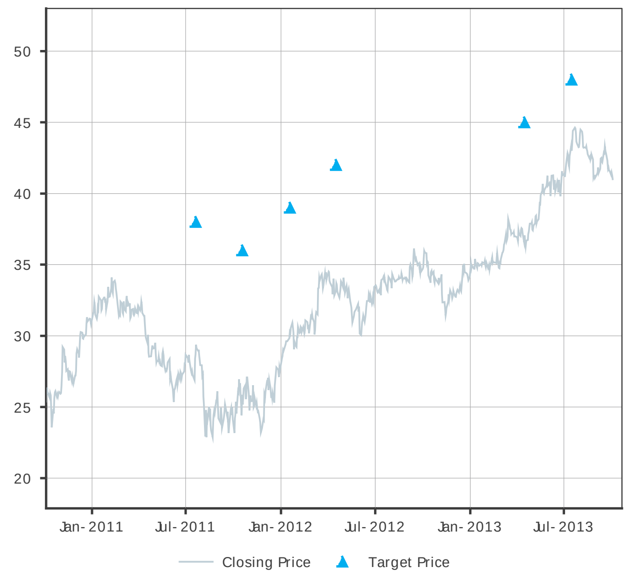
IMPORTANT DISCLOSURES CONTINUED

Wells Fargo (WFC) | Stock Rating | Industry View
USD 41.30 (04-Oct-2013) | **OVERWEIGHT** | **POSITIVE**

Rating and Price Target Chart - USD (as of 04-Oct-2013) | **Currency=USD**



Date	Closing Price	Rating *	Price Target
15-Jul-2013	43.35		48.00
15-Apr-2013	36.57		45.00
16-Apr-2012	33.15		42.00
18-Jan-2012	30.24		39.00
18-Oct-2011	25.86		36.00
20-Jul-2011	28.70		38.00

*The rating for this security remained Overweight during the relevant period.

Link to Barclays Live for interactive charting

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Valuation Methodology: Our price target of $48 is based on 12x multiple (10yr avg forward P/E) on our 2014 EPS estimate of $4.00.

Risks which May Impede the Achievement of the Barclays Research Price Target: If GDP growth were to come in below expectations, weighing on already tepid loan demand, WFC could run into problems offsetting the expected decline in mortgage origination revenue. Additionally, although it maintains strong capital levels, shifting regulatory rules could pose unseen risks.

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