

Wells Fargo & Company

Franchise potential under-appreciated

Reiterate Rating: BUY | PO: 54.00 USD | Price: 47.40 USD

Rate sensitivity weighs on guidance, stock performance

Wells Fargo-WFC shares underperformed peers (~230bp) largely due to mgmt's FY24 guidance for a worse than expected drop in NII. This on a day when peers (that reported 4Q23 results) exhibited better NII defensibility. While increased expectations for a March rate-cut could weigh on stock performance (given WFC's asset sensitivity), we don't consider this as thesis changing. We revise FY24/25e EPS +2.7%/+1.4% to \$4.72/\$5.45 driven by lower credit costs, higher share buybacks.

Self-help – expenses/share buybacks – intact

FY24 core expense guide of ~\$52.6bn implies relatively flat YoY as investments are largely offset by savings from efficiency initiatives. Disciplined expense mgmt. to be even more important this year given the NII headwind. While flat expenses don't seem like a material differentiator vs. peers, we note that results of franchise investments are already surfacing in higher revenue growth across trading (more than doubled YoY), investment banking (+15%) and credit card loans (+13%). Outlook for buybacks another positive at ~\$12bn (or 7% of market-cap), highlighting significant capital flexibility.

Franchise capable of peer-like or superior returns

During the earnings call mgmt. reiterated its goal of achieving 15% ROTCE over the medium term vs. our forecast for ~12% for FY24/25. We believe the potential for superior revenue growth, right-sizing the capital base (clarity on Basel III should help) and continued focus on franchise efficiency (branch footprint, home lending business) should drive mgmt. closer to this target. At its core, we view Wells Fargo as a high-quality deposit franchise with strong brand recognition. The combination of investments, fading regulatory pressures and strong execution should help shares re-rate higher to peer-like or possibly superior potential returns, in our view. At 10x 2024e P/E and 1.1x YE24e TBV, we view risk/reward as attractive. Reiterate Buy rating.

CRE office drives higher losses, but manageable

NCOs rose 17bp QoQ to 53bp driven by office CRE loans (3% of total). Given the relative size of this book and the fact that mgmt. has been building reserves against these loans for over a year, we expect losses to be manageable. Importantly, mgmt. noted that it was not seeing any real weakness spreading into other subsectors of the CRE book, such as multi-family – a CRE subsector that has garnered attention recently. We forecast provisioning costs of \$6bn and NCOs of 62bp for FY24.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	4.50	5.17	4.72	5.45	6.20
GAAP EPS	3.29	4.82	4.72	5.45	6.20
EPS Change (YoY)	-5.6%	14.8%	-8.6%	15.4%	13.7%
Consensus EPS (Bloomberg)			4.90	5.40	6.00
DPS	1.10	1.30	1.40	1.54	1.69
Valuation (Dec)					
P/E	10.5x	9.2x	10.0x	8.7x	7.6x
GAAP P/E	14.4x	9.8x	10.0x	8.7x	7.6x
Dividend Yield	2.3%	2.7%	3.0%	3.2%	3.6%

BofA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Refer to important disclosures on page 8 to 10. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.

12645617

Timestamp: 12 January 2024 08:32PM EST

12 January 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	80,238.7	79,581.9
2025E Rev (m)	81,886.2	81,120.6
2026E Rev (m)	83,911.1	82,878.9
2024E EPS	4.60	4.72
2025E EPS	5.38	5.45
2026E EPS	6.15	6.20

Ebrahim H. Poonawala

Research Analyst

BofAS

+1 646 743 0490

ebrahim.poonawala@bofa.com

Brandon Berman

Research Analyst

BofAS

+1 646 855 3933

brandon.berman@bofa.com

Isiah Austin

Research Analyst

BofAS

+1 646 855 0472

isiah.austin@bofa.com

Christian Panebianco

Research Analyst

BofAS

+1 646 855 3912

christian.panebianco@bofa.com

Gabriel Angelini

Research Analyst

BofAS

+1 646 855 3081

gabriel.angelini@bofa.com

Stock Data

Price	47.40 USD
Price Objective	54.00 USD
Date Established	14-Dec-2023
Investment Opinion	B-1-7
52-Week Range	35.25 USD -50.77 USD
Mrkt Val / Shares Out (mn)	241,366 USD / 5,092.1
Free Float	99.9%
Average Daily Value	872.22 USD
BofA Ticker / Exchange	WFC / NYS
Bloomberg / Reuters	WFC US / WFC.N
ROE (2024E)	9.8%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

iQprofileSM Wells Fargo & Company

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Interest Income	45,386	52,795	48,372	48,537	49,435
% change	25.4%	16.3%	-8.4%	0.3%	1.8%
Net Fee Income	NA	NA	NA	NA	NA
Securities Gains / (Losses)	151	45	0	0	0
Total Operating Income	75,553	83,017	79,582	81,121	82,879
Operating Expenses	(51,560)	(52,662)	(52,617)	(52,641)	(52,973)
% change	-3.2%	2.1%	-0.1%	0%	0.6%
Provisions Expense	(1,534)	(5,399)	(6,000)	(6,000)	(6,000)
% change	NA	252.0%	11.1%	0%	0%
Operating Pre-Tax Income	22,459	24,956	20,965	22,480	23,906
Operating Net Income to Comm S/Hold.	13,731	15,342	13,196	17,752	18,936
GAAP Net Income	27,290	34,158	31,161	36,974	39,342

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Assets	1,881,016	1,932,468	1,921,219	1,945,015	1,978,210
Average Interest Earning Assets	1,725,090	1,727,122	1,733,639	1,747,668	1,779,999
Total Gross Customer Loans	962,975	941,618	941,894	973,360	1,006,556
% change	4.8%	-2.2%	0%	3.3%	3.4%
Total Customer Deposits	1,383,985	1,358,173	1,342,382	1,353,760	1,374,161
% change	-6.6%	-1.9%	-1.2%	0.8%	1.5%
Tangible Equity	133,752	141,193	143,697	148,739	153,955
Common Shareholders' Equity	160,614	166,444	168,905	173,912	179,093

Key Metrics (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Interest Margin	2.63%	3.06%	2.79%	2.78%	2.78%
Effective Tax Rate	17.3%	17.2%	16.7%	16.7%	16.7%
Loan / Deposit Ratio	69.6%	69.3%	70.2%	71.9%	73.2%
Tangible Common Equity / Assets	7.1%	7.3%	7.5%	7.6%	7.8%
ROA	0.9%	1.0%	0.9%	0.9%	1.0%
ROE	10.6%	11.8%	9.8%	10.4%	10.7%
RoTE	12.5%	14.0%	11.6%	12.1%	12.5%
Dividend Payout Ratio	30.5%	31.5%	37.1%	28.2%	27.3%
Efficiency Ratio (Cost / Income Ratio)	68.4%	63.5%	66.1%	64.9%	63.9%

Quality of Earnings (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Non-Interest Inc / Operating Inc	39.9%	36.4%	39.2%	40.2%	40.4%
NPLs plus Foreclosed Real Estate / Loans	0.6%	0.9%	1.1%	1.2%	1.2%
Loan Loss Reserves / NPLs	230.80%	176.91%	143.84%	130.76%	126.88%
Loan Loss Reserves / Total Loans	1.35%	1.55%	1.58%	1.53%	1.57%

Company Sector

Banks-US Regionals

Company Description

Wells Fargo & Company (WFC) is a San Francisco, California-based financial services company with \$1.8 trillion in assets. Founded in 1852, WFC services one in three US households and offers a wide variety of financial products ranging from banking and insurance to mortgages and commercial finance.

Investment Rationale

WFC is a multi-year transformational story with multiple catalysts. We think WFC still has multiple opportunities to improve productivity (outside of regulatory related costs) and build product scale. We see "normalized" ROTCE of mid-teens as achievable, thus helping shares re-rate higher to close valuation gap vs. peers.

Stock Data

Average Daily Volume 18,401,212

Quarterly Earnings Estimates

	2023	2024
Q1	1.23A	1.11E
Q2	1.25A	1.15E
Q3	1.39A	1.18E
Q4	1.29A	1.28E

Exhibit 1: We raise WFC 2024e/2025e estimates by 3%/1%, respectively

WFC Variance Table (new vs. old estimates, assumptions)

KEY FORECAST VARIABLES:	3Q23	Actual 4Q23	Estimate 4Q23E	Variance	New 2024E	Old 2024E	Variance	New 2025E	Old 2025E	Variance
EOP Loans	946,732	941,618	950,833	-0.97%	941,894	953,813	-1.25%	973,360	985,626	-1.24%
Average Loans	948,630	943,031	948,782	-0.61%	935,580	949,295	-1.44%	957,627	969,719	-1.25%
Average Earning Assets	1,733,083	1,754,997	1,745,227	0.56%	1,733,639	1,736,435	-0.16%	1,747,668	1,747,784	-0.01%
Net Interest Margin (%)	3.03	2.92	2.88	4bp	2.79	2.82	-3bp	2.78	2.80	-2bp
Net Interest Income (FTE)	13,209.0	12,875.0	12,682.1	1.52%	48,371.9	48,964.8	-1.21%	48,536.9	48,938.2	-0.82%
Loan Loss Provision	1,197.0	1,282.0	1,750.0	-26.74%	6,000.0	7,000.0	-14.29%	6,000.0	6,000.0	0.00%
Noninterest Revenues	7,746.0	7,672.0	7,383.2	3.91%	31,210.0	31,277.7	-0.22%	32,583.7	32,943.1	-1.09%
Tot. Revenue	20,961	20,582	20,065	2.57%	79,582	80,242	-0.82%	81,121	81,881	-0.93%
Total Expenses	13,113.0	12,886.0	13,082.2	-1.50%	52,616.7	52,532.1	0.16%	52,641.0	52,869.7	-0.43%
Pre-Tax Income (FTE)	6,645.0	6,414.0	5,233.1	22.56%	20,965.2	20,758.1	1.00%	22,479.6	22,958.8	-2.09%
FTE Tax Rate (%)	17.7	19.7	18.0	2pp	17.0	17.0	0pp	17.0	17.0	0pp
Net Income	5,381.0	5,064.0	4,205.9	20.40%	17,050.9	16,878.9	1.02%	18,307.8	18,705.5	-2.13%
Available For Common	5,095.0	4,714.0	3,950.4	764mn	16,495.3	16,323.4	172mn	17,752.3	18,150.0	-398mn
Op. EARNINGS PER SHARE (F.D.)	\$1.39	\$1.29	\$1.09	18%	\$4.72	\$4.60	3%	\$5.45	\$5.38	1%
GAAP EPS (F.D.)	\$1.48	\$0.86	\$0.44	95%	\$4.72	\$4.60	3%	\$5.45	\$5.38	1%
Book Value Per Share	\$44.49	\$46.25	\$44.76	\$1.49	\$50.33	\$48.67	\$1.66	\$55.11	\$53.18	\$1.93
Tangible Book Value Per Share	\$37.54	\$39.23	\$37.75	\$1.48	\$42.82	\$41.43	\$1.39	\$47.13	\$45.51	\$1.62
Dividend Per Share	\$0.35	\$0.35	\$0.35	\$0.00	\$1.40	\$1.40	\$0.00	\$1.54	\$1.54	\$0.00
Average Fully-Diluted Shares	3,680.6	3,657.0	3,621.0	36mn	3,496.1	3,544.1	-48mn	3,255.8	3,384.1	-128mn
CAPITAL RATIOS:										
EOP Common Equity/Assets (%)	8.48	8.61	8.38	23bp	8.79	8.82	-2bp	8.94	8.97	-3bp
Tang. Common Equity/Assets (%)	7.25	7.40	7.16	24bp	7.58	7.60	-3bp	7.75	7.78	-3bp
Tangible Common Equity/RWA (%)	11.04	11.47	10.91	56bp	11.74	11.58	16bp	12.00	11.85	15bp
Tier 1 Common/RWA (%)	11.01	11.43	10.87	56bp	11.70	11.54	16bp	11.96	11.81	15bp
Tier 1/RWA (%)	12.55	12.98	12.45	53bp	13.26	13.12	15bp	13.50	13.36	14bp
PROFITABILITY RATIOS:										
Return On Assets (%)	1.13	1.04	0.88	16bp	0.93	0.92	1bp	10.36	10.55	-19bp
Return On Common Equity (%)	12.42	11.34	9.70	164bp	9.79	9.88	-9bp	65.23	64.95	29bp
Return On Tangible Common Equity (%)	14.79	13.39	11.50	190bp	11.51	11.66	-15bp	11.96	11.81	15bp
Operating Expenses/Revenues (%)	62.87	62.93	65.54	-261bp	66.47	65.77	70bp	0.00	0.00	0bp
BALANCE SHEET ITEMS:										
EOP Total Deposits	1,354,010	1,358,173	1,356,197	0.15%	1,342,382	1,346,858	-0.33%	1,353,760	1,373,521	-1.44%
AVG Total Deposits	1,340,307	1,340,916	1,355,104	-1.05%	1,341,426	1,346,405	-0.37%	1,348,071	1,360,189	-0.89%
EOP Total Assets	1,909,261	1,932,468	1,924,800	0.40%	1,921,219	1,923,714	-0.13%	1,945,015	1,946,814	-0.09%
EOP Equity	181,301	185,892	180,759	2.84%	188,353	189,024	-0.36%	193,360	194,099	-0.38%
EOP Preferred Equity	19,448	19,448	19,448	0.00%	19,448	19,448	0.00%	19,448	19,448	0.00%
EOP Common Equity	161,853	166,444	161,311	3.18%	168,905	169,576	-0.40%	173,912	174,651	-0.42%
EOP Tangible Common Equity	136,582	141,193	136,053	3.78%	143,697	144,360	-0.46%	148,739	149,471	-0.49%
CREDIT QUALITY INDICATORS:										
Net Charge-Offs	850	1,252	1,000	25.20%	5,755	6,941	-17.08%	6,000	6,000	0.00%
% Average Loans	0.36	0.53	0.42	11bp	0.62	0.73	-12bp	0.63	0.62	1bp
Nonperforming Assets	8,179	8,443	9,824	-14.05%	10,539	12,262	-14.05%	11,602	13,499	-14.05%
% EOP Loans + OREO	0.86	0.90	1.03	-14bp	1.12	1.29	-17bp	1.19	1.37	-18bp
Nonperforming Loans	8,002	8,256	9,602	-14.02%	10,325	12,008	-14.02%	11,357	13,209	-14.02%
% EOP Loans (excl. OREO)	0.85	0.88	1.01	-13bp	1.10	1.26	-16bp	1.17	1.34	-17bp
Loan Loss Reserve	14,554	14,606	15,304	-4.56%	14,851	15,363	-3.34%	14,851	15,363	-3.34%
% EOP Loans	1.54	1.56	1.62	-6bp	1.58	1.62	-3bp	1.53	1.57	-3bp
% Nonperforming Loans	181.88	176.91	159.38	1754bp	143.84	127.94	1590bp	130.76	116.31	1446bp

Source: BofA Global Research estimates, company filings

BofA GLOBAL RESEARCH



Acronyms

CRE - commercial real estate

NCOs - net charge-offs

NII - net interest income

ROTCE - return on tangible common equity

Price objective basis & risk

Wells Fargo & Company (WFC)

Our \$54 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 12.5x/1.2x multiples, respectively, in-line/below the bank's 5 year pre pandemic median of 12.4x/1.8x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop.

Downside risks to our PO: worse-than-expected economic downturn that leads to significantly higher-than-expected credit losses, elevated expense trajectory, slower-than-expected resolution of its consent orders. Upside risks: better-than-expected credit quality (i.e., lower loan losses) and material expense management that improve visibility on future earnings.

Analyst Certification

I, Ebrahim H. Poonawala, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Ares Capital Corporation	ARCC	ARCC US	Derek Hewett
	Ares Commercial Real Estate Corporation	ACRE	ACRE US	Derek Hewett
	Bank of Montreal	BMO	BMO US	Ebrahim H. Poonawala
	Bank of Montreal	YBMO	BMO CN	Ebrahim H. Poonawala
	Barings BDC Inc	BBDC	BBDC US	Derek Hewett
	Blackstone Mortgage Trust Inc	BXMT	BXMT US	Derek Hewett
	Blue Owl Capital Corporation	OBDC	OBDC US	Derek Hewett
	Carlyle Secured Lending Inc	CGBD	CGBD US	Derek Hewett
	Citigroup Inc.	C	C US	Ebrahim H. Poonawala
	Compass Diversified Holdings	CODI	CODI US	Derek Hewett
	Crescent Capital BDC	CCAP	CCAP US	Derek Hewett
	Cullen/Frost Bankers Inc	CFR	CFR US	Ebrahim H. Poonawala
	East West Bancorp, Incorporated	EWBC	EWBC US	Ebrahim H. Poonawala
	Fifth Third Bank	FITB	FITB US	Ebrahim H. Poonawala
	First Bancorp Puerto Rico	FBP	FBP US	Brandon Berman
	First Horizon Corporation	FHN	FHN US	Ebrahim H. Poonawala
	FNB Corporation of Pennsylvania	FNB	FNB US	Brandon Berman
	Goldman Sachs	GS	GS US	Ebrahim H. Poonawala
	JPMorgan Chase & Co.	JPM	JPM US	Ebrahim H. Poonawala
	KeyCorp	KEY	KEY US	Ebrahim H. Poonawala
	M&T Bank	MTB	MTB US	Ebrahim H. Poonawala
	Morgan Stanley	MS	MS US	Ebrahim H. Poonawala
	New Mountain Finance Corporation	NMFC	NMFC US	Derek Hewett
	New York Community Bancorp	NYCB	NYCB US	Ebrahim H. Poonawala
	Northern Trust Corporation	NTRS	NTRS US	Ebrahim H. Poonawala
	Royal Bank of Canada	RY	RY US	Ebrahim H. Poonawala
	Royal Bank of Canada	YRY	RY CN	Ebrahim H. Poonawala
	Safehold, Inc	SAFE	SAFE US	Derek Hewett
	Sixth Street Specialty Lending, Inc	TSLX	TSLX US	Derek Hewett
	Starwood Property Trust	STWD	STWD US	Derek Hewett
	Synovus Financial Corp.	SNV	SNV US	Ebrahim H. Poonawala
	The Bank of New York Mellon Corporation	BK	BK US	Ebrahim H. Poonawala
	Truist Financial	TFC	TFC US	Ebrahim H. Poonawala
	U.S. Bancorp	USB	USB US	Ebrahim H. Poonawala
	Webster Financial Corp.	WBS	WBS US	Brandon Berman
	Wells Fargo & Company	WFC	WFC US	Ebrahim H. Poonawala
	Western Alliance Bancorp	WAL	WAL US	Ebrahim H. Poonawala



North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
NEUTRAL				
	AGNC Investment Corp	AGNC	AGNC US	Derek Hewett
	Ally Financial	ALLY	ALLY US	Brandon Berman
	Annaly Capital Management	NLY	NLY US	Derek Hewett
	Apollo Commercial Real Estate Finance	ARI	ARI US	Derek Hewett
	Associated Banc-Corp	ASB	ASB US	Brandon Berman
	Bain Capital Specialty Finance, Inc.	BCSF	BCSF US	Derek Hewett
	Bank of Nova Scotia	YBNS	BNS CN	Ebrahim H. Poonawala
	Bank of Nova Scotia	BNS	BNS US	Ebrahim H. Poonawala
	Blackstone Secured Lending Fund	BXSL	BXSL US	Derek Hewett
	BrightSpire Capital Inc.	BRSP	BRSP US	Derek Hewett
	Canadian Imperial Bank of Commerce	CM	CM US	Ebrahim H. Poonawala
	Canadian Imperial Bank of Commerce	YCM	CM CN	Ebrahim H. Poonawala
	Citizens Financial Group	CFG	CFG US	Ebrahim H. Poonawala
	Comerica Incorporated	CMA	CMA US	Brandon Berman
	Commerce Bancshares Inc.	CBSH	CBSH US	Brandon Berman
	Goldman Sachs BDC, Inc.	GSBD	GSBD US	Derek Hewett
	Golub Capital BDC, Inc.	GBDC	GBDC US	Derek Hewett
	Huntington Bancshares Inc.	HBAN	HBAN US	Ebrahim H. Poonawala
	Ladder Capital Corp	LADR	LADR US	Derek Hewett
	PennyMac Mortgage Investment Trust	PMT	PMT US	Derek Hewett
	Popular Inc	BPOP	BPOP US	Brandon Berman
	Regions Financial	RF	RF US	Ebrahim H. Poonawala
	The PNC Financial Services Group, Inc.	PNC	PNC US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	TD	TD US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	YTD	TD CN	Ebrahim H. Poonawala
	TPG RE Finance Trust, Inc.	TRTX	TRTX US	Derek Hewett
UNDERPERFORM				
	Bank of Hawaii Corp.	BOH	BOH US	Brandon Berman
	First Hawaiian Inc.	FHB	FHB US	Brandon Berman
	Guild Holdings Company	GHLD	GHLD US	Derek Hewett
	Invesco Mortgage Capital, Inc.	IVR	IVR US	Derek Hewett
	loanDepot Inc	LDI	LDI US	Derek Hewett
	MidCap Financial Investment Co	MFIC	MFIC US	Derek Hewett
	Prosperity Bancshares Inc	PB	PB US	Ebrahim H. Poonawala
	State Street Corporation	STT	STT US	Ebrahim H. Poonawala
	Texas Capital Bancshares Inc.	TCBI	TCBI US	Brandon Berman
	Zions Bancorp	ZION	ZION US	Brandon Berman

IQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt +
Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

IQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of *IQmethod* are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

IQdatabase[®] is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

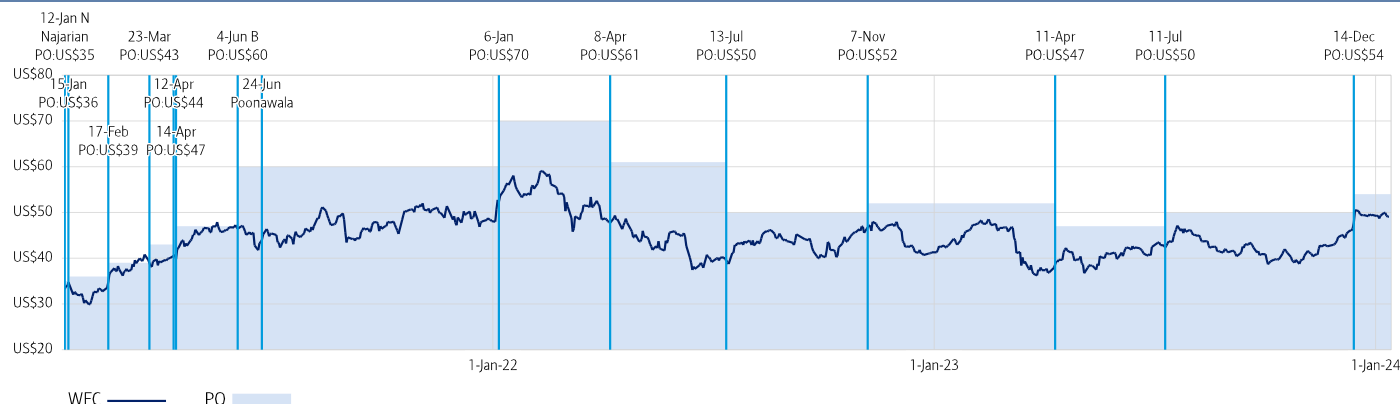
IQprofileSM, *IQmethodSM* are service marks of Bank of America Corporation. *IQdatabase[®]* is a registered service mark of Bank of America Corporation.



Disclosures

Important Disclosures

Wells Fargo (WFC) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Banks Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	100	49.75%	Buy	84	84.00%
Hold	54	26.87%	Hold	41	75.93%
Sell	47	23.38%	Sell	35	74.47%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. **Coverage Cluster** is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Price Charts for the securities referenced in this research report are available on the [Price Charts website](#), or call 1-800-MERRILL to have them mailed.

BofA or one of its affiliates acts as a market maker for the equity securities recommended in the report: Wells Fargo.

The issuer is or was, within the last 12 months, an investment banking client of BofA and/or one of its affiliates: Wells Fargo.

BofA or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: Wells Fargo.

The issuer is or was, within the last 12 months, a non-securities business client of BofA and/or one of its affiliates: Wells Fargo.

BofA or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: Wells Fargo.

BofA or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer or an affiliate of the issuer within the next three months: Wells Fargo.

BofA together with its affiliates beneficially owns one percent or more of the common stock of this issuer. If this report was issued on or after the 9th day of the month, it reflects the ownership position on the last day of the previous month. Reports issued before the 9th day of a month reflect the ownership position at the end of the second month preceding the date of the report: Wells Fargo.



BofAS or one of its affiliates is willing to sell to, or buy from, clients the common equity of the issuer on a principal basis: Wells Fargo.

The issuer is or was, within the last 12 months, a securities business client (non-investment banking) of BofAS and/or one or more of its affiliates: Wells Fargo.

BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.

Other Important Disclosures

From time to time research analysts conduct site visits of covered issuers. BofA Global Research policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.

The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.

Officers of BofAS or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Refer to [BofA Global Research policies relating to conflicts of interest](#).

'BofA Securities' includes BofA Securities, Inc. ('BofAS') and its affiliates. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. 'BofA Securities' is a global brand for BofA Global Research.

Information relating to Non-US affiliates of BofA Securities and Distribution of Affiliate Research Reports:

BofAS and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ('MLPF&S') may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BofASE (France): BofA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BofA Securities Europe SA ('BofASE') with registered address at 51, rue La Boétie, 75008 Paris is registered under no 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BofASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BofASE's share capital can be found at www.bofam.com/BofASEdisclaimer; BofA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BofA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BofA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSCF); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Canadian Investment Regulatory Organization; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; Merrill Lynch (Argentina): Merrill Lynch Argentina SA, regulated by Comisión Nacional de Valores; BofAS Japan: BofA Securities Japan Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BofAS India: BofA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFSA); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority.

This information: has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BofASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by BofAS Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSCF; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BofAS India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BofA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BofA Securities entities, including BofA Europe and BofASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BofA Securities group. You may be contacted by a different BofA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please refer to the [Electronic Communications Disclaimers](#) for further information.

This information has been prepared and issued by BofAS and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BofAS and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BofAS and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security discussed herein should do so through BofAS and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BofA Securities.

This document provides general information only, and has been prepared for, and is intended for general distribution to, BofA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.



Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the issuer or the market that is anticipated to have a short-term price impact on the equity securities of the issuer. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may be more or less positive than a stock's fundamental equity rating.

BofA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned herein. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

BofAS or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BofAS or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BofA Securities, through business units other than BofA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BofA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information. In the event that the recipient received this information pursuant to a contract between the recipient and BofAS for the provision of research services for a separate fee, and in connection therewith BofAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BofAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BofAS). If such recipient uses the services of BofAS in connection with the sale or purchase of a security referred to herein, BofAS may act as principal for its own account or as agent for another person. BofAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

BofA ESGMeter Methodology:

ESGMeter is a proprietary metric based on quantitative analysis and fundamental analyst inputs that reflects our assessment of a company's Environmental, Social and Governance-related attributes. The ESGMeter is intended to indicate a company's likelihood of experiencing stronger financial stability (higher return on equity and lower earnings and price volatility) over the next three years relative to peer group. There are three ESGMeter levels - Low, Medium, and High - which indicate whether a company has attributes most likely to translate into superior financial stability (in the case of a High level) or weaker financial stability (in the case of a Low level) over the next three years relative to its peer group. A Medium level suggests that a company exhibits ESG characteristics that are likely associated with financial stability results in line with its peer group over the next three years. Full details of our methodology, financial stability definition and disclaimers are available at [BofA ESGMeter methodology](#). ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of the BofA Global Research fundamental equity analyst's investment rating, volatility risk rating, income rating or price objective for that company.

Copyright and General Information:

Copyright 2024 Bank of America Corporation. All rights reserved. iQdatabase® is a registered service mark of Bank of America Corporation. This information is prepared for the use of BofA Securities clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of BofA Securities. BofA Global Research information is distributed simultaneously to internal and client websites and other portals by BofA Securities and is not publicly-available material. Any unauthorized use or disclosure is prohibited. Receipt and review of this information constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained herein (including any investment recommendations, estimates or price targets) without first obtaining express permission from an authorized officer of BofA Securities. Materials prepared by BofA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BofA Securities, including investment banking personnel. BofA Securities has established information barriers between BofA Global Research and certain business groups. As a result, BofA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BofA Global Research personnel's knowledge of legal proceedings in which any BofA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BofA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BofAS or any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BofA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BofA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BofA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BofA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BofA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BofA Securities is under no obligation to update this information and BofA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BofA Securities will not update any fact, circumstance or opinion contained herein.

Subject to the quiet period applicable under laws of the various jurisdictions in which we distribute research reports and other legal and BofA Securities policy-related restrictions on the publication of research reports, fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BofAS or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BofA Securities nor any officer or employee of BofA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.