

Wells Fargo

Investor Day Review: Boosts Payout

WFC recently held its bi-annual investor day in San Francisco. This marked the debuts for John Shrewsbury as CFO and Tim Sloan as head of wholesale, with both appearing to have settled into their new roles.

The most incremental data points were a sharp increase in its targeted payout ratio (to 55%-75% NET, up from 50-65% GROSS previously) and a reaffirmation of its 12-15% ROE target despite increasing its B3 T1C target to 10% from 9%. It also reiterated its 1.30-1.60% ROA and 55%-59% efficiency ratio targets. It lowered its through-the-cycle net charge-off ratio target from the 1.00% figure revealed at its 2012 investor day toward 0.75-0.80% (we estimated it would be 0.75% in our preview note; 0.41% in 1Q). Also, Wealth, Brokerage and Retirement's long-term targets now include a 25% pre-tax margin, up from a target of 22% at its 2012 investor day (21% in 2013).

Near-term we expect results to evidence continued loan growth, further net interest margin compression, higher fee income (though mortgage softer than it expected a month ago), controlled expenses, and further loan loss reserve releases (though moderating). While WFC did not directly address whether it could keep its streak of 12 consecutive quarters of record EPS alive, it clearly demonstrated how it is well positioned looking out. **It emphasized its ability to perform through-the-cycle as it benefits from a relationship approach, a continued focus on cross-sell (mentioned cross-sell 68 times, matching our expectations, though down from 74x at 2012 investor day and 110x in 2010; unaudited), an ability to adapt to changing landscape, and the long tenured nature of its management team and employee base.**

We continue to be attracted to WFC's diversified business model as it has demonstrated strong performance over both the short and long terms, including generating 17 consecutive quarters of EPS growth. While this streak could continue (though 1Q was aided by gains), even if it misses modestly, we still view this company, and its valuation, as compelling. **We rate WFC OW.**

WFC: Quarterly and Annual EPS (USD)

FY Dec	2013		2014		2015		Change y/y		
	Actual	Old	New	Cons	Old	New	Cons	2014	2015
Q1	0.92A	1.05A	1.05A	1.05A	N/A	N/A	1.00E	14%	N/A
Q2	0.98A	1.02E	1.02E	1.01E	N/A	N/A	1.08E	4%	N/A
Q3	0.99A	1.04E	1.04E	1.02E	N/A	N/A	1.10E	5%	N/A
Q4	1.00A	1.05E	1.05E	1.04E	N/A	N/A	1.12E	5%	N/A
Year	3.89A	4.16E	4.16E	4.10E	4.40E	4.40E	4.29E	7%	6%
P/E	12.6		11.8			11.1			

Source: Barclays Research.

Consensus numbers are from Thomson Reuters

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PLEASE SEE ANALYST CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 9.

Stock Rating

OVERWEIGHT

Unchanged

Industry View

POSITIVE

Unchanged

Price Target

USD 57.00

Unchanged

Price (20-May-2014)

USD 48.96

Potential Upside/Downside

+16%

Tickers

WFC

Market Cap (USD mn)	257876
Shares Outstanding (mn)	5267.07
Free Float (%)	99.91
52 Wk Avg Daily Volume (mn)	17.7
Dividend Yield (%)	2.8
Return on Equity TTM (%)	14.09
Current BVPS (USD)	30.10

Source: Thomson Reuters

Price Performance

Exchange-NYSE

52 Week range

USD 50.49-39.40



[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)	2013A	2014E	2015E	2016E	CAGR
Net interest income	43,592.0	44,210.8	47,088.0	50,688.9	5.2%
Operating expenses	48,174	46,531	47,223	48,547	0.3%
Pre-provision earnings	34,955	35,387	38,126	41,834	6.2%
Loan loss provisions	2,309	1,762	2,657	4,185	21.9%
Pre-tax income	32,628	33,956	34,590	36,831	4.1%
Net income (adj)	20,888	21,968	22,531	24,078	4.9%

Price (20-May-2014) USD 48.96
Price Target USD 57.00

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.

Balance sheet (\$bn)	Average				
Total assets	1,524	1,660	1,776	1,879	1,710
Risk-weighted assets	1,141	1,243	1,330	1,408	1,281
Non-performing loans (\$mn)	15,668	14,101	11,986	10,188	12,986
Allowance for loan losses	15	13	12	12	13
Loans	822.3	861.8	904.8	950.1	884.7
Deposits	1,079	1,157	1,214	1,275	1,181
Tier 1 capital	133	140	147	158	144
Tier 1 common capital	124	131	138	149	135
Shareholders' equity	155	162	170	181	167
Tangible common equity	125	133	140	151	137
Loan/deposit ratio (%)	78.9	77.1	77.1	77.1	77.6

Upside case USD 60.00

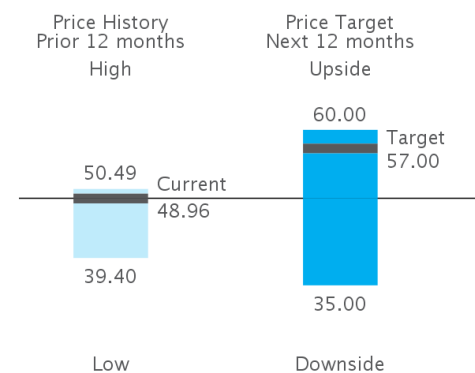
If mortgage banking activity comes in better than the MBA's current forecast and loan growth accelerates from our 4% expectations, it could reach the high-end of its 1.3-1.6% ROA target in 2015. As a result we would expect EPS to exceed \$4.40 and shares to trade to 13x EPS.

Downside case USD 35.00

If the U.S. housing market were to soften and lower earnings reduces its expected share repurchase, we could envision a scenario in which WFC shares trade back down to \$35, or 8x our 2015 EPS estimate.

Valuation and leverage metrics	Average				
P/E (reported) (x)	12.6	11.8	11.1	10.2	11.4
P/BV (tangible) (x)	2.1	1.9	1.7	1.6	1.8
Dividend yield (%)	2.3	2.8	2.8	3.0	2.7
P/PPE (x)	7.5	7.3	6.6	5.9	6.8
Tier 1 (%)	12.33	11.27	11.05	11.21	11.47
Tier 1 Common (%)	10.82	10.54	10.37	10.56	10.57
Tang assets/tang equity (x)	11.9	12.3	12.5	12.3	12.2

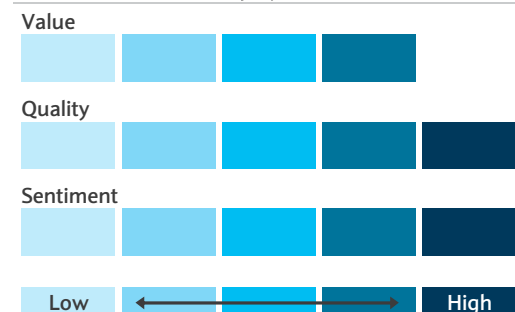
Upside/Downside scenarios



Margin and return data	Average				
Return on RWAs (%)	1.9	1.9	1.8	1.8	1.9
ROA (%)	1.5	1.6	1.5	1.5	1.5
ROE (tangible common) (%)	17.8	17.7	17.1	16.8	17.3
Fee income/revenue (%)	47.6	46.0	44.8	43.9	45.6
Net interest margin (%)	3.4	3.2	3.2	3.2	3.2
Cost/income (%)	58.0	56.8	55.3	53.7	55.9

Credit quality ratios	Average				
Loan loss provs/loans (%)	0.3	0.2	0.3	0.5	0.3
NCO ratio (%)	0.6	0.4	0.4	0.5	0.5
Coverage ratio (%)	92.6	94.4	103.7	117.4	102.0
NPL ratio (%)	1.9	1.6	1.3	1.1	1.5
Reserves/loans (%)	1.8	1.5	1.4	1.3	1.5

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, please go to the equity company page on Barclays Live.

Per share data (\$)	Average				
EPS (reported)	3.89	4.16	4.40	4.80	4.31
DPS	1.15	1.35	1.36	1.49	1.34
BVPS (tangible)	23.8	25.4	28.1	31.0	27.1
Payout ratio (%)	29.6	32.5	31.0	31.0	31.0
Diluted shares (mn)	5,369.6	5,285.4	5,121.5	5,019.1	5,198.9

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

Overview

- WFC recently held its bi-annual investor day in San Francisco. It marked the debuts for John Shrewsbury as CFO and for Tim Sloan as head of wholesale, with both appearing to have settled into their new roles.
- The most incremental data points were a sharp increase in its targeted payout ratio (to 55%-75% NET, up from 50-65% GROSS previously) and a reaffirmation of its 12-15% ROE target despite increasing its B3 T1C target to 10% from 9%.
- Near-term we expect results to evidence continued loan growth, further net interest margin compression, higher fee income (though mortgage softer than it expected a month ago), controlled expenses, and further loan loss reserve releases (though moderating). While WFC did not directly address whether it could keep its streak of 12 consecutive quarters of record EPS alive, it clearly demonstrated how it is well positioned looking out. **It emphasized its ability to perform through-the-cycle, as it benefits from a relationship approach, a continued focus on cross-sell (mentioned cross-sell 68 times matching our expectations, though down from 74x at 2012 investor day and 110x in 2010; unaudited), an ability to adapt to changing landscape, and the long tenured nature of its management team and employee base.**
- We continue to be attracted to WFC's diversified business model as it has demonstrated strong performance over both the short term and the long term, including generating 17 consecutive quarters of EPS growth. While this streak could continue (though 1Q was aided by gains), even if it misses modestly, we still view this company, and its valuation, as compelling. We rate WFC OW.

Financial Outlook

Targets

- WFC's financial targets continue to include a 1.30%-1.60% ROA (1.57% in 1Q), 12-15% ROE (14.35%) and a 55%-59% efficiency ratio (57.9%). It maintained its ROE target despite increasing its Basel III CET1 target to 10%, up from 9% (10.2% in 1Q14). The increase stemmed from OCI, and other volatile items in Basel capital calculations; the treatment of capital distributions in CCAR; and FRB statements on desirability of higher GSIB buffers.
- It increased its payout ratio target to 55%-75% **net**, up from 50-65% GROSS previously (55% gross, 34% net in 2013). Using its current quarterly dividend of \$0.35, it implies a \$7-\$12bn of annual share repurchase (3-5% of outstandings) based on current consensus earnings, up from CCAR 2014.
- It lowered its through-the-cycle net charge-off ratio target from the 1.00% figure revealed at its 2012 investor day toward 0.75-0.80% (we estimated it would be 0.75% in our preview note). NCOs were 0.41% in 1Q14.
- With respect to potential orderly liquidation authority (OLA) bail-in requirements, it sees itself in the 17% area, consistent with our calculations (BAC 23%, BK 22%, C 22%, GS 36%, JPM 19%, MS 40%, STT 16% on same basis). It expects the required minimum to be in the 18-24% range, based on a company's risk characteristics, with it being at the lower end. The already planned issuance of sub debt and preferred stock should close its gap to this expected minimum.
- It continues to look for bolt-on, opportunistic acquisitions, highlighting its Wealth, Brokerage & Retirement and Insurance business units as possible areas, as well as loan portfolios and credit card relationships.

- It noted since its 1Q12 investor day it has posted record EPS in every quarter.

Net interest income outlook

- It expects to grow loans at a rate faster than U.S. GDP growth with a continued balance between commercial and consumer. It continues to target net interest income growth and believes it's well positioned for rising rates.
- It believes the majority of balance sheet repricing in the current rate environment is behind it. Most of the NIM dilution from liquidity builds is behind it (46bps at 1Q14), though the NIM is still subject to pressure from strong deposit growth. NII growth is primarily driven by loan growth.
- Bottom-line, while it is through the most significant impact of balance sheet repricing, there could still be NIM pressure from deposit growth. Still, while the NIM may decline, it believes it can grow net interest income over time.
- WFC also provided a table looking at its main earning asset and total funding estimate repricing betas. An instantaneous 100bp parallel shift in the yield curve is expected to increase the yield of its average earning assets by 55-65bps in the first year, while its funding costs rise a lower 35-45bps for a net benefit of 10-30bps.

Other income statement / balance sheet comments

- It expects mortgage production revenue to stabilize (6% of 1Q14 fee income). Still, it noted its outlook for mortgage for 2Q14 is currently lower than it had expected a month earlier. It cut over 7,000 employees from its mortgage operation from 3Q13-1Q14.
- It believes it's well positioned for non-mortgage fee growth.
- It expects continued strong asset quality results, though the rate of improvement should slow. Reserve releases are expected to continue, absent significant deterioration in the economy. Commercial loans rated pass or better were 92% at 1Q14, the highest level since before the WB merger. Over 40% of its consumer real estate portfolio at 1Q14 consisted of loans originated over the last 5 years, while higher risk loans are liquidating (liquidating loan balances are down over \$30bn since 1Q12). Lower quality residential real estate run-off loans have been replaced with higher quality assets, resulting in improved performance and a stronger credit profile.
- It noted while there is still some uncertainty around final LCR rules, it believes it's well positioned for a range of outcomes. NSFR does not appear to be a problem given structure of its balance sheet.

Current environment considerations

- It expects the economy to grow slowly, yet steadily, presenting opportunities for WFC. Housing remains strong, but it expects home price appreciation to moderate. Employment levels are improving.
- The regulatory environment requires continued diligence. It has over 15,600 employees in control functions, up from over 14,400 in 2012. Corporate risk has 2,300 employees, including 600+ new FTEs since May 2012, with significant growth in Enterprise Risk Program Office, Market & Institutional Risk and Operational Risk.

Community Banking

- WFC's Community Bank serves 1 in 5 consumer households and 1 in 10 small businesses. It operates 6,200 branches in 39 states and D.C. (#1 or #2 in 25 of its 39

states), has 12,500 ATMs (3rd largest), and has 23.6mn and 12.5mn active on-line and mobile customers, respectively.

- It continues to focus on branch density in its markets and striking a balance between opening new branches, relocating branches, and rebranding branches. Since 2012, it has added over 1,000 desks in branches to increase sales and it updates signage at 500 branches per year. Relocations have averaged half the size of previous branches. Its piloted 'Neighborhood Bank' format leverages connected teller and ATM technology, providing a full-service location in one-third the space. It has been able to keep its occupancy costs flat since 2010. It expects to keep its branch count relatively stable near-term. Of note, 75% of its customers use a branch at least once every 6 months.
- It focuses on 'customer intensity', which is a measure that combines channel and transaction usage. It has observed customers who combine digital (on-line/mobile) with other channel interactions have higher purchase rates. Deposit products are the leading consumer household acquisitions vehicle, generating 66% of new consumer households in 2013.
- Cross-sell continues to be a focus. Its retail banking household cross-sell ratio was 6.17 at Feb. 2014, up from 5.98 at Feb. 2012. It estimates achieving its long-term goal of an average of 8 products per household will mean ~100mn additional products.
- Its focus is on growing primary customer relationships and deposits faster than the market over time; deepening customer relationships with consumers and small businesses; and increasing customer intensity (more multi-channel capability supporting "when, where and how" strategy).

Consumer Lending Group (CLG)

- Bottom-line, its near-term outlook was positive as stable mortgage results are expected to be met with improved results in auto, credit card and student (private growth offset by gov't run-off)/personal lines and loans (PL&L). Across its CLG businesses, it has seen solid account and balance growth of late, with improved credit quality. The percentage of 720-plus FICO score customers has increased over the past two years in mortgage, home equity, credit card, and auto. Also, as its total run-off portfolio has declined from 16% in 1Q12 of loans to 10% at 1Q14, it should aid its net growth rate. WFC is targeting improved cross-sell as only half of its Retail Bank customers have non CLG products, while only 22% of its CLG's customers have more than 1 CLG product.
- **Mortgage** – It continues to be attracted to this product where it is the largest player. It noted it has been profitable in mortgage every year since 1990. In 2013, WFC's retail channel had more purchase volume than the next 7 companies combined. Looking out, it aims to continue to focus on the home purchase opportunity, grow the non-conforming segment (with cross-sell opportunities with WBR), increase returns from servicing, and benefit from lower environmental costs (credit, litigation, etc). On the servicing front, after absorbing \$2.6bn into the MSR value, it has adjusted for the new environment. In addition, prepayments should decline. In 2014, it expects production to decline from 2013, but remain profitable. Still, it expects higher servicing results (lower default servicing costs, fewer loan payoffs), better MSR performance (valuation updates for higher default servicing costs already absorbed), increased portfolio lending, lower credit-related costs (improved delinquencies) and lower repurchase/legal expenses (diminish due to settlements). The net impact should place 2014 results on par with 2013.
- **Auto** – It holds the #1 market share of non-captive lenders. It has maintained a consistent market presence through the cycle. It has expanded its GM subvention

program to a national scale. Looking out, it aims to better leverage its commercial relationships to deepen existing dealer relationships and expand coverage. It also looks to grow volume of subvented (loan rate subsidized by manufacturing) and non-subvented financing through manufacturing relationships. With deepening dealer and manufacture relationships, and strong consumer demand, it sees continued growth near-term.

- **Credit card** – It has recently transformed this business and invested in new offerings, enhanced value propositions, and capabilities. It increased its household penetration in its retail base to 38% in 1Q14, from 30% in 4Q11. Balances have grown at double the industry. Looking out, it aims to capture additional affluent share through enhanced offerings (AXP partnership; 9% of affluent accounts vs. 32% for industry benchmark) and grow engagement and usage from existing card holders. It is also exploring further co-branded expansion opportunities (Dillard's of late). It noted more than 80% of its general purpose cards are sold in its retail branches, which help drive relatively lower acquisition costs. In the future, customers will be able to use 'points' from any WFC card to pay off ones WFC mortgage or other consumer loans or contributions to charities (coming in 2015). Accelerated cross-sell and share of wallet as investments begin to deliver returns and growth from private label should allow for continued growth in 2014.

Wholesale Banking

- Wholesale banking represented 26% of 1Q14 revenues (ex. other). It operates over 50 lines of businesses targeting U.S. middle market and large corporates with annual sales of \$20mn and higher; foreign subsidiaries of U.S. companies and the U.S. needs of multinational corporations; and financial institutions and investment funds globally. It operates 688 U.S. and 76 international offices in 406 locations globally. Within Wholesale, it continues to explore opportunistic and asset purchases.
- It featured 3 Wholesale businesses including Commercial Banking, Corporate Banking and Commercial Real Estate, and its Treasury Management product. Two years ago it featured International and Investment Banking. Over 75% of Wholesale relationships have a credit product and nearly 85% have a Treasury Management product with WFC.
- **Commercial Banking** – WFC banks 25% of the middle-market companies in the U.S. through 135 offices. Commercial Banking's share of middle market increased from 22.1% in 2012 to 24.5% in 2013. It averages 10 products per customer, led by international, investments, risk management and insurance. It benefits from a full product set and broad distribution network. It aims deepen cross-sell and strengthen its specialty team focus. It is investing and growing with its customers domestically and globally.
- **Corporate Banking** – Corporate banking consists for a diverse set of primarily industry-focused businesses, including energy, power & utilities, financial institutions, financial sponsors, gaming, healthcare, restaurant finance and general corporate. It serves large corporate, investment grade, non-investment grade, public, and private customers in offices in the U.S., Canada, and the U.K. Roughly 85% of Corporate Banking relationships have a credit product and 73% have a Treasury Management product with WFC. For growth opportunities, it highlighted continue development of its Energy business in Canada and the U.K. and further coordination with its International Group to serve its multinational customers. It focused on its Energy unit. It is active across the upstream, midstream, and services sectors for companies of all sizes, capturing the entire value chain. It has over 400 employees across the Wholesale platform located throughout the U.S., Canada, and U.K. dedicated to serving Energy customers.

- Commercial Real Estate** - In 2013 WFC originated more CRE activity than any other competitor in Industrial, Retail, Hospitality, Office building, Affordable housing, Fannie Mae, Portfolio lender, CMBS/conduit. Its CRE unit has \$63bn in loans or around 7.5% of total loans. It believes its competitive positioning and advantages include a strong balance sheet and willingness to use its balance sheet with larger hold positions across all property types; consistent commercial real estate lending and unwavering commitment to industry through all cycles; trusted advisor and certainty of execution, experience, and understanding of complex real estate transactions; experienced long-term CRE management and relationship team in all major markets with long local market tenure; and its ability to evolve from simply providing credit, CMBS, and capital markets and advisory services (through Eastdil Secured) to a fully integrated platform. CRE is a credit business with 93% credit product penetration rate. Roughly 83% of CRE relationships have Treasury Management products. Other commonly cross-sold products include risk management, investments and capital markets & advisory. Its top 50 CRE credit relationship have an average of 14 bank products. Key growth opportunities include expansion into the U.K. and Canadian markets, increase cross-sell across the platform with additional bank products, expansion of its Homebuilder Banking division and launch of focused Senior Housing division, and Opportunistic loan purchases from deleveraging U.S. and European banks.
- Treasury Management** – WFC views Treasury Management as a core relationship product supporting several lines of business. Over 85% of wholesale banking customers uses its treasury management product which allows it to better understand its customers' business needs. WFC benefits from a single nationwide service and delivery platform and a comprehensive suite of products for all market segments. It ranks #1 in the industry in ACH payments, with a proprietary platform that enables it to make changes quickly to meet new market opportunities. Its Commercial Electronic Office (CEO) portal moved \$11.5trn on-line last year. It believes it has been growing twice as fast as the 3% rate of the industry as a whole. It has expanded its sales force 16% in the past 3 years, and has invested in internal tools and training to empower effectiveness in the field. In terms of opportunities for growth it highlighted its commercial card (fastest growing product in the industry, as customer use extends beyond T&E to invoice payments, 5th largest player), paper to electronic migration (enabling customers to realize efficiencies of straight-through processing) and rising interest rates (as day-to-day value of working capital increases, customers invest in more sophisticated Treasury Management solutions).

Wealth, Brokerage and Retirement (WBR)

- WBR operates 4 businesses including retail brokerage (\$1.4trn client assets), wealth management (\$179bn), Abbot Downing (ultra high net-worth, \$39bn) and retirement (\$341bn IRA, \$298bn IRT).
- This unit represented 16% of 1Q14 revenues (ex. other). Over the past 5 years, revenues have grown at a 5.2% CAGR, while expenses increased 2.6%. Recurring revenues increased from 65% in 2009 to 76% in 2013. Its pre-tax margin increased steadily to 21% in 2013 (18% in 2012; 8% in 2009).
- WBR's long-term targets include a 25% pre-tax margin up from a target of 22% at its 2012 investor day (21% in 2013). It reiterated targets of a 2.75% net interest margin (1.65% in 2013; target would add \$1.1bn to pre-tax income), 80% recurring revenues (76% in 2013), and positive operating leverage of 300bps (+290bps in 2013; 15 of past 17 quarters were positive y-o-y).

- It commented despite a 5-year 'bull market', its clients have escalating concerns about the economy and the markets. Of note, 62% of investors report that their fears about sustaining significant losses in a repeat of the 2008/09 stock market downturn have not eased (as of Feb. 2014).
- It highlighted four strategic opportunities include advisor best practices (the number of advisors adopting best practices have tripled in 4yrs resulting in 30% greater client loyalty and 2.5x advisor productivity growth), high net worth partnership (piloted in 2010, full roll out in 2012 has yielded \$4.1bn in incremental client balances), community bank partnership (\$2.1trn of savings, retirement planning and investing dollars held away), and its home lending partnership (WBR portfolio mortgages up 19% CAGR since 2010).

ANALYST(S) CERTIFICATION(S):

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Primary Stocks (Ticker, Date, Price)

Wells Fargo (WFC, 20-May-2014, USD 48.96), Overweight/Positive, A/C/D/J/K/L/M/N/O

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Guide to the Barclays Fundamental Equity Research Rating System:

Our coverage analysts use a relative rating system in which they rate stocks as Overweight, Equal Weight or Underweight (see definitions below) relative to other companies covered by the analyst or a team of analysts that are deemed to be in the same industry (the "industry coverage universe").

In addition to the stock rating, we provide industry views which rate the outlook for the industry coverage universe as Positive, Neutral or Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

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.

Equal Weight - The stock is expected to perform in line with the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

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

Rating Suspended - The rating and target price have been suspended temporarily due to market events that made coverage impracticable or to comply with applicable regulations and/or firm policies in certain circumstances including where the Corporate and Investment Banking Division of Barclays is acting in an advisory capacity in a merger or strategic transaction involving the company.

Industry View

Positive - industry coverage universe fundamentals/valuations are improving.

Neutral - industry coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

Negative - industry coverage universe fundamentals/valuations are deteriorating.

Below is the list of companies that constitute the "industry coverage universe":

U.S. Large-Cap Banks

Ally Financial Inc. (ALLY)	Bank of America (BAC)	BB&T Corp. (BBT)
Capital One Financial (COF)	Citigroup Inc. (C)	Fifth Third Bancorp (FITB)
Goldman Sachs Group Inc. (GS)	JPMorgan Chase & Co. (JPM)	KeyCorp (KEY)
Morgan Stanley (MS)	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)

Distribution of Ratings:

Barclays Equity Research has 2611 companies under coverage.

45% have been assigned an Overweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Buy rating; 54% of companies with this rating are investment banking clients of the Firm.

38% have been assigned an Equal Weight rating which, for purposes of mandatory regulatory disclosures, is classified as a Hold rating; 47% of companies with this rating are investment banking clients of the Firm.

15% have been assigned an Underweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Sell rating; 43% of companies with this rating are investment banking clients of the Firm.

Guide to the Barclays Research Price Target:

Each analyst has a single price target on the stocks that they cover. The price target represents that analyst's expectation of where the stock will trade in the next 12 months. Upside/downside scenarios, where provided, represent potential upside/potential downside to each analyst's price target over the same 12-month period.

Guide to the POINT® Quantitative Equity Scores:

The POINT Quantitative Equity Scores (POINT Scores) are based on consensus historical data and are independent of the Barclays fundamental analysts' views. Each score is composed of a number of standard industry metrics.

A high/low Value score indicates attractive/unattractive valuation. Measures of value include P/E, EV/EBITDA and Free Cash Flow.

A high/low Quality score indicates financial statement strength/weakness. Measures of quality include ROIC and corporate default probability.

A high/low Sentiment score indicates bullish/bearish market sentiment. Measures of sentiment include price momentum and earnings revisions.

These scores are valid as of the date of this report. To view the latest scores, which are updated monthly, [click here](#).

For a more detailed description of the underlying methodology for each score, please [click here](#).

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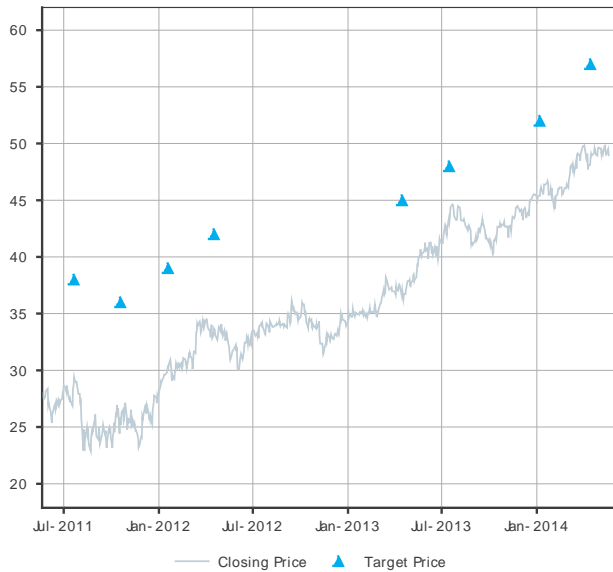
Wells Fargo (WFC)
USD 48.96 (20-May-2014)

Stock Rating
OVERWEIGHT

Industry View
POSITIVE

Rating and Price Target Chart - USD (as of 20-May-2014)

Currency=USD



Date	Closing Price	Rating *	Adjusted Price Target
14-Apr-2014	48.11		57.00
06-Jan-2014	45.42		52.00
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

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

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

Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

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Valuation Methodology: Our price target of \$57 is based on 13x multiple on our 2015 EPS estimate of \$4.40.

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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