Equity Research

SPROTT STUDENT INVESTMENT FUND

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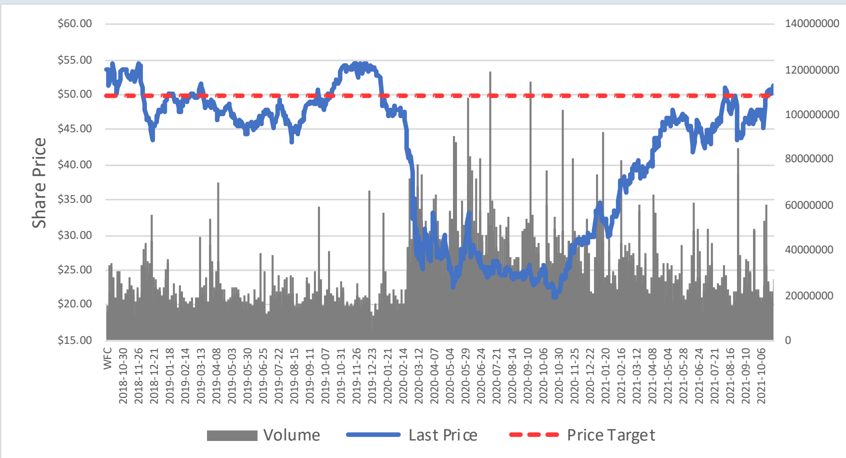
Wells Fargo Inc.



NYSE: WFC

Current Price: **$49.90** Rating: HOLD

Price Target: $50.12

Bear Case: $45.70

Base Case: $50.12

Bull Case: $54.58

Research Highlights

- *Weak Fundamentals*
  Although Wells Fargo has a low valuation compared to its peers, this is because of its lower returns and margins. The company also seems to have a below average work environment that is set to hold it back as it works on completing the work it has been given by regulators through various consent orders. Its weak work environment will also make it difficult to hire talent that will allow the bank to compete in the long term.
- *Potential for Turnaround*
  Many of the issues that the bank is facing is due to the various regulatory issues that it has run into in recent years. Under the new CEO Charles Scharf, the company is working to resolve these issues. If all goes well, and Wells Fargo is able to bring the business back into good faith with regulators and customers, and get its $1.95 trillion asset cap lifted, the company may experience strong growth in its business and its stock price.
- *Ability to profit from strong economic conditions*
  As a financial services company, Wells Fargo's performance is strongly tied to economic conditions. Strong economic conditions, which are expected to continue into the medium term, will almost certainly boost the company's top and bottom lines.

Key Financial Data	
Market Cap	$212.342B
S&P Credit Rating	BBB+
Debt to Equity Ratio (LF)	107.3%
Price to Earnings (TTM)	11.92
Price to Book (TTM)	1.20
Dividend Yield	1.55%
Efficiency Ratio (TTM)	73.3%
ROA (TTM)	1.0%
ROE (TTM)	11.1%
ROTCE (TTM)	14.0%

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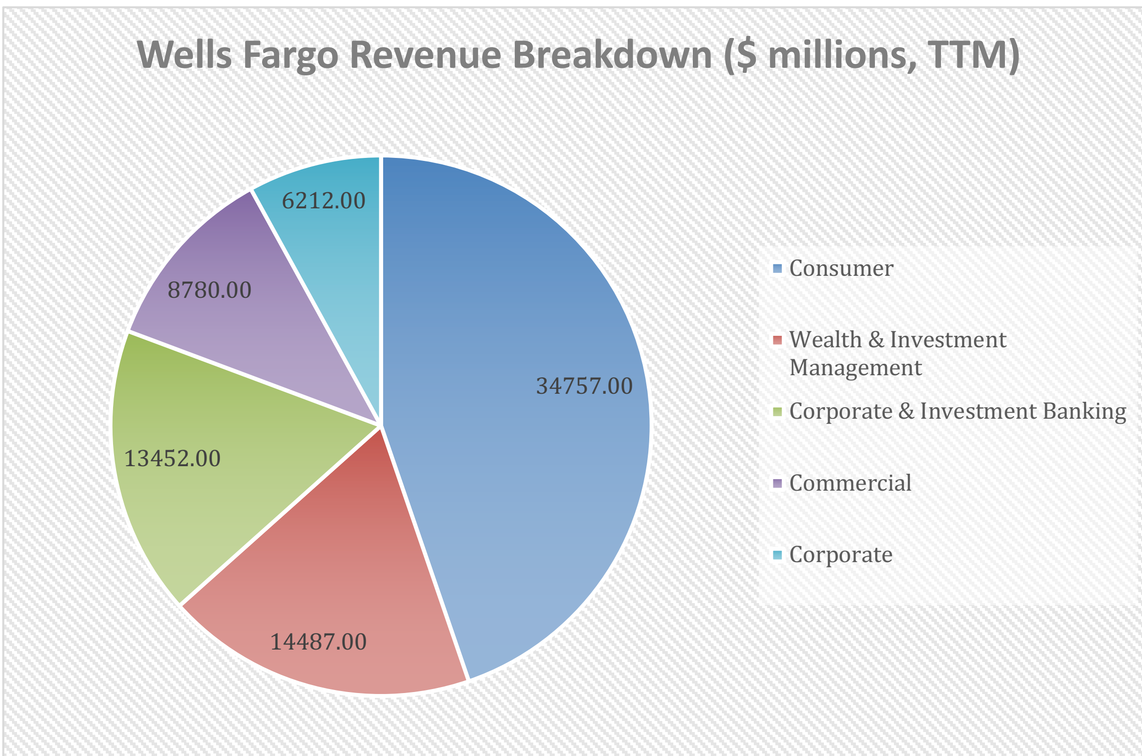
Company Overview

Wells Fargo & Company owns Wells Fargo Bank, one of the top five largest banks in the US with about 7,500 locations in all 50 states. As of September 30, 2021, the company had generated $75.6 billion in revenue in the last twelve months, and its assets totaled $1.954 trillion. Wells Fargo operates exclusively in the U.S. and derives its revenue from multiple segments, including consumer banking and lending, commercial banking, corporate and investment banking, wealth and investment management, and their corporate segment. The company was founded in 1852 and found early success in the stagecoach business. Today it serves one in three US households.

Segments and Operations

Wells Fargo's five reportable business segments are Consumer Banking and Lending, Corporate and Investment Banking, Wealth and Investment Management, Commercial Banking, and Corporate, which includes business lines not included in the previous four segments.



Consumer Banking and Lending is Wells Fargo's largest segment, representing approximately 46.3% of total revenue over the last twelve months. This segment includes car, home, and small business lending, as well as debit card and credit card fees.

Wells Fargo's next largest segments, Corporate and Investment Banking, and Wealth and Investment Management, each make up about 17.9% and 19.3% of total revenue, respectively.

Corporate and Investment Banking provides capital financing, corporate trust services, market risk and foreign exchanges services, investment services, and a variety of other products and services to businesses and institutions. The Wealth and Investment Management provides individuals with wealth planning services, financial advisors, trust services, and private banking. This segment is made up of several businesses including: The Private Bank, Downing, and Wells Fargo Advisors.

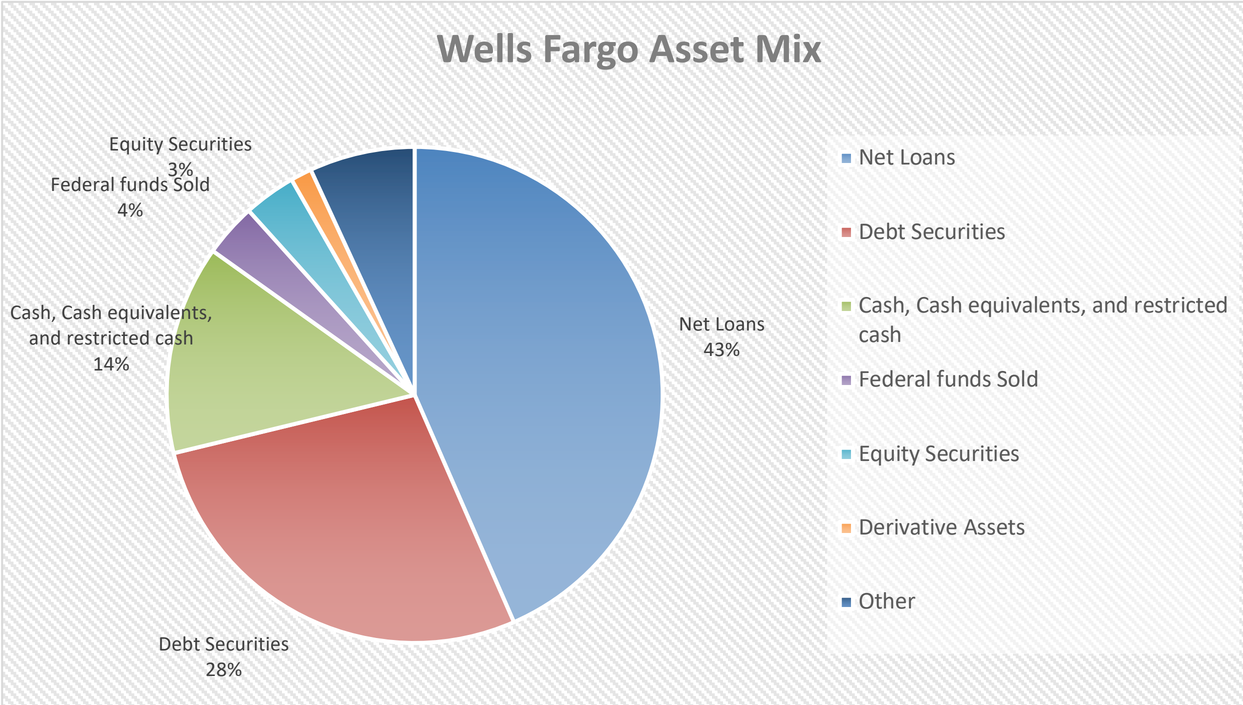
Wells Fargo's Commercial Banking segment makes up approximately 11.7% of the company's total revenue. This segment derives its revenue from middle market banking and asset-based lending and leasing.

Finally, Wells Fargo provides an assortment of other products and services not included in the segments above. In its earnings reports, these are grouped under "Corporate". Some of these products and services include corporate treasury and enterprise functions, and Wells Fargo's investment portfolio and affiliated venture capital and private equity businesses. Corporate also includes businesses that no longer align with the company's long-term strategic goals, or those businesses that have been divested. In total, this segment brought in about 8.2% of the company's total revenue in the twelve months ending September 30, 2021.[1]

Asset Mix

Wells Fargo is primarily a consumer/commercial bank with a large portion of its assets being loans; as of September 30, 2021, the company's net loans made up 43.4% of total assets. Below is a breakdown of the company's assets.

[1] Note that these segments add up to more than total revenue. This is due to taxable-equivalent adjustments made related to tax-exempt income from certain investments and loans that impact the company's income tax expense (benefit). These adjustments amount to a discrepancy of 3.4% of total reported revenues and are eliminated in the company's report on segment revenues using a reconciling item.



Consent Orders and Asset Cap

Wells Fargo is currently under 10 active consent orders issued by regulatory bodies. These consent orders were imposed on Wells Fargo following regulatory problems and they outline specific steps that the company needs to take in order to remedy these issues. Currently the most significant consent order was imposed by the Federal Reserve on February 2, 2018, which prevents the company from growing its total assets beyond $1.95 trillion. This consent order was made in response to Wells Fargo's deficient internal controls and risk management practices, likely somewhat related to the phony-accounts scandal of 2016.

Dividends and Share Buybacks

Wells Fargo drastically lowered their annualized dividend in 2020 from $1.96 per share to $0.20 per share. Annualized dividends have now increased to $0.80 per share. Beginning in the third quarter of 2021, the company has been engaging in strong share repurchases under a plan to buy back $18 billion worth of shares during a twelve-month period. In the Q3 2021 alone, the company repurchased 114.2 million common shares, or $5.3 billion.[2]

[2] Wells Fargo. (2021, October 14). *Wells Fargo 2021 3rd Quarter Earnings News Release*. Retrieved November 2, 2021, from https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/presentations/2018/committed-and-focused.pdf.

Industry Characteristics

Overview

There are three main types of banks: Consumer/Commercial banks, Investment banks, and Universal banks, which are a combination of the other two. Consumer/Commercial banks derive revenue from lending out money to individuals and businesses and make their profit from the net interest margin that they can generate. Investment banks, on the other hand, generate revenue from the fees they charge for the services they provide. These services may include M&A advisory services, wealth management services, underwriting services, and several others.

Competition

Competition in the banking industry is highly competitive, and like many industries, it exhibits qualities of a monopolistically competitive market. This is unsurprising, as even though financial services are sometimes portrayed as a commodity, the reality is that because of the complexity of many financial products, a perfectly competitive market very unlikely to arise. So how do banks typically compete on their products? That, of course, depends on the product in question. For payment solutions (credit and debit cards), fees and interest rates, as well as user benefits and rewards are important. The same goes for chequing and savings accounts. For commercial loans, retail mortgages, and other lending products, interest rates, and specific terms detailed in the borrowing program are important. Customer service is key across all financial services and products.

Key Financial Metrics

When analyzing a bank, financial metrics are one of the most important things that need to be looked at. Comparing a bank's different ratios and metrics with other banks can give you a good idea on how competitive the bank is.

Financial statements published by banks are often more complicated than those of the average company, and this makes financial analysis of banks deeper and more difficult. Banks make the bulk of their money leveraging net interest margin to turn a profit, something fundamentally different from most other companies. Below if a list of key bank financial metrics and how they are interpreted.

Net Interest Margin

Net Interest Margin is a profitability metric used on banks. It is calculated by taking the difference between interest expense and interest income, then dividing by total average interest-earning assets.

$$Net\ Interest\ Margin = \frac{(Interest\ Income - Interest\ Expense)}{Average\ Interest\ Earning\ Assets}$$

Having a low net interest margin means that the firm's profitability is sensitive to changes in interest rates, while having a higher net interest margin means that firm is better equipped to react to changes in rates. Note that when comparing net interest margins of financial institutions, it is important to make sure that the companies being compared have similar business models. As an example, Capital One's net interest margin for the second quarter of 2021 was 5.89%, whereas Wells Fargo's was 2.02%. This discrepancy doesn't mean that Capital One is significantly more profitable than Wells Fargo. It simply means that Capital One and Wells Fargo focus on different types of interest earning assets to generate income.[3]

Return on Assets (ROA)

Return on assets is a traditional way of assessing a bank's ability to generate returns from their asset base. It is calculated by taking net income and dividing it by total average assets. In the banking industry, an ROA of 1% and above is usually considered good. In addition, smaller banks tend to have higher ROAs than larger banks because competition tends to be lower in local markets, and smaller banks also tend to be better at operating with lower overhead and more efficient at managing credit risk.[4]

Return on Equity and Return on Tangible Common Equity (ROE and ROTCE)

Return on Equity is another common ratio used to measure a bank's profitability. It is calculated by dividing net income by total shareholders' equity. Return on Tangible Common Equity is a similar metric, but instead of having the total shareholders' equity, in the denominator, tangible common equity is used. Tangible common equity is a metric that is often used to measure a company's capital adequacy and is calculated by subtracting intangible assets and preferred equity from total book value.[5]

Efficiency Ratio

The Efficiency Ratio is profitability metric used in the banking industry. It is the percentage of revenues that is used to pay non-interest expense. In other words, it is calculated by dividing non-interest expense by total revenues. A lower efficiency ratio means that the bank is spending less on non-interest expenses and hence is more profitable.

Loan-to-Assets Ratio

This ratio is used to measure a how much of a bank's business is based on lending. It is also a measure of a bank's liquidity since loans are typically not liquid. A high loan-to-assets ratio

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[3] Ross, S. (2021, September 8). *What net interest margin is typical for a bank?* Investopedia. Retrieved from https://www.investopedia.com/ask/answers/061715/what-net-interest-margin-typical-bank.asp.

[4] *Roa, Roe, and what these key measures mean for your bank*. Weiss Ratings Grey House. (n.d.). Retrieved from https://greyhouse.weissratings.com/ROA-ROE-and-What-These-Key-Measures-Mean-for-YOUR-Bank.

[5] Hayes, A. (2021, May 19). *Tangible common equity (TCE)*. Investopedia. Retrieved from https://www.investopedia.com/terms/t/tangible-common-equity.asp.

means that the bank is subject to higher financial risk due to lower levels of liquidity. It also means that a larger portion of the bank's revenues are derived from net interest income.

Loan-to-Deposits Ratio

Like the loan-to-assets ratio, this ratio is used to assess a bank's liquidity. It is calculated by dividing total loans by total deposits. A higher loan-to-deposits ratio means that the bank is highly leveraged and is more at risk due to lower levels of liquidity. However, a very low loan-to-deposits ratio means that the bank may not be taking full advantage of the cash deposits they have at their disposal and are losing out on potential returns.

Tier 1 and Common Equity Tier 1 (CET1) Capital Ratio

The Tier 1 capital ratio measures a bank's capital against its risk weighted assets (RWAs) and is used to assess a bank's ability to absorb losses. Tier 1 capital, which is used to calculate the Tier 1 capital ratio, is made up of Common Equity Tier 1 capital (CET1), and Additional Tier 1 Capital (AT1). Common Equity Tier 1, which is part of Tier 1 Capital, can be understood as a bank's core capital and includes common shares, stock surplus, retained earnings, other comprehensive income, and qualifying minority interest and regulatory adjustments.[6] CET1 can absorb losses immediately. AT1 includes preferred stock and related surplus, additional qualifying minority interest, and regulatory adjustments. AT1 can absorb losses on a going-concern basis, but doesn't meet all the requirements to be considered CET1.

RWAs are essentially sum of total assets weighted by risk. Assets that have higher risk are assigned a higher risk rating and are weighted more heavily in the calculation to obtain total RWAs.

Under Basel III, a set of international regulations set in place to help prevent banks from failing due to sharp declines in asset value, banks are required to maintain a Tier 1 capital ratio of at least 6%. In other words, Tier 1 capital needs to be at least 6% of risk-weighted assets. In addition, banks must maintain a CET1 ratio of at least 4.5%.[7]

Non-Performing Assets

Non-performing assets (NPAs) are loans that a bank or similar institution owns, where the borrower has not made any of the principal or interest payments for an extended period of time. Usually, NPAs are compared to total loans outstanding to assess what percentage of total loans are non-performing.

[6] *Definition of capital in Basel III - executive summary*. The Bank for International Settlements. (2019, June 27). Retrieved from https://www.bis.org/fsi/fsisummaries/defcap_b3.htm.

[7] *Definition of capital in Basel III - executive summary*. The Bank for International Settlements. (2019, June 27).

Financial Analysis and Operations

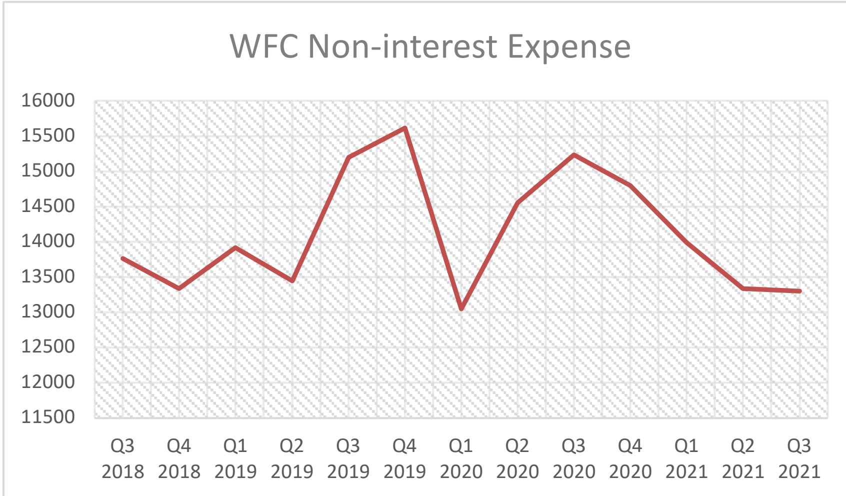
Profitability

Wells Fargo's profitability ratios are below average across the board. This is likely due to the asset cap imposed on the company forcing the company to turn away business, as well as the added cost of complying with the numerous consent orders it has entered into with regulators. The removal of the asset cap will be a crucial step to increasing overall returns and profitability.

Wells Fargo Peer Profitability Comparison TTM					
		METRICS			
Name	Ticker	Efficiency Ratio TTM	Net Interest Margin TTM	ROE TTM	ROA TTM
Wells Fargo	WFC	73.3%	2.3%	11.1%	1.0%
Bank of America Corp	BAC	67.3%	1.9%	11.8%	1.1%
Citigroup Inc	C	63.6%	2.2%	12.0%	1.0%
JPMorgan Chase & Co	JPM	57.2%	2.0%	19.6%	1.4%
PNC Financial Services Group	PNC	65.2%	2.5%	10.9%	1.7%
SVB Financial Group	SIVB	50.3%	2.7%	19.0%	1.3%
Truist Financial Corp	TFC	68.1%	3.2%	11.2%	1.2%
US Bancorp	USB	59.5%	2.7%	15.8%	1.4%
Median		64.4%	2.4%	11.9%	1.2%
Mean		63.1%	2.4%	13.9%	1.3%

Regardless, even without considering the removal of the asset cap, CEO Charles Scharf has been leading the company towards better efficiency. By cutting expenses and streamlining business processes, Wells Fargo has been successful in lowering their quarterly non-interest expenses over the six quarters. Management is expecting business efficiency initiatives to continue to produce better profitability in the future. For fiscal 2021, total non-interest expense (excluding restructuring charges and business exit costs) is expected to be around \$53.5 billion.[8] This implies that Q4 2021 will have around \$12.9 billion in non-interest expense.

[8] Transcribing, M. F. (2021, October 14). *Wells Fargo (WFC) Q3 2021 earnings call transcript*. The Motley Fool. Retrieved from https://www.fool.com/earnings/call-transcripts/2021/10/14/wells-fargo-wfc-q3-2021-earnings-call-transcript/.



Liquidity and Solvency

Wells Fargo's liquidity and solvency position when compared to peers is about average. As of September 30, 2021, the company's Common Equity Tier 1 ratio (CET1 ratio) was 11.6%, which is above the 6% minimum requirement under the Basel III standard requirement.[9] Wells Fargo's debt to equity ratio according to its latest quarterly filing was 107.3%, which is above the median figure of 101.2% for the banks that were chosen as comps. Finally, Wells Fargo's loan to deposit ratio is at 65.8%, which is above the median figure of 61.0% among the banks chosen as comps.

In general, Wells Fargo is in a solid position in terms of liquidity. However, it's difficult to make any conclusions by comparing these metrics to peers, since every bank has a different mix of loans that have different yields.

[9] Nickolas, S. (2021, August 25). How can i calculate the tier 1 capital ratio? Investopedia. https://www.investopedia.com/ask/answers/043015/how-can-i-calculate-tier-1-capital-ratio.asp.

Wells Fargo Peer Liquidity and Solvency Comparison (Latest filing)					
		METRICS			
Name	Ticker	CET1 Ratio	Debt/Equity	Loans to Deposits	Net Charge-off ratio
Wells Fargo	WFC	11.6%	107.3%	65.8%	0.2%
Bank of America Corp	BAC	11.9%	227.0%	52.2%	0.3%
Citigroup Inc	C	12.1%	365.5%	56.3%	0.8%
JPMorgan Chase & Co	JPM	13.1%	256.2%	47.2%	0.3%
PNC Financial Services Group	PNC	12.2%	59.5%	66.7%	0.3%
SVB Financial Group	SIVB	11.0%	16.4%	44.3%	0.3%
Truist Financial Corp	TFC	10.0%	62.5%	80.2%	0.2%
US Bancorp	USB	9.7%	95.2%	71.3%	0.3%
Median		11.7%	101.2%	61.0%	0.3%
Mean		11.4%	148.7%	60.5%	0.3%

Also, note that net charge-off rates are currently at historically low levels, thanks to higher client liquidity and generally strong economic conditions. Such high credit quality is not likely to last in the long term and will normalize to historical levels within a couple years.

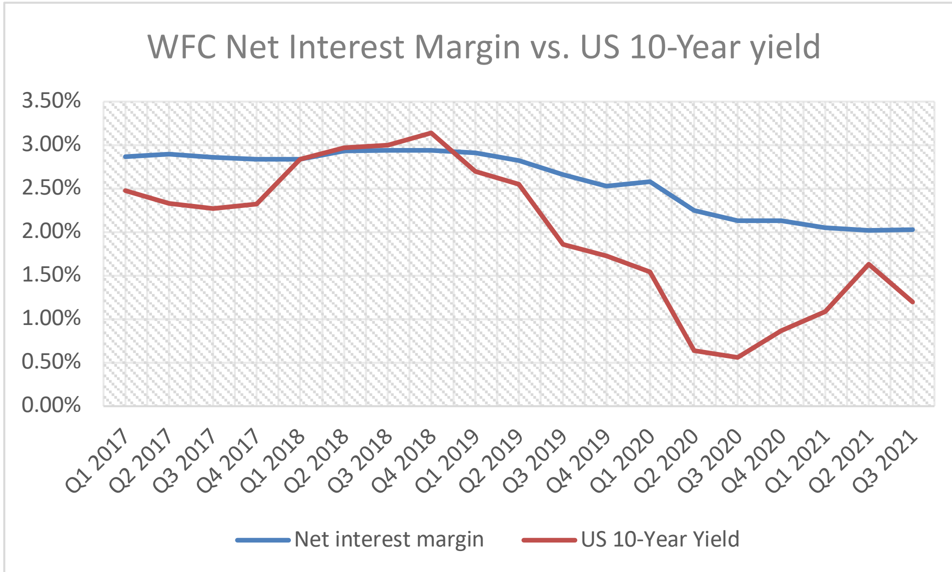
Performance

As may be expected, Wells Fargo has severely underperformed its peers in terms of earnings growth over the last five years. Out of the comparison group, it is the only company that has yet to exceed pre-pandemic levels of earnings.

Wells Fargo Peer Growth Rate Comparison			
		METRICS	
Name	Ticker	5yr Earnings Growth (%)	2yr Earnings Growth (%)
Wells Fargo	WFC	-15.03%	-16.90%
Bank of America Corp	BAC	84.52%	9.82%
Citigroup Inc	C	57.34%	23.23%
JPMorgan Chase & Co	JPM	113.61%	43.15%
PNC Financial Services Group	PNC	49.85%	9.07%
SVB Financial Group	SIVB	394.08%	60.64%
Truist Financial Corp	TFC	164.79%	86.82%
US Bancorp	USB	32.67%	7.21%
Median		**70.93%**	**16.53%**
Mean		**110.23%**	**27.88%**

In general, Wells Fargo's performance seems to be strongly tied with the US 10-Year Treasury yield. The correlation coefficient between the company's quarterly net interest margin, and the

10-Year Treasury yield on the first day of the second month of each quarter from Q1 2017 to Q3 2021 is 0.89.



Note that the recent uptick in the treasury yields has not been followed by an uptick in net interest margins. This may be due to higher loan paydowns and weaker demand for credit hampering the company's ability to charge higher rates.

Also, in 2021, noninterest income has been exceptionally strong. This is primarily due to higher investment banking and advisory fees caused by higher market valuations, as well as stronger consumer activity, including more debit card transactions. Noninterest income has also had a boost from gains on equity securities fueled by strong equity markets in 2021.

Medium-Term Industry Considerations

Improving economic conditions

Although uncertainty around COVID-19 is still pervasive, economic conditions have been improving. Partially due to government stimulus programs, and partially due to conservatism, companies have lowered their debt and increased their deposits. Liquidity in capital markets is currently high, and credit quality has gone up significantly in the past year. As a result, banks have been reducing provisions for credit losses.

Labour shortages and supply constraints have been one of the largest factors restricting economic growth. A combination of pandemic-related uncertainty, excess demand, and pandemic-related shutdowns have caused these issues to become problematic and more persistent than anticipated. Some have even speculated that the U.S. economy is heading into a period of stagflation. However, despite price increases and longer lead times for many products, demand and economic growth continues to be robust, making way for a case that the economy is simply having an inflationary boom. As the economy continues to grow at a high pace and demand outpaces supply, companies across the board will be looking to boost inventory levels and ramp up business investment. Their activities will naturally demand more banking services as well. Consumer spending will also increase, as consumer sentiment rises along with a stronger economy.

Strong Consumer Spending

Generally higher consumer sentiment as compared to 2020 is currently driving more credit card and debit card spending volume. Banks are seeing higher deposited and debit card related fees, as well as higher credit card point of sales volumes. In general, the increase in consumer retail spending is most likely driven by pent-up demand. However, interestingly, since March, growth in consumer spending has slowed compared to the first quarter of the year.[10]

This flattening may be caused by two main factors. First, it has been noted that the current flat "trend" may be an indicator of consumers being concerned about the effects of the new COVID variants and the possibility of restrictions being reimposed due to rising cases across the U.S. Secondly, this flattening may be occurring since spending in general has risen significantly above pre-COVID levels. As a result, the high, artificial growth in consumer spending that occurred in the second half of 2020 into the first quarter of 2021 is no longer realistic. In the years before the COVID-19 pandemic, periods of stagnant consumer spending were normal, and the flattening we are currently seeing could reflect those more normal times.

However, despite the slower growth in consumer expenditures, households still hold accumulated savings that are significantly larger than usual, and there is strong evidence of pent-up demand remaining the market. Not to mention the progress that is being made with regards to vaccinations. As a result, one may expect consumer expenditures to continue to see strong growth in late 2021 into 2022.[11]

Consumer Credit

Anticipating how willing households will be to spend rather than save is important to determine future consumer credit card and personal loan demand. Higher levels of spending correspond to higher levels of consumer credit. This creates an environment where banks can raise the rates they charge on loans, on top of the higher total loans they will have on their balance sheet.

[10] *Personal consumption expenditures*. FRED. (2021, October 29). Retrieved from https://fred.stlouisfed.org/series/PCE.
[11] *Minutes of the federal open market ... - federalreserve.gov*. (2021, September). Retrieved from https://www.federalreserve.gov/monetarypolicy/files/fomcminutes20210922.pdf.

As mentioned above, the economy is still in a delicate position, with the Consumer Confidence Index (CCI) at levels lower than pre-pandemic levels. The CCI measures consumer sentiment around general economic conditions, including how they spend money.[12] The lower CCI levels we're seeing mean that even in a low interest-rate environment and a recovering economy, consumers are still skittish of making major purchases and are worried about the economy in general. The Delta variant and inflation concerns in particular have caused the recent drop in consumer confidence in the last few months.[13] This will prove to be a damper to loan growth and interest rates.

There are a few scenarios that may play out. If strong vaccination rates continue and COVID-19 infection rates continue to trend down, consumer confidence can be expected to rise, and consumer spending along with it. Not only would this mean stronger consumer spending and more consumer credit, but it would also imply expectations of a stronger economy. This is, however, contingent on supply chain constraints easing and being able to meet demand.

If supply issues are not resolved, that gives us our second scenario. The current supply shortages are a main driver for inflation. If they last significantly longer than expected, the U.S. economy may experience stagflation, where inflation is high, but economic growth is unable to keep up. This will come with a hit to consumer spending growth in inflation-adjusted terms. This probably won't cause the nominal dollar amount of bank profits to decline. However, after adjusting for inflation, there is a good chance that banks will be struggling to keep up with inflation as consumer credit growth lags behind it.

Housing

The housing market is currently experiencing record high prices and extremely strong demand, with U.S. home prices up 19.9% over the last year.[14] The housing market has been cooling of over the last few months as homebuyers wait out the extreme prices. However, demand continues to outpace supply. Other than increasing total mortgages outstanding, a strong housing market makes households feel wealthier. This can have a positive influence on consumer spending, helping to spur economic growth.

That said, home prices currently do seem unsustainable, with real prices approaching the 2006 housing bubble levels.

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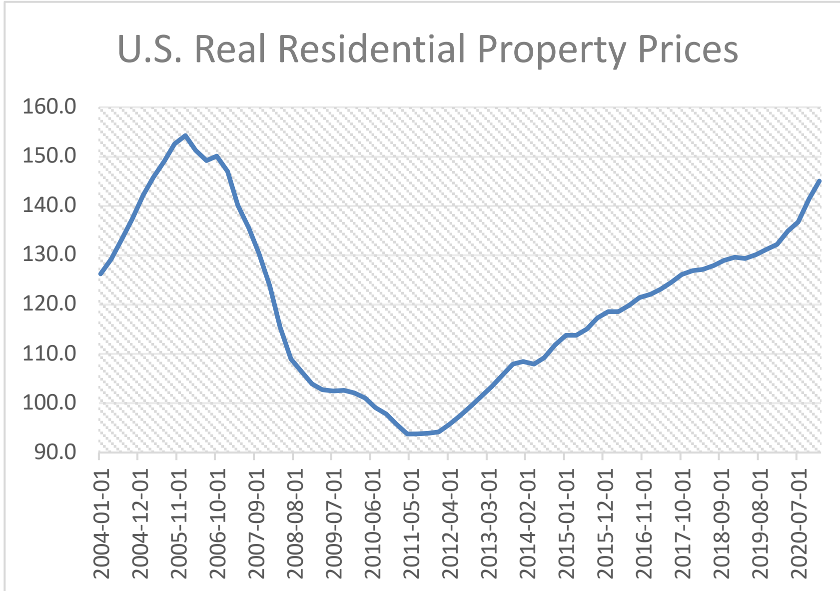
[12] *Leading indicators - consumer confidence index (CCI) - OECD Data*. theOECD. (n.d.). Retrieved from https://data.oecd.org/leadind/consumer-confidence-index-cci.htm.
[13] The Conference Board. (2021, October). *Consumer Confidence Survey*. The Conference Board. Retrieved from https://conference-board.org/data/consumerconfidence.cfm.
[14] *S&P/case-shiller U.S. national home price index*. FRED. (2021, October 26). Retrieved November 2, 2021, from https://fred.stlouisfed.org/series/CSUSHPISA.



Real Residential Property Prices for the U.S., Source: St. Louis Federal Reserve

Therefore, it is likely that home prices will begin to come down sometime in the next few months. But this isn't that negative for the economy; lower housing prices can spur more volume in the housing market and higher mortgage originations as more people are able to afford to purchase a home.

Interest Rates[15]

Currently, investors are assessing when the first interest rate hike by the Fed will occur. The Fed as reiterated on several occasions that it will not be raising rates until 2023. However, there is a significant number of people who expect that due to elevated inflation, the Fed will be forced to raise rates sooner. Details of the future trajectory of inflation are discussed below. Long-term rates are expected to rise in 2022, due to inflation and the fact that the Fed will be raising short term rates soon. Strong economic activity will also put upwards pressure on long-term rates.

Inflation

U.S. Inflation in 2021 has been much higher than the average rate in the last ten years due to a combination of higher money supply, supply chain constraints, and labour shortages. Early in 2021, consensus was that inflation would be transitory, since many of the causes of inflation

[15] Author's Note: There is a significant positive correlation between the 10-year U.S Treasury yield and financial stocks; however, we will not be discussing long-term treasury rates in detail in the section. Note that banks consider market interest rates when deciding what rates to charge on loans. But the reason for the correlation may not simply be because of this fact, but also because U.S. Treasuries and the stock of financial companies are inextricably linked. A bond selloff often means that investors are going into other assets that are expected to have greater inflation-adjusted returns. When it comes to protecting against inflation, owning financial companies is an attractive option, because banks will always try to ensure that the real returns that they generate through their assets are going to be positive.

stemmed from supply chain constraints arising out of pandemic-related shutdowns and pent-up demand. However, supply chain constraints have yet to resolve themselves, and labour shortages have become a significant issue. The latest CPI data showed a one-month increase in prices of 0.9%, and a 12-month increase of 6.2%, significantly higher than expected. Energy and new and used vehicles have been the biggest contributors to the hot inflation. Even the food index increased 0.9 month-over-month, and 5.3% over the last 12 months.[16]

The Federal Reserve continues to believe that inflation will be largely transitory, stating that the supply constraints would ease by 2022, bringing the 12-month change in core Personal Consumption Expenditures (PCE) prices down to two percent. Weak jobs reports and persistent high unemployment have been cited as a reason for the Fed to remain accommodative. Note, however, that the Fed has been revising its inflation estimates upwards from its initial estimates in the early part of 2021 as supply constraints and labour shortages have had a larger and more prolonged effect on the U.S. economy than previously anticipated.[17] In addition, there is evidence that there will be a long-term shift towards fewer workers in the economy. Most striking is the number of new businesses that were created during the pandemic and that continue to be created.

Business Applications: Retail Trade in the U.S. - Source: Federal Reserve Bank of St. Louis

Furthermore, according to Google mobility data, traffic across all categories is rising except places of work. In other words, people are travelling more overall, but they are not travelling to

[16] U.S. Bureau of Labor Statistics. (2021, November 10). *Consumer price index summary - 2021 M10 results*. U.S. Bureau of Labor Statistics. Retrieved November 10, 2021, from https://www.bls.gov/news.release/cpi.nr0.htm.
[17] *Minutes of the federal open market ... - federalreserve.gov*. (2021, September). Retrieved from https://www.federalreserve.gov/monetarypolicy/files/fomcminutes20210922.pdf.

work.[18] There are multiple potential reasons for these trends, one of them being the fact that higher valuations in equities and real estate have made people feel wealthier and more willing to move away from their jobs to do something else, or to retire. These facts suggest that the pandemic has had a lasting impact on the decisions that people are making with regards to work, and that the labour shortage that we are currently experiencing may continue to persist into the next couple of years. This will have an upwards effect on inflation in the months and years to come.

Finally, in order to support the U.S. economy, the U.S. Federal Government has run a large budget deficit of over $6 trillion over the last two years.[19] This requires the government to expand its debt, as was seen by the most recent raising of the debt ceiling. This issuance of government debt has a downward effect on bond prices, raising interest rates. The cash that the government pumped into the economy through stimulus cheques and other similar support programs will also contribute to inflation. However, the government will be slowing down its spending significantly as the economy recovers. In 2022, and 2023, deficits are expected to come down to levels closer to a historical norm and reduce the amount of inflationary pressure on the economy.

High Client Liquidity and Loan Quality

Over the last nine months, the financial sector has seen exceptionally high loan quality and low net charge-offs. This has resulted in releases from loan loss provisions. In general, banking customers currently have high liquidity and have been making elevated prepayments.[20] This has had pressure on margins among banks, as elevated prepayments reduce the amount of interest that a bank receives on loans. However, it is unlikely that these trends will continue in the long-term. Loan quality and net charge-offs should return to more historically normal levels in the upcoming quarters.

Company Culture and Management Analysis

Executives

Wells Fargo's senior leadership team has changed dramatically over the past two years, with only 3 of 19 holding their posts prior to 2019.[21] It is also interesting to note that the majority of Wells Fargo's new senior leadership team has had experience working at JPMorgan. Note that

[18] Beilfuss, L. (2021, October 18). *The workers won't be coming back, Covid or not. here are theories on where they went.* Where Are Workers Going? Theories on Why People Aren't Returning to Work. | Barron's. Retrieved from https://www.barrons.com/articles/the-workers-wont-be-coming-back-covid-or-not-here-are-theories-on-where-they-went-51634290204.

[19] *Federal budget deficit by year: U.S. Treasury Data Lab*. Federal Budget Deficit by Year | U.S. Treasury Data Lab. (n.d.). Retrieved November 2, 2021, from https://datalab.usaspending.gov/americas-finance-guide/deficit/trends/.

[20] *Wells Fargo 2021 3rd Quarter Earnings Presentation*. Wells Fargo – Banking, Credit Cards, Loans, Mortgages & More. (2021, October 14). Retrieved from https://www.wellsfargo.com/.

[21] See Appendix A for full breakdown

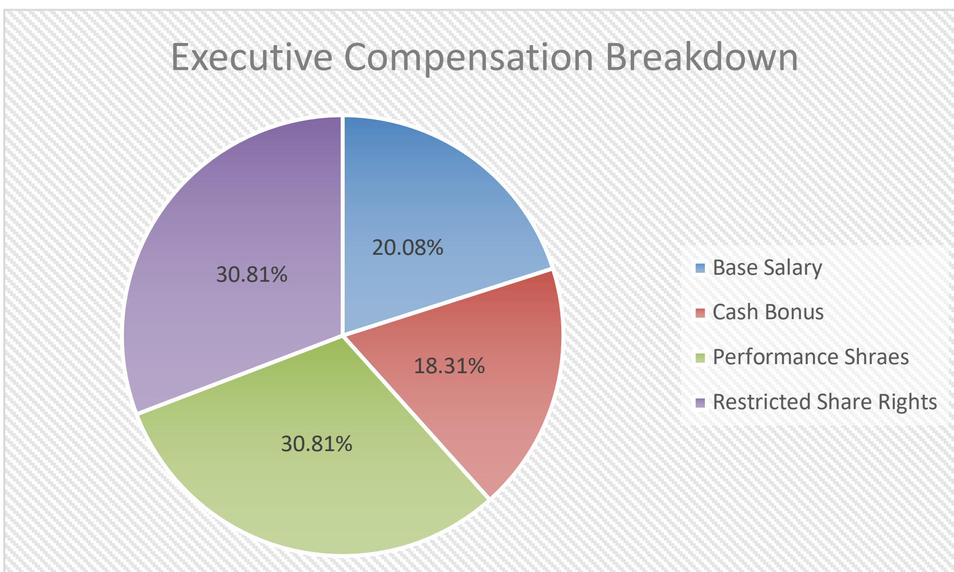
the previous CEO of Wells Fargo, John Stumpf, no longer works at the company, after receiving a lifetime ban from the banking industry.

Charles Scharf, CEO

CEO Charles Scharf joined Wells Fargo in late 2019, amidst the slew of scandals and regulatory issues that the company was facing. Since then, he has made his intention to rebuild the company's culture and operating structure very clear to investors. Before joining Wells Faro, Charles served as the CEO of New York Mellon from January 2019 to October 2019. Before that, he was the CEO of Visa from November 2012 to October 2016.

Management Compensation

Wells Fargo's executive compensation program is based on company performance, individual performance, and risk management and accountability. Executive compensation is broken down into four parts, like it is for most companies: Base Salary, Cash Bonus, Performance Shares, and Restricted Share Rights. In fiscal 2020, executive compensation was broken down as follows: 20.08% base salary, 18.31% cash bonus, 30.81% performance shares, and 30.81% restricted share rights. Given this, Wells Fargo's executive compensation program does seem to incentivize long-term shareholder value maximization.



Company performance is measured using a wide range of financial and non-financial metrics. Financial metrics include revenues, expenses, returns, profitability, deposits, and capital returned to shareholders. Nonfinancial metrics include progress against regulatory deliverables, and improvements on risk management framework.[22]

Individual performance is determined by looking at leadership, investment in employees, succession planning, and improvements to the company's culture. In 2020, the Board began to also include diversity initiatives as part of the considerations when determining individual performance.

Risk accountability is based on how well an executive manages risks that are relevant to his or her post. This may include operational, compliance, financial, or strategic and reputational risks. Risk failures and misconduct will have a direct effect on the two other performance measures.

Performance Shares

Performance shares make up a large portion of executives' long-term compensation. They are performance-based. The number of performance shares that are awarded at the end of a performance period is based on the 3-year average ROTCE achieved on an absolute basis. Awards are cliff vested after a three-year performance period in order to drive long-term shareholder value.[23] Below is the payout scale based on absolute ROTCE performance:

Absolute ROTCE	Payout
>12%	125 to 150%
8 to <12%	90 to <125%
5 to <8%	50 to <90%
<5%	0%

Note that if Wells Fargo achieves ROTCE above 12%, the company must also have achieved total shareholder returns above the median of their Financial Performance Peer Group for an award to pay above 125% of target. Otherwise, payout is capped at 125%.[24]

Risk Management and Accountability

As an effort to reduce irresponsible risk-taking, the company has implemented certain rules and features that allow performance-based compensation to be forfeited or recovered. The following are the triggers that may allow compensation experience clawback and/or forfeit:

- Financial restatement/Inaccurate performance metrics

[22] Wells Fargo 2021 Proxy Statement
[23] Cliff vesting means that the employee receives the full benefits of an award at a specified date, rather than having the award rewarded gradually over a period of time.
[24] Wells Fargo's Board determines the companies that are to be included in its Financial Performance Peer Group. For fiscal 2020, these companies were: Banc Santander, S.A., Bank of America Corporation, Barclays PLC, BNP Paribase S.A., Citigroup Inc., The Goldman Sachs Group, Inc., HSBC Holdings plc, JPMorgann Chase & Co., Morgan Stanley, Royal Bank of Canada, and UBS Group AG.

- Misconduct
- Risk Management failure
- Failure to achieve progress on outstanding regulatory matters

Management History and Company Culture

It goes without saying that Wells Fargo, prior to when Charles Scharf was brought in as CEO, Wells Fargo had a very problematic company culture, with many of the issues stemming from upper management. Since then, most of the company's top executives have been replaced by both internal staff and outsiders. As a result, there is little history to assess how well the company's management has performed. However, the company is making some progress with regards to their regulatory responsibilities. For example, in February 2021, the Federal reserved accepted a proposal addressing governance and risk management that Wells Fargo submitted, marking an important milestone in the company's work towards removing its asset cap. In addition, the company had a Consumer Financial Protection Bureau (CFPB) consent order from 2016 terminate in September 2021, and another one of its consent orders lifted in January 2021. Although in September 2021, an additional consent order was given to Wells Fargo, along with a $250 million fine, there is no doubt that progress, although slow, is being made.

In terms of the workplace, it seems that the company still has a long way to go. With a 3.6-star rating on Glassdoor, and just a 67% CEO approval, Wells Fargo employees are not as happy about their jobs compared to other banks.[25] In fact, compared to our chosen comparison companies, Wells Fargo has to lowest ratings across the board on Glassdoor. This is a particularly worrying weakness in the company that may cause the company to have trouble hiring talent in the long term.

Bank	Rating (out of 5 stars)	CEO Approval (%)	Recommend to a Friend (%)
Wells Fargo	**3.6**	**67%**	**64%**
Bank of America	4.0	91%	79%
Citigroup	3.9	91%	77%
JPMorgan	4.0	91%	80%
PNC Financial Services	3.7	85%	67%
SVB Financial Group	4.3	94%	87%
Truist Financial Corp	3.6	86%	67%
US Bancorp	3.7	78%	66%
Median	**3.8**	**88.5%**	**72%**

[25] Note: These metrics are an all-time average. New reviews are posted by employees every day. A quick overview of the 100 most recent reviews showed that recent average ratings have not changed compared to the all-time averages

Overall, there are a number of concerns with Wells Fargo's management capabilities and work environments. However, it is important to keep in mind that the company's current management team is quite new, and so it is difficult to judge whether management is executing well. Regardless, the current management team is highly experienced. In a few more years, management's competence or lack thereof will become evident.

ESG Analysis

The banking industry is one of the most important drivers of capital allocation around the world, and as a result, has arguably the greatest impact on ESG compared to other sectors. Over the years, banks have created specific policies on how to deal with companies operating in high ESG-risk industries, such as oil, gas, mining and forestry. In addition, due diligence processes often include risk assessments that consider environmental and social risks. Bank clients must meet these ESG screens in order to obtain financing for their projects. The Equator Principles were established by 10 financial institutions in 2003 to provide a framework for banks to use to assess environmental and social risks posed by major infrastructure projects. Today, 123 institutions and 37 counties have adopted these principles, which have expanded to cover more projected-related risks and attributes.[26]

Although there has been major progress in the banking industry on incorporating ESG into their risk assessments, banks have mostly been seeing ESG as a defensive component to their business. Initiatives to invest in ESG-related opportunities has been less prevalent. However, this has been changing with companies like Goldman Sachs, Wells Fargo, and Credit Suisse forming goals to provide financing to sustainability projects.[27]

Wells Fargo ESG Analysis

Wells Fargo has produced a significant amount of content with regards to ESG initiatives, including ESG Reports, ESG goals and performance data, and other documents that describe the company's efforts towards making positive societal impacts. Wells Fargo's ESG initiatives seem to match with its industry peers, and there are no exceptionally strong points that the company possesses in terms of ESG.

Environmental

In early 2021, the company announced its goal to achieve net-zero greenhouse gas emissions by 2050, including emissions from organizations that they lend to. The company also launched an

[26] https://internationalbanker.com/banking/why-banks-deserve-more-credit-for-their-esg-efforts-and-how-they-can-do-better/

[27] Internationalbanker. (2021, September 30). *Why banks deserve more credit for their ESG efforts, and how they can do better*. International Banker. Retrieved from https://internationalbanker.com/banking/why-banks-deserve-more-credit-for-their-esg-efforts-and-how-they-can-do-better/.

initiative to deploy $500 billion in financing to sustainable business activities by 2030. These are very long-term goals, which will likely be just a small part of the company's business strategy.

The company also runs a program named the Wells Fargo Innovation Incubator (IN^2). This program is designed to provide support to companies that are working to provide clean technology, sustainable agriculture, and residential housing. The company has also supported solar energy projects in tribal communities[28]

Social

Wells Fargo's workforce is quite diverse, management encourages initiatives to diverse the company's workforce. The company reportedly has 54.1% women employees and 45% minority employees, which is higher than the 50.8% and 38.5% industry medians, respectively. The company has also done a significant amount of charity work. Through June 30, 2021, the company donated all gross processing fees received from the 2020 Paycheck Protection Program. This amounted to $234 million of donations to nonprofit organizations that support small businesses. Wells Fargo has also been involved with helping provide affordable housing. The company has allocated $274 million to its $1 billion housing affordability commitment running from 2019 through to 2025.

Governance

Given the turmoil that Wells Fargo has been facing in recent years, many of its directors and executives have not held their positions for very long. In fact, half of the board of directors at Wells Fargo has been serving for less than three years, and the longest serving board of directors has been a director since February 2015. The average tenure of directors as of March 2021 was 2.4 years. [29]

In addition, the company maintains that the majority of the directors on its Board must be independent. Currently, all directors are independent under Wells Fargo's Director Independence Standards which consist of NYSE "bright line" standards of independence, and additional standards adopted by the company's Board.[30]

[28] *Environmental social governance report - Wells Fargo*. Wells Fargo. (n.d.). Retrieved from https://www08.wellsfargomedia.com/assets/pdf/about/corporate-responsibility/environmental-social-governance-report.pdf.
[29] Wells Fargo 2021 Proxy Statement
[30] Wells Fargo 2021 Proxy Statement

Growth and Strategy

Rebuilding Trust with Clients

As the CEO of Wells Fargo, Charles Scharf, has emphasized in each earnings conference call in 2021, rebuilding trust in the Wells Fargo brand, and ensuring best practices within the company are paramount to the company's success.

Key components to building the right foundation for Wells Fargo's future operations include implementing appropriate risk control measures and corporate culture, as well as maintaining the utmost level of integrity. Wells Fargo's brand has suffered over the previous five years, and as a result, the company is putting in an immense amount of effort investing in areas that will best serve the business and rebuilding relationships with clients.

Continuing to provide valuable and innovative financial solutions to its customers will be important for the company to keep its current customer base. One other interesting strategy that the company could pursue would be to go through a complete brand overhaul, changing its name and logo. This is something that Meta, previously named Facebook, went through amid a series of scandals related to poor privacy practices that came out in 2021. However, there have been no indications that Wells Fargo will do the same thing.

Complying with regulatory actions and consent orders

Following the fake accounts scandal uncovered at Wells Fargo in 2016, the company entered consent orders with the Federal Reserve Board and the Consumer Financial Protection Bureau. In addition, regulators subjected the company to a $1.95 trillion asset cap, which is still in effect to this day. Complying with all regulatory requirements to build the foundation for the company's future is Wells Fargo's top priority, as stated in its Q2 2021 10Q filing.

As of September 30, 2021, Wells Fargo's assets totaled $1.954 trillion, and actions to limit deposits have been necessary to keep the company from exceeding this asset cap.

Under the Federal Reserve Board's consent order, Wells Fargo's Board of Directors has submitted a plan to improve company oversight and governance by the Board. The Board has also submitted a plan to improve Wells Fargo's compliance and operational risk management. Following the approval of these plans, and the implementation of these plans by the company, the company will be subject to a third-party review to assess the results of the implementation and actions provided for in the plans. Until the third-party review is finished, and the plans have been approved and implemented to the FRB's satisfaction, Wells Fargo will continue to operate under the $1.95 trillion asset cap.

Similarly, under the Consumer Financial Protection Bureau's consent order, Wells Fargo has submitted plans to improve operational risk management and internal audit programs across the company. However, at this time, Wells Fargo has yet to complete all the actions mandated under the consent order. As a result, additional penalties and enforcement actions from regulators may be expected.

It is important to note that although the Fed's consent order that includes the asset cap is likely the most impactful to operations, the company still has nine other consent orders that it must work on. In general, the company has a large amount of complex work that needs to be done for regulators, and this work will likely take several years to complete.

What Happens After the Asset Cap is Lifted?

It is not clear when the asset cap will be lifted, and management has confirmed this uncertainty on earnings calls. However, when the asset cap is lifted, this signals significant upside for the bank, as growth will be possible again. Currently, the company needs to work with clients to manage deposits through other vehicles or even other institutions to manage the asset cap. As a result, it is expected that after the asset cap is lifted, there will be a jump in total assets, and both revenues and profitability will increase.

Progress towards having asset cap lifted

For the first half of 2021, Wells Fargo shareholders have been optimistic that the company may be nearing the end of its regulatory issues. However, on September 9, 2021, the OCC gave Wells Fargo another consent order, saying that the company had failed to implement an effective home lending loss and mitigation program, and that they had violated certain aspects of the 2018 Consent Order raised against the company. Wells Fargo was also fined $250 million.[31] Although this does not directly impact the asset cap that has been imposed on Wells Fargo, it does raise some concerns to the overall progress that the company has made toward reforming its operational risk management programs and internal practices. Furthermore, if Wells Fargo is indeed lagging in more other regulatory aspects of its business, there is a high chance that further fines will be levied against it.

The following are the steps that are needed for Wells Fargo's asset cap to be lifted:
Step 1: Wells Fargo Submits Plans. This step was done multiple times between 2018 to 2020.
Step 2: The Fed approves the plans. This was completed in February 2021 as per news reports
Step 3: Wells Fargo adopts and implements plans. This has been ongoing since 2018
Step 4: 1st third party review is accepted by the Fed. This has not yet been done.
Step 5: Fed Votes to lift Wells Fargo's Asset Cap.

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[31] *OCC assesses $250 million civil money penalty, issues cease and desist order against Wells Fargo*. OCC. (2021, September 9). Retrieved from https://www.occ.gov/news-issuances/news-releases/2021/nr-occ-2021-95.html.

After the asset cap is lifted, Wells Fargo must still implement all its changes in its everyday operations and practices, as well as go through a second third-party review in order for the full consent order from the Fed to be removed.

Innovations and Product Initiatives

Recognizing that the company's playbook was dated, upper management makes itself clear to investors that the company is focusing its resources on creating new, innovative, industry-leading products. Digital initiatives have become an important part of the new launches and projects that Wells Fargo is working on. In October 2021, the company launched the Wells Fargo Reflect Card. The company also launched a new credit card in the second quarter of 2021. In addition, the company's new no overdraft product, Clear Access Banking, has had over 1 million new accounts opened since its launch in the third quarter of 2020.[32]

Efficiency Initiatives

The company continues to make efficiency initiatives, and as of the Q3 2021, the company has successfully reduced non-interest expense for four straight quarters and expects year-end 2021 operating expenses excluding restructuring charges and business exit costs (which were $193 million in the first nine months of the year) to be $53.5 billion. This implies that Q4 2021 expenses will be approximately $12.9 billion, a 3.3% decrease from Q3 2021.

Loan Growth

Although Wells Fargo is unable to increase its total assets above $1.95 trillion, it still has significant room to grow loans. As of September 30, 2021, Wells Fargo had $849 billion in net loans, which is nearly 11% lower than the amount of net loans the company held at the end of fiscal 2019. Loan growth depends on general economic conditions, as well as the company's ability to improve its brand image.

Risks

Risks are assigned a rough probability and impact level. Both are assigned relatively arbitrarily, based on our assessment of how likely or unlikely a risk is to occur, and how large the impact would be relative to the company's size. Something that has the potential to change net income by over 20% is classified as having high impact. On the other hand, a risk that is expected to have a less than 5% impact on net income is classified as having low impact.

[32] Transcribing, M. F. (2021, October 14). *Wells Fargo (WFC) Q3 2021 earnings call transcript*. The Motley Fool. Retrieved from https://www.fool.com/earnings/call-transcripts/2021/10/14/wells-fargo-wfc-q3-2021-earnings-call-transcript/.

Inability to hire talent due to negative work culture

Probability: ~50%

Impact: High

As discussed above, Wells Fargo has a serious deficiency when it comes to their employees and their work culture. Having a negative workplace environment will almost certainly make it more difficult for the company to hire talent in the short term. Even after bringing in a new CEO, it does not look like things have become more positive, and it seems like this is a deep-rooted issue in the company. If the company is unable to make improvements in the upcoming years, lack of talent will seriously hamper the company's ability to compete. In addition, a toxic work culture may work against the regulatory progress that the company is trying to make in the long-term.

Further Regulatory Action

Probability: ~50%

Impact: Medium

As mentioned in the section *Management History and Company Culture*, Wells Fargo was put under a consent order on September 9, 2021. The company's management has also said that it is at risk of regulatory setbacks, despite the progress that it has made. Therefore, there is a good chance that the company will see more regulatory action against it in the future. However, since progress is being made, and since regulatory action will most likely be relatively small compared to the company's size, the impact of most regulatory action will likely not have a major negative impact on the company's performance. Regulatory action that requires more stringent liquidity metrics for the company, or one that restricts growth are unlikely to be taken at this point, although a slight risk does remain.

Permanent Damage to Brand

Probability: ~25%

Impact: High

Due to its massive fake customer accounts scandal, Wells Fargo has had a major hit to its brand that may continue impacting the company's growth moving forward. If this ends up being the case, Wells Fargo will struggle to expand its business even after its asset cap is lifted and may lose significant market share as the years go by. However, with the progress that the company has made with regulators, and the CEO's resolve to transform the company's culture, there is a good chance that the scandal will not be a permanent drag on the company's reputation. It is also important to note that scandals and regulatory action is seen quite often in the banking industry.

Adverse Economic Conditions

Probability: Next 1-2 years - ~10%, Next 5-10 years - >75%

Impact: High

Wells Fargo's financial performance depends heavily on U.S. and global economic conditions. Any adverse changes to interest rates, financial markets, or overall liquidity would negatively impact the company. Given current economic trends and facts, it seems unlikely that the economy will experience a contraction or similar event. However, in the long run, it is almost certain that there will be a recession of some sort that will negatively impact Wells Fargo.

Lower Market Interest Rates

Probability: ~40%

Impact: Medium – High

Much like economic conditions, Wells Fargo's net margins and revenues depend partially on market interest rates. A drop in interest rates would decrease Wells Fargo's net interest income, as the interest it can charge on loans will decrease. Given that market long-term interest rates have been steadily dropping over the last three decades, it would not be surprising if rates continue to drop even from current low levels. However, with the current strong economic momentum, this seems unlikely; at the very least interest rates will stay flat, or rally slightly in the short-medium term before stabilizing.

Valuation

A dividend discount model was used to approximate the intrinsic share price of Wells Fargo. Dividends were projected for five years and one quarter into the future. The company's cost of equity of 11.80% was calculated using a bottom-up beta. The model's base case produced an intrinsic share price of $50.12, representing an upside of 0.43% based on the November 18, 2021 closing share price of $49.90. The bear case produced an intrinsic share price of $45.70, while the bull case produced an intrinsic share price of $54.58.

Assumptions

Asset Cap

The model's base case assumed that Wells Fargo's asset cap would be lifted by the Fed in early 2024, allowing total assets to grow for the first time above $1.95 trillion. A strong 3% growth in total assets was used to simulate the bank being able to accept more business, and bringing in deposits and other client assets that were previously placed in other financial institutions in order to help keep the company under the asset cap. The bear and bull cases follow a similar pattern, but with the assumption that the asset cap will be lifted in 2025 and 2023, respectively.

Loan Growth

In general, loan growth for Q4 2021 was calibrated to match Wells Fargo's Q4 2021 guidance for net interest income of approximately flat to 4% down from Q4 2020. The base case targeted the center of this range, while the bear and bull cases targeted the bottom and top of this range, respectively.

Commercial Loans

Commercial loans were projected to continue strong growth in Q4 2021, as businesses navigate supply constraints and supply issues ease slightly. Growth is greatly reduced in 2022, but still relatively strong, reflecting higher business spending and better economic conditions. Commercial loan growth then has a spike when the company's asset cap is lifted, before normalizing to the 2% level in subsequent years, reflecting a continued long-term economic expansion.

Credit Card

Despite supply constraints, Q4 2021 credit card loans growth was projected to grow at an annualized rate of 13% in the base case. This reflects strong holiday-related consumer spending, as well as higher optimism as COVID-related fears partially subside due to lower case counts and continued reopening efforts. Credit card loans are then projected to grow 5% in 2022 as consumer continue to spend off excess savings accumulated during the pandemic, and as partially eased supply constraints allow more products to be delivered to consumers. After a spike in growth when the company's asset cap is lifted, credit card loans are projected to grow at 2% per year.

Residential Mortgage

Due to higher rates and sky-high real estate prices, residential mortgage loans are projected to decline in Q4 2021. 2022 Residential mortgages are projected to bounce up 4%, reflecting normalizing of prices in the housing market. Subsequent growth rates are set at around 2% per year, to keep pace with inflation.

Auto

After growing strongly in Q4 2021, auto loans are projected to experience approximately 2% growth per year, as consumers dial down their spending on durable goods.

Other Consumer

Other consumer loans were projected to have similar growth rates to credit card loans.

Noninterest income

Noninterest income is projected to shrink in Q4 2021 and fiscal 2022, due to lower mortgage banking revenues caused by very high real estate prices. A decrease in investment banking fees is also expected, as 2021 was an exceptionally strong year for Wells Fargo's investment banking and advisory business. These decreases will likely be partially offset by increases in deposit and card related fees. Subsequent growth in noninterest income was projected to roughly keep pace with inflation, with a small spike in the year that the bank's asset cap is lifted.

Noninterest expense

Noninterest expense as a percentage of revenues is projected to steadily decrease due to management's efficiency efforts, as well as lower administrative costs stemming from complying with consent orders. Noninterest expense is projected to decline from the current quarter's 70.63% to approximately 62% of total revenue by fiscal 2026.

Average Yield on Loans and on Other Interest-earnings Assets

Yields on loans and other interest-earning assets are projected to increase in the upcoming years due to a stronger economy spurring stronger loan demand, the Fed raising interest rates, and higher inflation.

Average Rates on Interest-bearing liabilities

In the base and bull case, average rates on interest-bearing liabilities are projected to rise beginning in 2023, which is when the Fed intends to begin raising interest rates. In the bear case, these rates begin rising in 2022, representing the case that the Fed begins raising rates in 2022.

In both the base and bear case, the spread between the average rates on interest-bearing liabilities and the average yield on loans is projected to increase, then peak about a year before yield on interest-bearing liabilities peaks.

Exit Multiples

Three exit multiples were used: the price-to-earnings, price-to-book value, and price-to-tangible book value. The weightings used in the intrinsic share price calculation were 20%, 30%, and 50% respectively. More weighting was given to price-to-tangible book value because of its relative consistency, but the exact weightings were arbitrary.

The exit multiples were calculated by increasing Wells Fargo's current multiples by 10%. The multiples ultimately used were still below the industry median multiples. This decision was based on 2 assumptions:

1. Wells Fargo's below-average valuation is based on growth difficulties arising from its asset cap, and on its below-average profitability based on its numerous consent orders. By the end of the forecasting period, these concerns should have mostly disappeared
2. Current bank valuations are slightly inflated due to higher expected growth spurred on by strong economic forces typical of early economic expansion.

Conclusions

Based on the information presented above, the recommendation for Wells Fargo is a Hold. Although the company has the potential for a strong performance after its asset cap is lifted, there are simply too many headwinds and risks that it is currently facing that do not show any signs of disappearing soon. An investment in Wells Fargo may be considered in order to profit from a stronger economy, but as an individual company, it is not particularly attractive.

Catalysts for Change in Recommendation

Sooner-Than-Expected Removal of Asset Cap

An announcement of the asset cap being removed well before 2024 will be a strong bullish event. Depending on how the share price reacts to the news, this event could compel us to change the recommendation on Wells Fargo to a Buy. This event would not only signal growth for the company in the future, but also indicate that progress with regulators has been stronger than expected, meaning that the company's internal operations are more solid than this report assumed.

Noticeable Improvement in Employee Ratings

A noticeable uptick in Glassdoor ratings from Wells Fargo employees will be a major positive for the company, as it means that the company has been able to create an effective workplace that will allow the company to better tackle its problems. All of the assumptions made in this report would need to be revised to reflect a more positive outlook, and it is likely that at that point, the recommendation for the stock would become a Buy, assuming the price of the stock has not changed significantly from where it is today.

Financial Outperformance

Strong improvements in financial performance, particularly when it comes to returns, will be a sign of improving company fundamentals. One way to roughly determine how much of an effect returns should have on Wells Fargo's stock price is to take the industry mean returns and find the Z-score of Wells Fargo's returns. Then use that Z-score to approximate the multiples at which Wells Fargo should be trading at based on the industry mean Price-to-Book and/or industry mean Price-to-Tangible Book Value ratios.

Appendices

Appendix A - Executives

Current executives who received their post at Wells Fargo prior to 2019:

- Jonathan G. Weiss, Senior Executive Vice president, CEO of Corporate & Investment Banking
- Amanda G. Norton, Senior Executive Vice President, Chief Risk Officer (Joined in June 2018)
- Mary T. Mack, Senior Executive Vice President, Chief Executive Officer of Consumer and Small Business Banking (began working with Wells Fargo in 1984)

Current executives who received their post at Wells Fargo in 2019 or later:

- Ather Williams III, Senior Executive, Head of Strategy, Digital Platform, and Innovation
- Michael S. Weinbach, Senior Executive Vice President, CEO of Consumer Lending
- Saul Van Beurden, Senior Executive Vice President, Head of Technology
- Barry Sommers, Senior Executive Vice President, CEO of Wealth & Investment Management
- Julie L. Scammahorn, Senior Executive Vice President, Chief Auditor
- Kleber R. Santos, Seniore Executive Vice President, Head of Diverse Segments, Representation & Inclusion
- Michael P. Santomassimo, Senior Executive Vice President, Chief Financial Officer
- Scott Powell, Senior Executive Vice President, Chief Operating Officer
- Ellen R. Patterson, Senior Executive Vice President, General Counsel
- Lester J. Owens, Senior Executive Vice President, Head of Operations
- Bei Ling, Senior Executive Vice President, Head of Human Resouces
- Kyle G. Hranicky, Senior Executive Vice President, CEO of Commercial Banking (although he has been with Wells Fargo since 1995)
- Derek A. Flowers, Senior Executive Vice President, Head of Strategic Execution and Operations (although he has been with Wels Fargo for 23 years)
- William M. Daley, Vice Chairman of Public Affairs
- Muneera S. Carr, Executive Vice President, Chief Accounting Officer, Controller

Appendix B – Valuation Summary

DDM	
Case	Base
Cost of Equity	11.80%
Exit Multiple Weights	
Price-to-Earnings	20.00%
Price-to-Book Value	40.00%
Price-to-Tangible Book Value	40.00%
Exit Multiples	
Price-to-Earnings	13.1
Price-to-Book Value	1.32
Price-to-Tangible Book Value	1.58
Implied Terminal Value	283,894.46
Present Value of Terminal Value	158,090.57
Firm Value	
Present Value of Dividends	46,904.01
Present Value of Terminal Value	158,090.57
Present Value of Firm	204,994.58
Diluted Shares Outstanding	4090.40
Intrinsic Value per Share	**$ 50.12**
Current Share Price	**$ 49.90**
Potential Upside/Downside	**0.43%**

Appendix C – Model Cover

Wells Fargo Inc. (NYSE: WFC)

Equity Analyst	*Daniel Cheung*
Sector Manager	*Lisanne Peters*
Sector	*Financials*
Date	2021-11-13
Scenario	**Base**
Current Price	$ 49.90
Implied Share Price	$ 50.12
Upside/Downside	0.43%

Appendix D – Balance Sheet Assumptions

Balance Sheet Assumptions

Assets	FY 2017	FY 2018	FY 2019	FY 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021E	2022E	2023E	2024E	2025E	2026E	CV
Total Assets (% Growth)	1.12%	-2.86%	1.67%	1.43%	0.06%	-0.17%	0.11%	0.00%	0.00%	0.00%	3.00%	2.00%	1.00%	1.00%
Bear								0.00%	0.00%	0.00%	0.00%	3.00%	2.00%	1.00%
Base								0.00%	0.00%	0.00%	3.00%	2.00%	1.00%	1.00%
Bull								0.00%	0.00%	3.00%	2.00%	2.00%	1.00%	1.00%
Cash and Cash Equivalents	1.20%	1.24%	1.13%	1.44%	1.45%	1.30%	1.30%	1.60%	1.67%	2.13%	2.56%	2.56%	2.82%	3.37%
Fed Funds Sold and Repos (% Total Assets)	4.05%	4.23%	5.30%	3.36%	4.06%	3.60%	3.47%	3.50%	4.00%	4.00%	4.20%	5.00%	5.30%	5.30%
Interest earning deposits with Banks (% Total Assets)	9.92%	7.90%	6.20%	12.09%	13.19%	12.79%	12.34%	11.61%	10.40%	9.34%	8.63%	7.66%	6.70%	5.73%
ST and LT Investments (% Total Assets)	26.07%	25.57%	25.79%	25.64%	25.81%	27.42%	27.78%	27.50%	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%
Loans Held for Sale (% Total Assets)	1.03%	0.91%	1.26%	1.86%	1.81%	1.32%	1.27%	1.27%	1.27%	1.27%	1.27%	1.27%	1.27%	1.27%
Total Loans (% Growth)														
Commercial Loans	-0.62%	1.99%	0.45%	-7.23%	-0.75%	-0.92%	7.15%	7.00%	3.00%	2.50%	5.00%	3.00%	2.00%	2.00%
Bear								6.00%	2.00%	2.00%	2.00%	4.00%	2.00%	2.00%
Base								7.00%	3.00%	2.50%	5.00%	3.00%	2.00%	2.00%
Bull								8.00%	4.00%	5.00%	3.00%	2.00%	2.00%	2.00%
Credit Card	3.48%	2.76%	5.09%	-10.60%	-26.38%	8.06%	12.88%	13.00%	5.00%	3.00%	5.00%	3.00%	2.00%	2.00%
Bear								12.00%	3.00%	2.00%	2.00%	3.00%	1.00%	2.00%
Base								13.00%	5.00%	3.00%	5.00%	3.00%	2.00%	2.00%
Bull								15.00%	6.00%	4.00%	7.00%	3.00%	3.00%	2.00%
Total Residential Mortgage	0.61%	-1.33%	1.22%	-7.24%	-32.39%	-16.92%	-4.62%	-4.00%	4.00%	1.00%	3.00%	2.00%	2.00%	2.00%
Bear								-5.00%	4.00%	1.00%	1.00%	3.00%	1.00%	2.00%
Base								-4.00%	4.00%	1.00%	3.00%	2.00%	2.00%	2.00%
Bull								-3.00%	6.00%	3.00%	7.00%	3.00%	4.00%	2.00%
Total Auto	-14.31%	-15.56%	6.22%	0.66%	8.49%	15.14%	21.57%	20.00%	4.00%	3.00%	2.00%	2.00%	2.00%	2.00%
Bear								19.00%	3.00%	2.00%	1.00%	-2.00%	1.00%	2.00%
Base								20.00%	4.00%	3.00%	2.00%	2.00%	2.00%	2.00%
Bull								21.00%	5.00%	4.00%	3.00%	3.00%	3.00%	2.00%
Other Consumer	-5.54%	37.32%	-5.10%	-28.85%	8.46%	15.02%	18.25%	10.00%	4.00%	3.00%	5.00%	3.00%	2.00%	2.00%
Bear								9.00%	4.00%	3.00%	1.00%	1.00%	1.00%	2.00%
Base								10.00%	4.00%	3.00%	5.00%	3.00%	2.00%	2.00%
Bull								12.00%	5.00%	4.00%	7.00%	4.00%	3.00%	2.00%
Net Loans (% Total Asssets)	48.46%	49.76%	49.43%	44.45%	43.10%	43.02%	43.45%	44.03%	45.66%	46.64%	47.19%	47.50%	47.96%	48.45%
Net Fixed Assets	0.45%	0.47%	0.73%	0.68%	0.66%	0.66%	0.44%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Total Intangible Assets	1.65%	1.42%	1.39%	1.37%	1.36%	1.36%	1.35%	1.39%	1.39%	1.39%	1.39%	1.39%	1.39%	1.39%
Total Deferred Tax Assets	0.38%	0.49%	0.44%	0.55%	0.00%	0.00%	0.00%							
Total Derivative Assets	0.63%	0.57%	0.74%	1.32%	1.30%	1.31%	1.38%	1.38%	1.38%	1.00%	0.75%	0.75%	0.75%	0.75%
Other Assets	6.17%	7.45%	7.60%	7.25%	7.27%	7.23%	7.22%	7.22%	7.22%	7.22%	7.01%	6.87%	6.81%	6.74%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Liabilities (% Assets)	FY 2017	FY 2018	FY 2019	FY 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021E	2022E	2023E	2024E	2025E	2026E	CV
Demand Deposits	19.15%	18.44%	17.87%	23.89%	25.21%	25.90%	27.06%	27.00%	23.50%	21.00%	20.00%	20.00%	20.00%	20.00%
Total Interest Bearing Deposits	49.30%	49.40%	50.74%	47.94%	48.13%	48.12%	48.15%	48.15%	49.50%	50.00%	50.00%	50.00%	50.00%	50.00%
ST Borrowings and Repos	5.29%	5.58%	5.47%	3.07%	3.01%	2.35%	2.15%	2.40%	3.00%	4.50%	5.00%	5.00%	5.00%	5.00%
LT Debt	11.53%	12.08%	12.06%	11.09%	9.60%	9.47%	8.34%	8.34%	10.00%	11.00%	11.50%	11.50%	11.50%	11.50%
Pension Liabilities	0.06%	0.07%	0.05%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Deferred Tax Liabilities	0.79%	0.96%	0.82%	0.79%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Derivative Liabilities	0.45%	0.45%	0.47%	0.84%	0.76%	0.75%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%
Other Liabilities	2.77%	2.63%	2.76%	2.83%	3.68%	3.49%	3.86%	3.50%	3.20%	3.00%	2.80%	2.80%	2.80%	2.80%
Total Liabilities	89.34%	89.61%	90.25%	90.49%	90.39%	90.08%	90.23%	90.05%	89.86%	90.16%	89.96%	89.96%	89.96%	89.96%

Shareholders' Equity (% Assets)	FY 2017	FY 2018	FY 2019	FY 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021E	2022E	2023E	2024E	2025E	2026E	CV
Preferred Equity and Hybrid Capital	1.30%	1.22%	1.12%	1.08%	1.08%	1.07%	1.04%	1.04%	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%
Share Capital and APIC	3.59%	3.68%	3.64%	3.55%	3.52%	3.55%	3.54%	3.54%	3.54%	3.54%	3.54%	3.54%	3.54%	3.54%
Treasury Stock	-1.53%	-2.49%	-3.57%	-3.47%	-3.45%	-3.55%	-3.79%	-3.79%	-3.79%	-3.79%	-3.68%	-3.61%	-3.58%	-3.54%
Retained Earnings	7.44%	8.34%	8.65%	8.33%	8.51%	8.83%	8.99%	9.10%	9.53%	9.82%	9.82%	9.94%	10.16%	10.37%
Other Equity	-0.20%	-0.41%	-0.13%	-0.03%	-0.11%	-0.07%	-0.10%	-0.04%	-0.35%	-0.93%	-0.85%	-1.04%	-1.29%	-1.55%
Minority Interest	0.06%	0.05%	0.04%	0.05%	0.06%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Total Equity	10.66%	10.39%	9.75%	9.51%	9.61%	9.92%	9.77%	9.99%	10.48%	10.77%	10.89%	11.08%	11.33%	11.58%
Total Liabilities & Shareholders' Equity	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Appendix E – Income Statement Assumptions

Income Statement Assumptions

Noninterest income	FY 2017	FY 2018	FY 2019	FY 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021E	2022E	2023E	2024E	2025E	2026E	CV
% Growth	-4.15%	-6.23%	3.90%	-14.08%	20.70%	16.95%	-13.47%	-8.00%	-8.00%	2.00%	5.00%	4.00%	3.00%	2.00%
Bear								-5.00%	-10.00%	0.00%	3.00%	3.00%	2.00%	2.00%
Base								-8.00%	-8.00%	2.00%	5.00%	4.00%	3.00%	2.00%
Bull								0.00%	-4.00%	4.00%	7.00%	5.00%	2.00%	2.00%
Loan Loss Provisions	FY 2017	FY 2018	FY 2019	FY 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021E	2022E	2023E	2024E	2025E	2026E	CV
Total	2528.00	1744.00	2687.00	14129.00	-1048.00	-1260.00	-1395.00	-500.00	0.00	1200.00	2200.00	2200.00	2200.00	2200.00
Bear								0.00	1000.00	2000.00	2200.00	2200.00	2200.00	2200.00
Base								-500.00	0.00	1200.00	2200.00	2200.00	2200.00	2200.00
Bull								-800.00	-1000.00	2200.00	2200.00	2200.00	2200.00	2200.00
Noninterest Expense	FY 2017	FY 2018	FY 2019	FY 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021E	2022E	2023E	2024E	2025E	2026E	CV
% Total Revenue	66.17%	64.95%	68.39%	79.67%	75.19%	65.82%	70.63%	69.00%	69.00%	67.00%	65.00%	63.00%	62.00%	62.00%
Bear								70.00%	70.00%	68.00%	66.00%	65.00%	64.00%	64.00%
Base								69.00%	69.00%	67.00%	65.00%	63.00%	62.00%	62.00%
Bull								69.00%	68.50%	66.50%	64.50%	62.50%	61.50%	61.50%
Effective Tax Rate	FY 2017	FY 2018	FY 2019	FY 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021E	2022E	2023E	2024E	2025E	2026E	CV
%	17.96%	19.84%	17.18%	0.00%	6.36%	17.65%	21.96%	21.96%	21.96%	21.96%	21.96%	21.96%	21.96%	21.96%
Bear								21.96%	21.96%	21.96%	21.96%	21.96%	21.96%	21.96%
Base								21.96%	21.96%	21.96%	21.96%	21.96%	21.96%	21.96%
Bull								21.96%	21.96%	21.96%	21.96%	21.96%	21.96%	21.96%

Appendix E – Interest Rate Assumptions

Interest Rate Assumptions										
Average Yield on Loans	Q1 2021	Q2 2021	Q3 2021	Q4 2021E	2022E	2023E	2024E	2025E	2026E	CV
	3.34%	3.33%	3.29%	3.35%	3.50%	3.90%	4.00%	4.00%	4.00%	4.00%
Bear				3.30%	3.40%	3.60%	3.80%	3.80%	3.80%	3.80%
Base				3.35%	3.50%	3.90%	4.00%	4.00%	4.00%	4.00%
Bull				3.40%	3.90%	4.25%	4.50%	4.65%	4.65%	4.65%
Yield on other interest-earning assets	Q1 2021	Q2 2021	Q3 2021	Q4 2021E	2022E	2023E	2024E	2025E	2026E	CV
	1.24%	1.13%	1.21%	1.20%	1.40%	1.85%	1.85%	1.85%	1.85%	1.85%
Bear				1.15%	1.30%	1.50%	1.50%	1.50%	1.50%	1.50%
Base				1.20%	1.40%	1.85%	1.85%	1.85%	1.85%	1.85%
Bull				1.25%	1.45%	2.10%	2.20%	2.20%	2.20%	2.20%
Average Rates on Interest-bearing liabilities	Q1 2021	Q2 2021	Q3 2021	Q4 2021E	2022E	2023E	2024E	2025E	2026E	CV
	0.41%	0.30%	0.31%	0.30%	0.35%	0.50%	0.70%	0.90%	1.00%	1.00%
Bear				0.30%	0.50%	0.70%	0.90%	1.25%	1.25%	1.25%
Base				0.30%	0.35%	0.50%	0.70%	0.90%	1.00%	1.00%
Bull				0.30%	0.35%	0.50%	0.70%	0.85%	1.00%	1.00%

Appendix F – Income Statement

Wells Fargo & Co (WFC US) Statement of Operations															
ACCOUNT NAME	HISTORICALS								PROJECTED						
In Millions of USD except Per Share	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2022E	2023E	2024E	2025E	2026E	CV
12 Months Ending	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	03/31/2021	06/30/2022	09/30/2021	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	
Net Revenue	88267.00	88389.00	86408.00	85063.00	72340.00	18606.00	20270.00	18834.00	18873.31	77164.75	83704.34	85385.36	85234.41	85733.54	87263.25
Net Interest Income	47754.00	49557.00	49995.00	47231.00	39835.00	8798.00	8800.00	8909.00	9146.81	39509.61	45296.10	45056.70	43292.61	42533.48	43199.19
+ Total Interest Income	53663.00	58909.00	64647.00	66083.00	47798.00	10036.00	9693.00	9834.00	10061.56	44004.91	51991.63	54824.43	56102.28	56908.78	57718.24
+ Interest Income	41116.00	44328.00	48332.00	49274.00	35063.00	7256.00	7169.00	9834.00							
+ Investment Income	12547.00	14581.00	16315.00	16809.00	12735.00	2780.00	2524.00	—							
- Total Interest Expense	5909.00	9352.00	14652.00	18852.00	7963.00	1238.00	893.00	925.00	914.75	4495.29	6695.54	9767.72	12809.67	14375.30	14519.05
Total Non-Interest Income	40513.00	38832.00	36413.00	37832.00	32505.00	9808.00	11470.00	9925.00	9726.50	37655.14	38408.24	40328.65	41941.80	43200.06	44064.06
+ Trading Securities G/L	2655.00	2800.00	2225.00	3976.00	2710.00	1434.00	2717.00	1244.00							
+ Trading Account Profits/Losses	834.00	542.00	602.00	993.00	1172.00	891.00	2717.00	92.00							
+ Investment & Loan Inc (Loss)	1821.00	2258.00	1623.00	2983.00	1538.00	543.00	0.00	1152.00							
+ Commissions & Fees Earned	34642.00	32522.00	28802.00	28096.00	27751.00	7851.00	8061.00	8072.00							
+ Other Operating Income (Losses)	3216.00	3510.00	5386.00	5760.00	2044.00	523.00	692.00	609.00							
LESS Provision for Loan Losses	3770.00	2528.00	1744.00	2687.00	14129.00	-1048.00	-1260.00	-1395.00	-500.00	0.00	1200.00	2200.00	2200.00	2200.00	2200.00
Net Revenue after Provisions	84497.00	85861.00	84664.00	82376.00	58211.00	19654.00	21530.00	20229.00	19373.31	77164.75	82504.34	83185.36	83034.41	83533.54	85063.25
Total Non-interest Expense	52377.00	58484.00	56126.00	58178.00	57630.00	13989.00	13341.00	13303.00	13022.58	53243.68	56081.91	55500.48	53697.68	53154.79	54103.21
+ Commissions & Fees Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00							
+ Other Operating Expenses	52377.00	58484.00	56126.00	58178.00	57630.00	13989.00	13341.00	13303.00							
Operating Income (Loss)	32120.00	27377.00	28538.00	24198.00	581.00	5122.00	8189.00	6926.00	6350.73	23921.07	26422.43	27684.88	29336.73	30378.74	30960.03
Income Tax Expense (Benefit)	10075.00	4917.00	5662.00	4157.00	-3005.00	326.00	1445.00	1521.00	1394.62	5253.07	5802.37	6079.60	6442.35	6671.17	6798.82
Income (Loss) Incl. MI	22045.00	22460.00	22876.00	20041.00	3586.00	4796.00	6744.00	5405.00	4956.11	18668.01	20620.07	21605.28	22894.39	23707.57	24161.21
- Minority Interest	107.00	277.00	483.00	492.00	285.00	54.00	704.00	283.00	283.00	285.00	285.00	285.00	285.00	285.00	285.00
Net Income, GAAP	21938.00	22183.00	22393.00	19549.00	3301.00	4742.00	6040.00	5122.00	4673.11	18383.01	20335.07	21320.28	22609.39	23422.57	23876.21
- Preferred Dividends	1565.00	1629.00	1704.00	1611.00	1591.00	379.00	297.00	335.00	335.00	1591.00	1591.00	1591.00	1591.00	1591.00	1591.00
Net Income Avail to Common, GAAP	20373.00	20554.00	20689.00	17938.00	1710.00	4363.00	5743.00	4787.00	4338.11	16792.01	18744.07	19729.28	21018.39	21831.57	22285.21
Diluted Weighted Avg Shares	5108.30	5017.30	4838.40	4425.40	4134.20	4171.00	4156.10	4090.40	4090.40	4090.40	4090.40	4090.40	4090.40	4090.40	4090.40
Diluted EPS, GAAP	3.99	4.10	4.28	4.05	0.41	1.05	1.38	1.17	1.06	4.11	4.58	4.82	5.14	5.34	5.45

Appendix G – Balance Sheet

Wells Fargo & Co (WFC US) Statement of Financial Position																
ACCOUNT NAME	HISTORICALS								PROJECTED							
In Millions of USD except Per Share	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021 E	2022E	2023E	2024E	2025E	2026E	CV
12 Months Ending	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	03/31/2021	06/30/2022	09/30/2021	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	
Total Assets															
Cash & Cash Equivalents	20,729.00	23,367.00	23,551.00	21,757.00	28,236.00	28,339.00	25,304.0	25,509.0	31,198.2	32,738.0	41,729.0	51,529.1	52,520.4	58,545.1	70,647.0
Interbanking Assets	266,038.00	272,605.00	229,943.00	221,633.00	302,048.00	337,896.00	319018.00	308985.00	295447.33	281588.74	260832.94	258335.99	259930.93	248955.98	231151.84
Fed Funds Sold & Repos	*58,215.00*	*78,999.00*	*80,207.00*	*102,140.00*	*65,672.00*	*79,502.00*	*70149.00*	*67807.00*	*68421.54*	*78196.04*	*78196.04*	*84569.02*	*102690.95*	*109940.93*	*111040.34*
Interest earning deposits with banks	*207,823.00*	*193,606.00*	*149,736.00*	*119,493.00*	*236,376.00*	*258,394.00*	*248,869.00*	*241,178.00*	*227,025.80*	*203,392.70*	*182,636.90*	*173,766.97*	*157,239.98*	*139,015.05*	*120,111.50*
ST And LT Investments	482,344.00	508,749.00	484,689.00	497,125.00	501,207.00	505,826.00	533,565.00	542,993.00	**537,597.78**	**518,048.77**	**518,048.77**	**533,590.23**	**544,262.03**	**549,704.65**	**555,201.70**
Trading Securities/FVTPL	*74,397.00*	*92,329.00*	*69,989.00*	*79,733.00*	*75,095.00*	*72,784.00*	*82,727.00*	*94,943.00*	-	-	-	-	-	-	-
Available for Sales/FVTOCI	*308,364.00*	*277,085.00*	*269,912.00*	*263,459.00*	*220,392.00*	*200,850.00*	*189,897.00*	*185,557.00*	-	-	-	-	-	-	-
Held to Maturity/Amortized at Cost	*99,583.00*	*139,335.00*	*144,788.00*	*153,933.00*	*205,720.00*	*232,192.00*	*260,941.0*	*262,493.0*	-	-	-	-	-	-	-
Loans Held for sale	26,389.00	20,178.00	17,167.00	24,319.00	36,384.00	35,434.00	25,594.00	24,811.00	24,827.2	24,827.2	24,827.2	25,572.1	26,083.5	26,344.3	26,607.8
Net Loans	956,185.00	945,766.00	943,335.00	952,714.00	869,121.00	844,644.00	837,152.00	849,310.00	860,743.15	892,610.97	911,804.46	950,200.96	975,639.32	994,882.11	1,015,019.75
Net Fixed Assets	8,333.00	8,847.00	8,920.00	14,033.00	13,201.00	12897.00	12798.00	8599.00	9,774.51	9,774.51	9,774.51	10,067.74	10,269.09	10,371.79	10,475.50
Total Intangible Assets	29,416.00	32,205.00	26,977.00	26,827.00	26,734.00	26612.00	26495.00	26472.00	27,173.12	27,173.12	27,173.12	27,988.32	28,548.08	28,833.56	29,121.90
Total Deferred Tax Assets	13,328.00	7,325.00	9,262.00	8,453.00	10,711.00	0.00	0.00	0.00	-	-	-	-	-	-	-
Total Derivative Assets	14,498.00	12,228.00	10,770.00	14,203.00	25,846.00	25429.00	25415.00	27060.00	26,977.63	26,977.63	19,549.01	15,101.61	15,403.64	15,557.68	15,713.26
Other Assets	112,855.00	120,487.00	141,269.00	146,491.00	141,675.00	142466.00	140655.00	141162.00	141,162.00	141,162.00	141,162.00	141,162.00	141,162.00	141,162.00	141,162.00
Total Assets	**1,930,115.00**	**1,951,757.00**	**1,895,883.00**	**1,927,555.00**	**1,955,163.00**	**1,959,543.00**	**1,945,996.00**	**1,954,901.00**	**1,954,901.00**	**1,954,901.00**	**1,954,901.00**	**2,013,548.03**	**2,053,818.99**	**2,074,357.18**	**2,095,100.75**
Liabilities & Shareholders' Equity															
+ Demand Deposits	375,967.00	373,722.00	349,534.00	344,496.00	467,068.00	494087.00	504108.00	529051.00	527,823.27	459,401.74	410,529.21	402,709.61	410,763.80	414,871.44	419,020.15
+ Interest Bearing Deposits	930,112.00	962,269.00	936,636.00	978,130.00	937,313.00	943032.00	936364.00	941328.00	941,284.83	967,676.00	977,450.50	1,006,774.02	1,026,909.50	1,037,178.59	1,047,550.38
+ Saving Deposits	737,249.00	742,096.00	760,135.00	813,894.00	852,381.00	875872.00	873089.00	-							
+ Time Deposits	192,863.00	220,173.00	176,501.00	164,236.00	84,932.00	67160.00	63275.00	-							
+ Total Deposits	**1,306,079.00**	**1,335,991.00**	**1,286,170.00**	**1,322,626.00**	**1,404,381.00**	**1437119.00**	**1440472.00**	**1470379.00**	**1,469,108.10**	**1,427,077.73**	**1,387,979.71**	**1,409,483.62**	**1,437,673.29**	**1,452,050.03**	**1,466,570.53**
+ ST Borrowings & Repos	96,781.00	103,256.00	105,787.00	105,518.00	59,993.00	58920.00	45635.00	41980.00	46,917.62	58,647.03	87,970.55	100,677.40	102,690.95	103,717.86	104,755.04
+ LT Debt	255,077.00	225,020.00	229,044.00	232,482.00	216,918.00	188081.00	184361.00	162982.00	163,038.74	195,490.10	215,039.11	231,558.02	236,189.18	238,551.08	240,936.59
+ Pension Liabilities	1,466.00	1,110.00	1,254.00	955.00	658.00	-	-	-	-	-	-	-	-	-	-
+ Total Deferred Tax Liabilities	20,379.00	15,486.00	18,253.00	15,731.00	15,469.00	-	-	-	-	-	-	-	-	-	-
+ Total Derivative Liabilities	14,492.00	8,796.00	8,499.00	9,079.00	16,509.00	14930.00	14551.00	12976.00	12976.00	12976.00	12976.00	13365.28	13632.59	13768.91	13906.60
+ Other Liabilities	35,344.00	54,019.00	49,810.00	53,180.00	55,315.00	72145.00	67850.00	75513.00	68421.54	62556.83	58647.03	56379.34	57506.93	58082.00	58662.82
Total Liabilities	**1,729,618.00**	**1,743,678.00**	**1,698,817.00**	**1,739,571.00**	**1,769,243.00**	**1771195.00**	**1752869.00**	**1763830.00**	**1760462.00**	**1756747.69**	**1762612.40**	**1811463.67**	**1847692.94**	**1866169.87**	**1884831.57**
+ Preferred Equity and Hybrid Capital	*24,551.00*	*25,358.00*	*23,214.00*	*21,549.00*	*21,136.00*	*21170.00*	*20820.00*	*20270.00*	*20270.00*	*21503.91*	*21503.91*	*22149.03*	*22592.01*	*22817.93*	*23046.11*
+ Share Capital & APIC	*69,370.00*	*70,029.00*	*69,821.00*	*70,185.00*	*69,333.00*	68990.00	69154.00	69270.00	*69270.00*	*69270.00*	*69270.00*	*71348.10*	*72775.06*	*73502.81*	*74237.84*
- Treasury Stock	22,713.00	29,892.00	47,194.00	68,831.00	67,791.00	67589.00	69038.00	74169.00	74169.00	74169.00	74169.00	74169.00	74169.00	74169.00	74169.00
+ Retained Earnings	133,075.00	145,263.00	158,163.00	166,697.00	162,890.00	166772.00	171765.00	175709.00	177878.05	186274.06	191897.28	197816.06	204121.57	210671.05	217356.61
+ Other Equity	-4,702.00	-3,822.00	-7,838.00	-2,454.00	-681.00	-2125.00	-1439.00	-2052.00	-853.06	-6768.66	-18256.58	-17164.12	-21339.98	-26803.32	-32391.90
+ Minority/Non Controlling Interest	916.00	1,143.00	900.00	838.00	1,033.00	1130.00	1865.00	2043.00	2043.00	2043.00	2043.00	2104.29	2146.38	2167.84	2189.52
Total Equity	**200,497.00**	**208,079.00**	**197,066.00**	**187,984.00**	**185,920.00**	**188348.00**	**193127.00**	**191071.00**	**194439.00**	**198153.31**	**192288.61**	**202084.36**	**206126.05**	**208187.31**	**210269.18**
Total Liabilities & Equity	**1,930,115.00**	**1,951,757.00**	**1,895,883.00**	**1,927,555.00**	**1,955,163.00**	***1959543.00***	***1945996.00***	***1954901.00***	**1,954,901.00**	**1,954,901.00**	**1,954,901.00**	**2,013,548.03**	**2,053,818.99**	**2,074,357.18**	**2,095,100.75**

Appendix H – Loans

Wells Fargo & Co (WFC US) period-end Loans															
ACCOUNT NAME	HISTORICALS								PROJECTED						
In Millions of USD except Per Share	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2022E	2023E	2024E	2025E	2026E	CV
12 Months Ending	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	03/31/2021	06/30/2022	09/30/2021	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	
Total Commercial Loans	**506,536.00**	**503,388.00**	**513,405.00**	**515,719.00**	**478,417.00**	**477,520.00**	**476,422.00**	**484,937.00**	**493423.40**	**508226.10**	**520931.75**	**546978.34**	**563387.69**	**574655.44**	**586148.55**
+ Real estate mortgage						121,198.00	120,678.00	121,985.00							
+ Real estate construction						21,533.00	22,406.00	21,229.00							
+ Lease Financing						15,734.00	15,720.00	15,398.00							
+ Commercial and Industrial	330,840.00	333,125.00	350,199.00	354,125.00	318,805.00	319,055.00	317,618.00	326,425.00							
Total Consumer Loans	**461,068.00**	**453,382.00**	**439,705.00**	**446,546.00**	**409,220.00**	**384,052.00**	**375,878.00**	**377,890.00**	**379819.75**	**395384.87**	**401872.70**	**414722.62**	**423751.63**	**432226.66**	**440871.20**
+ Credit Card	36,700.00	37,976.00	39,025.00	41,013.00	36,664.00	34,246.00	34,936.00	36,061.00	37232.98	39094.63	40267.47	42280.84	43549.27	44420.25	45308.66
+ Total Residential Mortgage	321,816.00	323,767.00	319,463.00	323,356.00	299,960.00	275,671.00	264,008.00	260,961.00	258351.39	268685.45	271372.30	279513.47	285103.74	290805.81	296621.93
+ Residential Mortgage - Junior lien	*46,237.00*	*39,713.00*	*34,398.00*	*29,509.00*	*23,286.00*	*21,308.00*	*19,637.00*	*18,026.00*							
+ Residential Mortgage - First lien	*275,579.00*	*284,054.00*	*285,065.00*	*293,847.00*	*276,674.00*	*254,363.00*	*244,371.00*	*242,935.00*							
+ Auto	62,286.00	53,371.00	45,069.00	47,873.00	48,187.00	49,210.00	51,073.00	53,827.00	56518.35	58779.08	60542.46	61753.31	62988.37	64248.14	65533.10
+ Student Loans	12,398.00	11,945.00	-	-	-	-	-	-	-	-	-	-	-	-	-
+ Other Consumer	27,868.00	26,323.00	36,148.00	34,304.00	24,409.00	24,925.00	25,861.00	27,041.00	27717.03	28825.71	29690.48	31175.00	32110.25	32752.46	33407.51
Total Loans	967,604.00	956,770.00	953,110.00	962,265.00	887,637.00	861,572.00	852,300.00	862,827.00	873243.15	903610.97	922804.46	961700.96	987139.32	1006882.11	1027019.75
- Reserve for Loan Losses	11,419.00	11,004.00	9,775.00	9,551.00	18,516.00	16,928.00	15,148.00	13,517.00	12,500.00	11,000.00	11,000.00	11,500.00	11,500.00	12,000.00	12,000.00
+ Net Loans	**956,185.00**	**945,766.00**	**943,335.00**	**952,714.00**	**869,121.00**	**844,644.00**	**837,152.00**	**849,310.00**	**860743.15**	**892610.97**	**911804.46**	**950200.96**	**975639.32**	**994882.11**	**1015019.75**

Appendix I – Interest Earning Assets and Liabilities

Wells Fargo & Co (WFC US) Average Interest Earning Assets and Liabilities (Minus Loans)										
ACCOUNT NAME	HISTORICALS			PROJECTED						
In Millions of USD except Per Share	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2022E	2023E	2024E	2025E	2026E	CV
12 Months Ending	03/31/2021	06/30/2022	09/30/2021	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	
Interest-earnings assets										
Interest-earning deposits with banks	223,437.00	255,237.00	250,314.00							
Fed Funds Sold and Repos	72,148.00	72,513.00	68,912.00							
Trading Debt Securities	87,383.00	84,612.00	88,476.00							
Available-for-sale debt securities	206,946.00	192,418.00	179,237.00							
Held-to-maturity debt securities	216,826.00	237,812.00	261,182.00							
Loans held for sale	34,554.00	27,173.00	24,490.00							
Equity securities	29,434.00	29,773.00	32,790.00							
Other	9,498.00	9,103.00	10,070.00							
Total average interest-earning assets (less loans)	**880,226.00**	**908,641.00**	**915,471.00**	**916,048.23**	**884,180.40**	**864,986.91**	**884,129.01**	**898,200.49**	**899,107.72**	**899,321.60**
Interest-bearing liabilities										
Interest-bearing deposits	931,116.00	941,746.00	941,014.00	941,284.83	967,676.00	977,450.50	1,006,774.02	1,026,909.50	1,037,178.59	1,047,550.38
Short-term borrowings	59,082.00	48,505.00	43,899.00	46,917.62	58,647.03	87,970.55	100,677.40	102,690.95	103,717.86	104,755.04
Long-term debt	198,340.00	181,101.00	174,643.00	163,038.74	195,490.10	215,039.11	231,558.02	236,189.18	238,551.08	240,936.59
Other Liabilities	28,875.00	27,718.00	30,387.00	68,421.54	62,556.83	58,647.03	56,379.34	57,506.93	58,082.00	58,662.82
Total interest-bearing liabilities	**1,217,413.00**	**1,199,070.00**	**1,189,943.00**	**1,219,662.73**	**1,284,369.96**	**1,339,107.19**	**1,395,388.78**	**1,423,296.56**	**1,437,529.53**	**1,451,904.82**

Wells Fargo & Co (WFC US) Average Interest Rates on all Interest Earning/Bearing Assets and Liabilities										
ACCOUNT NAME	HISTORICALS			PROJECTED						
In Millions of USD except Per Share	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2022E	2023E	2024E	2025E	2026E	CV
12 Months Ending	03/31/2021	06/30/2022	09/30/2021	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	
Interest-earning assets less loans	1.24%	1.13%	1.21%	1.20%	1.40%	1.85%	1.85%	1.85%	1.85%	1.85%
Interest-bearing liabilities	0.41%	0.30%	0.31%	0.31%	0.31%	0.60%	0.80%	1.00%	1.00%	1.00%

Appendix J – Cash Flow Statement

Wells Fargo and Co. (WFC US) Statement of Cash Flows															
ACCOUNT NAME	HISTORICALS								PROJECTED						
In Millions of USD except Per Share	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021 E	2022E	2023E	2024E	2025E	2026E	CV
12 Months Ending	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	03/31/2021	06/30/2022	09/30/2021	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	
Cash from Operating Activities															
+ Net Income	21,938	22,183	22,393	19,549	3,301	4,742	6,040.00	5122.00	4673.11	18383.01	20335.07	21320.28	22609.39	23422.57	23876.21
+ Depreciation & Amortization	4,970	5,406	5,593	7,075	8,736	2,237	1,936.00	1917.00	1,466.18	5,864.70	5,864.70	6,040.64	6,161.46	6,223.07	6,285.30
+ Provision for Loan Losses	3,770	2,528	1,744	2,687	14,129	-1,048	-1,260.00	-1395.00	-500.00	0.00	1200.00	2200.00	2200.00	2200.00	2200.00
+ Non-Cash Items	-2,102	2,357	-2,390	-2,291	8,316	-51,529	-44,068.00	-39744.00	-	-	-	-	-	-	-
+ Gain on Sale of Secs & Loans	-6,086	-1,518	-7,551	-5,513	5,258	-6,264	-1,397.00	-2643.00	-	-	-	-	-	-	-
+ Deferred Income Taxes	1,793	666	1,970	-3,246	-3,314	299	-1,794.00	-1194.00	-	-	-	-	-	-	-
+ Stock-Based Compensation	1,945	2,046	2,255	2,274	1,766	929	546	383.00	482.77	1610.15	2068.96	2292.13	1616.01	2261.98	2690.19
+ Originations and purchases of loans held for sale	246	1,163	936	4,194	4,606	-46,493	-41,423.00	-36290.00	-	-	-	-	-	-	-
+ Net Ch in Operating Capital	-27,630	-13,855	8,733	-20,290	-32,431	42,128	29,290.00	29290.00	-	-	-	-	-	-	-
+ Trading Assets & Liab	62,550	33,505	35,054	22,066	43,214	11,122	-3,591.00	107.00	-	-	-	-	-	-	-
+ Proceeds from sales of and paydowns on loans originally classified as held for sale	-77,826	-46,285	-34,774	-45,154	-59,369	24,757	30,745.00	22854.00	-	-	-	-	-	-	-
+ Other Op Assets/Liab	-12,354	-1,075	8,453	2,798	-16,276	6,249	2,136.00	6329.00	-	-	-	-	-	-	-
Cash from Operating Activities	946	18,619	36,073	6,730	2,051	-3,470	-8,062.00	-4810.00	5639.28	24247.71	27399.77	29560.92	30970.84	31845.64	32361.51
Cash from Investing Activities															
+ Net Change in Investments	-66,268	-3,512	-5,279	3,226	28,663	-1,333	-10,012.00	1776.00	5,395.22	19,549.01	0.00	-15,541.46	-10,671.80	-5,442.62	-5,497.05
+ Net Ch in Loans & Interbank	-32,070	-13,809	-5,288	-36,988	93,107	16,721	24,000.00	-9089.00	-11,030.68	-40,142.33	-19,193.49	-45,269.48	-43,560.29	-26,992.77	-21,237.05
+ Loans originated by banking subsidiaries, net of principal collected	-39,002	317	-18,619	-23,698	53,718	17,447	4,479.00	-13634.00	-	-	-	-	-	-	-
+ Net Change in Fed Funds sold & Repos	3,991	-21,497	-1,184	-21,933	36,468	-13,830	9,353.00	2342.00	-614.54	-9,774.51	0.00	-6,372.98	-18,121.93	-7,249.98	-1,099.41
+ Net Change in Loans	2,941	7,371	14,515	8,643	2,921	13,104	10,168.00	2203.00	-10,416.15	-30,367.82	-19,193.49	-38,896.50	-25,438.36	-19,742.79	-20,137.64
+ Net Cash from Acq & Div	-30,584.00	0.00	0.00	0.00	0.00	0	0	0.00	-	-	-	-	-	-	-
+ Other Investing Activities	6,803.00	4,169.00	2,813.00	4,131.00	784.00	140.00	1,288.00	292.00	4,131.00	4,131.00	4,131.00	4,131.00	4,131.00	4,131.00	4,131.00
Cash from Investing Activities	*-122,119.00*	*-13,152.00*	*-7,754.00*	*-29,631.00*	*122,554.00*	15,528.00	15,276.00	*-7021.00*	*-1,504.46*	*-16,462.32*	*-15,062.49*	*-56,679.94*	*-50,101.10*	*-28,304.39*	*-22,603.10*
Cash from Financing Activities															
+ Dividends Paid	-9,038.00	-10,109.00	-9,314.00	-9,589.00	-6,142.00	*-659.00*	*-765.00*	-1046.00	-2,169.05	-8,396.00	-13,120.85	-13,810.49	-14,712.87	-15,282.10	-15,599.65
+ Cash From (Repayment) Debt	*54,451.00*	*-23,207.00*	*9,561.00*	*-8,890.00*	*-72,724.00*	-21,641.00	-20,754.00	-18220.00	*4,994.37*	*44,180.76*	*48,872.53*	*29,225.77*	*6,644.71*	*3,388.80*	*3,422.69*
+ Cash From (Repay) ST Debt	*-1,198.00*	*14,020.00*	*2,531.00*	*-1,275.00*	*-45,513.00*	-79.00	-13,285.00	*-18220.00*							
+ Cash From LT Debt	*90,111.00*	*43,575.00*	*47,595.00*	*53,381.00*	*38,136.00*	*4,639.00*	*1,015.00*	*0.00*							
+ Repayments of LT Debt	-34,462.00	-80,802.00	-40,565.00	-60,996.00	-65,347.00	*-26,201.00*	*-8,484.00*	0.00							
+ Cash (Repurchase) of Equity	-5,094.00	-8,697.00	-22,151.00	-25,703.00	-3,330.00	*-530.00*	*-1,767.00*	-6137.00	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
+ Net Change In Deposits	82,767.00	29,912.00	-48,034.00	36,137.00	81,755.00	33,222.00	3,353.00	29907.00	-1,270.90	-42,030.37	-39,098.02	21,503.91	28,189.67	14,376.73	14,520.50
+ Other Financing Activities	-295.00	1,181.00	-1,041.00	-1,091.00	-802.00	-329.00	159.00	-159.00							
Cash from Financing Activities	122,791.00	-10,920.00	-70,979.00	-9,136.00	-1,243.00	10,063.00	-19,774.00	4345.00	1,554.42	-6,245.61	-3,346.34	36,919.19	20,121.51	2,483.43	2,343.54
Cash, Opening Period									**25,509.00**	**31,198.24**	**32,738.02**	**41,728.96**	**51,529.13**	**52,520.38**	**58,545.07**
Net Changes in Cash	1,618.00	-5,453.00	-42,660.00	-32,037.00	123,362.00	22,121.00	-12,560.00	-7,486.00	5,689.24	1,539.78	8,990.94	9,800.16	991.26	6,024.69	12,101.96
Cash, Ending Period								**25,509.00**	**31,198.24**	**32,738.02**	**41,728.96**	**51,529.13**	**52,520.38**	**58,545.07**	**70,647.03**
Cash Paid for Taxes	8,446.00	6,592.00	1,977.00	7,493.00	1,175.00	358.00	2,694.00								
Cash Paid for Interest	5,573.00	9,103.00	14,366.00	18,834.00	8,414.00	1,091.00	1,254.00								

Appendix K – Capital

Wells Fargo & Co (WFC US) Capital															
ACCOUNT NAME	HISTORICALS								PROJECTED						
In Millions of USD except where indicated	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**Q1 2021**	**Q2 2021**	**Q3 2021**	**Q4 2021 E**	**2022E**	**2023E**	**2024E**	**2025E**	**2026E**	**CV**
12 Months Ending	**12/31/2016**	**12/31/2017**	**12/31/2018**	**12/31/2019**	**12/31/2020**	**03/31/2021**	**06/30/2022**	**09/30/2021**	**12/31/2021**	**12/31/2022**	**12/31/2023**	**12/31/2024**	**12/31/2025**	**12/31/2026**	
Tier 1 Capital From Common Equity															
Share Capital and APIC	69,370.00	70,029.00	69,821.00	70,185.00	69,333.00	68,990.00	69,154.00	69,270.00	69,270.00	69,270.00	69,270.00	71,348.10	72,775.06	73,502.81	74,237.84
Treasury Stock	-22,713.00	-29,892.00	-47,194.00	-68,831.00	-67,791.00	-67,589.00	-69,038.00	-74,169.00	-74,169.00	-74,169.00	-74,169.00	-74,169.00	-74,169.00	-74,169.00	-74,169.00
Retained Earnings	133,075.00	145,263.00	158,163.00	166,697.00	162,890.00	166,772.00	171,765.00	175,709.00	177,878.05	186,274.06	191,897.28	197,816.06	204,121.57	210,671.05	217,356.61
Other Equity	*-4,702.00*	*-3,822.00*	*-7,838.00*	*-2,454.00*	*-681.00*	*-2,125.00*	*-1,439.00*	*-2,052.00*	*-853.06*	*-6,768.66*	*-18,256.58*	*-17,164.12*	*-21,339.98*	*-26,803.32*	*-32,391.90*
Minority/Non-Controlling Interest	*916.00*	*1,143.00*	*900.00*	*838.00*	*1,033.00*	*1,130.00*	*1,865.00*	*2,043.00*	*2,043.00*	*2,043.00*	*2,043.00*	*2,104.29*	*2,146.38*	*2,167.84*	*2,189.52*
LESS Total Intangibles	29,416.00	32,205.00	26,977.00	26,827.00	26,734.00	26,612.00	26,495.00	26,472.00	27,173.12	27,173.12	27,173.12	27,988.32	28,548.08	28,833.56	29,121.90
Tier 1 Common Equity	***146,530.00***	***150,516.00***	***146,875.00***	***139,608.00***	***138,050.00***	***140,566.00***	***145,812.00***	***144,329.00***	***146,995.87***	***149,476.27***	***143,611.57***	***151,947.01***	***154,985.95***	***156,535.81***	***158,101.17***
Risk-Weighted Assets															
Cash & Cash Equivalents	20,729.00	23,367.00	23,551.00	21,757.00	28,236.00	28,339.00	25,304.00	25,509.00	31,198.24	32,738.02	41,728.96	51,529.13	52,520.38	58,545.07	70,647.03
Risk Weight	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Fed Funds Sold & Repos	58,215.00	78,999.00	80,207.00	102,140.00	65,672.00	79,502.00	70,149.00	67,807.00	68,421.54	78,196.04	78,196.04	84,569.02	102,690.95	109,940.93	111,040.34
Risk Weight	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Interest earning deposits with banks	207,823.00	193,606.00	149,736.00	119,493.00	236,376.00	258,394.00	248,869.00	241,178.00	227,025.80	203,392.70	182,636.90	173,766.97	157,239.98	139,015.05	120,111.50
Risk Weight	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
ST And LT Investments	482,344.00	508,749.00	484,689.00	497,125.00	501,207.00	505,826.00	533,565.00	542,993.00	537,597.78	518,048.77	518,048.77	533,590.23	544,262.03	549,704.65	555,201.70
Risk Weight	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Loans Held for sale	26,389.00	20,178.00	17,167.00	24,319.00	36,384.00	35,434.00	25,594.00	24,811.00	24,827.24	24,827.24	24,827.24	25,572.06	26,083.50	26,344.34	26,607.78
Risk Weight	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Net Loans	956,185.00	945,766.00	943,335.00	952,714.00	869,121.00	844,644.00	837,152.00	849,310.00	860,743.15	892,610.97	911,804.46	950,200.96	975,639.32	994,882.11	1,015,019.75
Risk Weight	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Total Derivative Assets	14,498.00	12,228.00	10,770.00	14,203.00	25,846.00	25,429.00	25,415.00	27,060.00	26,977.63	26,977.63	19,549.01	15,101.61	15,403.64	15,557.68	15,713.26
Risk Weight	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Other Assets	112,855.00	120,487.00	141,269.00	146,491.00	141,675.00	142,466.00	140,655.00	141,162.00	141,162.00	141,162.00	141,162.00	141,162.00	141,162.00	141,162.00	141,162.00
Risk Weight	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Risk-Weighted Assets	**1336198.00**	**1260663.00**	**1247210.00**	**1245853.00**	**1193700.00**	**1179000.00**	**1188700.00**	**1219100.00**	**1,257,921.25**	**1,272,107.82**	**1,273,494.79**	**1,308,416.18**	**1,329,606.07**	**1,341,784.04**	**1,354,538.04**

Note: Risk weights shown are not official risk weights that WFC uses, but rather estimates made by the analyst based on the general risk characteristics of each type of asset, as well as WFC's reported total risk-weighted assets figure.

Appendix L – Dividend Discount Model

Wells Fargo and Co. (WFC US) Statement of Cash Flows															
ACCOUNT NAME	HISTORICALS								PROJECTED						
In Millions of USD except Per Share	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021 E	2022E	2023E	2024E	2025E	2026E	CV
12 Months Ending	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	03/31/2021	06/30/2022	09/30/2021	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	
Dividend Projection:															
Net Income Available to Common	20373.00	20554.00	20689.00	17938.00	1710.00	4363.00	5743.00	4787.00	4338.11	16792.01	18744.07	19729.28	21018.39	21831.57	22285.21
Net Income Growth		0.89%	0.66%	-13.30%	-90.47%	3682.34%	126.52%	-66.59%	-2.34%	-12.68%	11.62%	5.26%	6.53%	3.87%	2.08%
Dividends Paid to Shareholders	9,038.00	10,109.00	9,314.00	9,589.00	6,142.00	659.00	765.00	1,046.00	2,169.05	8,396.00	13,120.85	13,810.49	14,712.87	15,282.10	15,599.65
Dividend Payout Ratio	44.36%	49.18%	45.02%	53.46%	359.18%	15.10%	13.32%	21.85%	50.00%	50.00%	70.00%	70.00%	70.00%	70.00%	70.00%
Tier One Common Equity	146,530	150,516	146,875	139,608	138,050	140,566	145,812	144,329	146,996	149,476	143,612	151,947	154,986	156,536	158,101
Risk-Weighted Assets	1,336,198	1,260,663	1,247,210	1,245,853	1,193,700	1,179,000	1,188,700	1,219,100	1,257,921	1,272,108	1,273,495	1,308,416	1,329,606	1,341,784	1,354,538
CET1 Ratio	10.97%	11.94%	11.78%	11.21%	11.56%	11.92%	12.27%	11.84%	11.69%	11.75%	11.28%	11.61%	11.66%	11.67%	11.67%
Discounted Dividends															
Mid Year Discount									0.25	1.25	2.25	3.25	4.25	5.25	5.25
Present Value of Dividends									**2109.42**	**7303.59**	**10209.33**	**9612.04**	**9159.57**	**8510.05**	**8686.88**
Exit Multiple Calculation															
Book Value of Equity, Period Ending Amt	200,497.00	208,079.00	197,066.00	187,984.00	185,920.00	188,348.00	193,127.00	191,071.00	194,439.00	198,153.31	192,288.61	202,084.36	206,126.05	208,187.31	210,269.18
Less Total Intagible Assets	29,416.00	32,205.00	26,977.00	26,827.00	26,734.00	26,612.00	26,495.00	26,472.00	27,173.12	27,173.12	27,173.12	27,988.32	28,548.08	28,833.56	29,121.90
Tangible Book Value, Period end	171,081.00	175,874.00	170,089.00	161,157.00	159,186.00	161,736.00	166,632.00	164,599.00	167,265.87	170,980.18	165,115.48	174,096.04	177,577.96	179,353.74	181,147.28

Sensitivity Table								
		Dicount Rate						
		10.11%	**10.65%**	**11.21%**	**11.80%**	**12.39%**	**13.01%**	**13.66%**
Price to Earnings	**9.55x**	$50.99	$50.00	$48.99	$47.96	$46.97	$45.96	$44.93
	10.61x	$51.68	$50.68	$49.65	$48.61	$47.59	$46.57	$45.52
	11.79x	$52.46	$51.43	$50.39	$49.32	$48.29	$47.24	$46.18
	13.10x	$53.32	$52.27	$51.20	$50.12	$49.06	$47.99	$46.91
	14.41x	$54.18	$53.11	$52.02	$50.91	$49.84	$48.74	$47.64
	15.85x	$55.13	$54.03	$52.92	$51.79	$50.69	$49.57	$48.44
	17.44x	$56.17	$55.05	$53.91	$52.75	$51.62	$50.48	$49.32

Choose a P/B or P/TB ratio below for the sensitivity analysis		Possible Ratios	
Price-to-Book Value	1.32	1.13	1.35
Price-to-Tangible Book Value	1.58	1.19	1.43
		1.25	1.50
		1.32	1.58
		1.39	1.66
		1.46	1.74
		1.53	1.83

Appendix M – Discount Rate Calculations and Assumptions

Discount Rate Calculations and Assumptions	
US Premium	8.55%
Risk Free Rate	1.18%
Pre-Tax Cost of Debt	3.48%
WFC - 5yr Average Tax Rate	19.84%

Name	Ticker	Levered Beta	Total Debt ($B) LF	% Debt	Total Equity ($B) LF	% Equity	5 Yr Med. Tax Rate	Unlevered Beta
Median (Excl. WFC)		*1.325*	*51.76*	*0.48766*	*68.9*	*0.512342*	*0.1822*	*0.67485*
Bank of America Corp	BAC	1.336	618.54	69.42%	272.46	30.58%	16.25%	0.46
Citigroup Inc	C	1.665	736.93	78.52%	201.61	21.48%	20.35%	0.43
JPMorgan Chase & Co	JPM	1.205	743.09	71.93%	290.04	28.07%	18.22%	0.39
PNC Financial Services Group	PNC	1.296	33.47	37.28%	56.30	62.72%	16.41%	0.87
SVB Financial Group	SIVB	1.325	2.41	14.11%	14.67	85.89%	25.79%	1.18
Truist Financial Corp	TFC	1.452	43.06	38.46%	68.90	61.54%	19.78%	0.97
US Bancorp	USB	1.204	51.76	48.77%	54.38	51.23%	17.62%	0.67
Wells Fargo	WFC	1.381	204.96	51.75%	191.07	48.25%	19.84%	0.74

	Unlevered Beta	Total Debt ($M) LF	% Debt	Total Equity ($M) LF	% Equity	5 Yr Med. Tax Rate	Levered Beta
Current Capital Structure	0.67	204.96	51.75%	191.07	48.25%	19.84%	1.25513
"Optimal" Capital Structure	0.67	51.76	48.77%	68.90	51.23%	18.22%	1.08944

Cost of Equity Based on Comparables, Current Capital Structure	**11.91%**
Cost of Equity Based on Comparables, "Optimal" Capital Structure	**10.49%**
Cost of Equity Based on Historical Beta	**12.99%**
Average Cost of Equity Produced by All Methods	**11.80%**
WACC, Current Capital Structure	**7.19%**
WACC, "Optimal" Capital Structure	**6.74%**
WACC, Current Capiutal Structure and Historical Cost of Equity	**7.71%**
Average WACC	**7.21%**