WELLS FARGO & CO

Wells Fargo is one of the largest diversified financial services firms in the United States, with a nationwide network of several thousand branches and a large base of financial advisors. Wells Fargo provides a full range of consumer banking, commercial banking, and investment banking services. The company nearly doubled its assets with the acquisition of the former Wachovia.

Analyst's Notes

Analysis by Stephen Biggar, April 14, 2025

ARGUS RATING: BUY

- Progress on consent orders in 1Q
- On April 11, WFC reported adjusted 1Q25 EPS of $1.28, up from $1.26 a year earlier and above the consensus estimate of $1.22.
- Management maintained guidance calling for a 1%-3% rise in net interest income in 2025, a considerable improvement from the 9% decline experienced in 2024, aided by modest loan and deposit growth.
- Expense guidance for 2025 was also maintained at $54.2 billion, down from $54.6 billion in 2024, which we believe showcases strong efficiency efforts.
- Importantly, in our view, the company noted that five consent orders were closed in 1Q, bringing to 11 the number that have been closed since 2019, reflecting the completion of much of the common risk and control infrastructure work that is required by the remaining orders dating back to a 2016 sales scandal.
- Our target price moves to $75 (from $85) as we keep our 2025 EPS estimate but factor in a more uncertain macroeconomic environment.

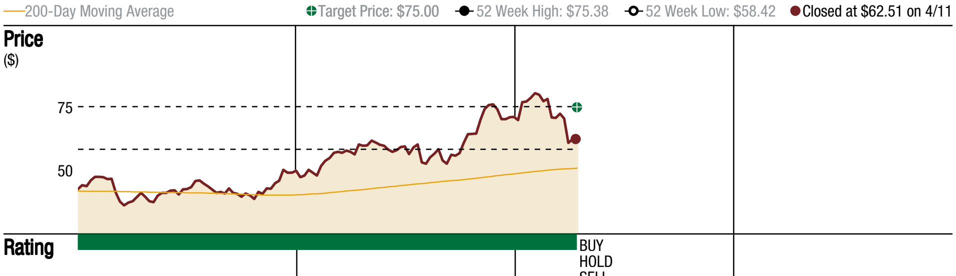
INVESTMENT THESIS

We are maintaining our BUY rating on Wells Fargo & Co. (NYSE: WFC) following 1Q earnings. Net interest income guidance for 2025 remains encouraging, and we continue to look for growth in fee-based businesses and stable credit quality.

Wells has been led since late 2019 by Charles Scharf. We expect Mr. Scharf to remain focused on regulatory issues that have hindered growth, particularly a consent order with the Federal Reserve that has capped assets at the 2017 year-end level of $2 trillion. The consent order required several changes (many of which have already been implemented) to board governance, including separating the roles of chairman and CEO; amending the company's by-laws to require an independent chair; electing new independent directors; enhancing the overall capabilities and experience of the board in such areas as risk management, cybersecurity, human-capital management, and consumer and social

Market Data

Pricing reflects previous trading week's closing price.



EPS ($)

	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4
Quarterly	0.00	0.00	0.00	0.00	1.26	1.33	1.52	1.48	1.28	1.40	1.46	1.54	1.55	1.59	1.67	1.75
Annual	5.25				5.58				5.68 (Estimate)				6.57 (Estimate)			

Revenue ($ in Bil.)

	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4
Quarterly	0.0	0.0	0.0	0.0	20.9	20.7	20.4	20.4	20.1	20.8	21.0	21.5	21.6	21.8	22.0	22.2
Annual	0.0				82.3				83.5 (Estimate)				87.6 (Estimate)			

FY ends Dec 31

Argus Recommendations

Twelve Month Rating	SELL	HOLD	**BUY**
Five Year Rating	SELL	HOLD	**BUY**
Sector Rating	Under Weight	Market Weight	**Over Weight**

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 73% Buy, 26% Hold, 0% Sell.

Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

Market Overview

Price	$62.51
Target Price	$75.00
52 Week Price Range	$50.15 to $81.50
Shares Outstanding	3.27 Billion
Dividend	$1.60

Sector Overview

Sector	Financial
Sector Rating	OVER WEIGHT
Total % of S&P 500 Market Cap.	14.70%

Financial Strength

Financial Strength Rating	HIGH
Debt/Capital Ratio	61.3%
Return on Equity	11.4%
Net Margin	16.2%
Payout Ratio	0.30
Current Ratio	--
Revenue	$123.55 Billion
After-Tax Income	$20.00 Billion

Valuation

Current FY P/E	11.01
Prior FY P/E	11.20
Price/Sales	1.65
Price/Book	1.25
Book Value/Share	$49.82
Market Capitalization	$204.11 Billion

Forecasted Growth

1 Year EPS Growth Forecast	1.79%
5 Year EPS Growth Forecast	11.00%
1 Year Dividend Growth Forecast	12.00%

Risk

Beta	1.04
Institutional Ownership	77.19%

Please see important information about this report on page 5

Analyst's Notes ...Continued

responsibility; reviewing the board's committee structure; amending committee charters to enhance risk oversight; and appointing new chairs of the risk, governance, and nominating committees. In addition, there has also been a strengthening of the sales culture in the wake of the 2016 sales-practice scandal.

Wells continues to divest noncore businesses with low returns or high capital requirements. It has divested businesses related to insurance, health benefit services, global fund services, and shareowner services over the past two years. The company has also sold its Institutional Retirement & Trust Business, as well as its Asset Management and Corporate Trust Services business. It is also stepping back from the mortgage-lending and servicing business.

We like Wells' loan-growth profile and continue to see a potential catalyst for the shares in the eventual removal of the asset cap. Our new target price of $75 implies a multiple of about 13-times our 2025 EPS estimate.

RECENT DEVELOPMENTS

WFC shares have risen 11% over the past year, ahead of the 5% increase for the broad market.

On April 11, WFC reported adjusted 1Q25 EPS of $1.28, up from $1.26 a year earlier and above the consensus estimate of $1.22. Revenue declined 3% to $20.1 billion, as a 6% decrease in net interest income was only partly offset by a 1% increase in fee revenues.

Average loans were down 2%, while the net interest margin narrowed to 2.67% from 2.81% a year earlier, hurt by lower yields on loans. Credit quality improved with net charge-offs of 0.45% of average loans, down from 0.50% a year earlier. There was a provision for credit losses of $932 million, down slightly from $938 million in 1Q24.

EARNINGS & GROWTH ANALYSIS

Average earning assets remained near the $1.7 trillion level in 1Q25, where they have been for the better part of the last two years. With assumptions for a slight rise in average loans, a modestly lower Fed funds rate helping on deposit costs, and a balance sheet re-positioning that occurred in the second half of 2024, management has guided toward a 1%-3% increase in net interest income in 2025, much improved from the 9% decline seen in 2024.

We look for this to be helped by higher fee revenues, including credit cards and a rebound in capital markets income. We note that Wells' lending business continues to face challenges from a Federal Reserve consent order capping asset growth; the cap is expected to remain in place for the foreseeable future.

The company has been working to control costs, and has noted that its efficiency ratio (noninterest expense divided by revenue) is too high. From an expense base of $54.6 billion in 2024, management's guidance calls for expenses of $54.2 billion in 2025. We believe this is an admirable goal given the ongoing impact of inflation on many expense line items.

Growth & Valuation Analysis

GROWTH ANALYSIS ($ in Millions, except per share data)	2020	2021	2022	2023	2024
Revenue	74,264	79,166	74,368	82,597	82,296
COGS	—	—	—	—	—
Gross Profit	—	—	—	—	—
SG&A	35,411	36,141	35,595	37,338	37,231
R&D	—	—	—	—	—
Operating Income	—	—	—	—	—
Interest Expense	-39,956	-35,779	-44,950	-52,375	-47,676
Pretax Income	2,505	29,563	15,629	21,636	23,364
Income Taxes	-1,157	5,764	2,251	2,607	3,399
Tax Rate (%)	—	19	14	12	15
Net Income	3,377	22,109	13,677	19,142	19,722
Diluted Shares Outstanding	4,134	4,096	3,837	3,720	3,468
EPS	0.43	5.08	3.27	4.83	5.37
Dividend	1.22	0.60	1.10	1.30	1.50
GROWTH RATES (%)					
Revenue	-14.5	6.6	-6.1	11.1	-0.4
Operating Income	—	—	—	—	—
Net Income	-82.9	554.7	-38.1	40.0	3.0
EPS	-89.5	1,081.4	-35.6	47.7	11.2
Dividend	-36.5	-50.8	83.3	18.2	15.4
Sustainable Growth Rate	-3.1	9.4	6.8	7.9	7.3
VALUATION ANALYSIS					
Price: High	$54.04	$52.57	$60.30	$50.77	$78.13
Price: Low	$20.76	$29.40	$36.54	$35.25	$46.12
Price/Sales: High-Low	3.0 - 1.2	2.7 - 1.5	3.1 - 1.9	2.3 - 1.6	3.3 - 1.9
P/E: High-Low	125.7 - 48.3	10.3 - 5.8	18.4 - 11.2	10.5 - 7.3	14.5 - 8.6
Price/Cash Flow: High-Low	6.0 - 2.3	— - —	9.5 - 5.7	6.5 - 4.5	22.4 - 13.2

Financial & Risk Analysis

FINANCIAL STRENGTH	2022	2023	2024
Cash ($ in Millions)	159,157	237,219	203,361
Working Capital ($ in Millions)	—	—	—
Current Ratio	—	—	—
LT Debt/Equity Ratio (%)	108.8	124.8	107.8
Total Debt/Equity Ratio (%)	121.5	132.0	116.3
RATIOS (%)			
Gross Profit Margin	—	—	—
Operating Margin	—	—	—
Net Margin	16.9	21.8	22.6
Return On Assets	0.7	0.9	1.0
Return On Equity	7.7	11.0	11.4
RISK ANALYSIS			
Cash Cycle (days)	—	—	—
Cash Flow/Cap Ex	—	—	—
Oper. Income/Int. Exp. (ratio)	—	—	—
Payout Ratio	11.9	26.0	27.3

Please see important information about this report on page 5

Analyst's Notes ...Continued

We are keeping our 2025 EPS estimate at $5.68, while slightly raising our 2026 forecast to $6.57 from $6.45.

FINANCIAL STRENGTH & DIVIDEND

Our financial strength rating on Wells Fargo is High.

As of March 31, 2025, Wells Fargo estimated that its Tier 1 common ratio was 11.1% (under the standardized approach), up from 11.0% a year earlier.

In June 2024, Wells completed the 2024 Comprehensive Capital Analysis and Review (CCAR) stress test process. The company's stress capital buffer (SCB) through September 30, 2025 is expected to be 3.8% (up from the prior year's 2.9%). Following the results, the company increased its common stock dividend by 14% to $0.40 per share beginning in 3Q24, up from $0.35. Wells also said that it had significant capacity for common stock repurchases. It repurchased 44.5 million shares for $3.5 billion in 1Q25. Our dividend estimates are $1.68 for 2025 and $1.84 for 2026.

MANAGEMENT & RISKS

Charles W. Scharf was named the company's new president and CEO in October 2019, taking over from Allen Parker, who had held the positions on an interim basis following the resignation of Tim Sloan in March 2019. Mr. Scharf was previously the CEO of Bank of New York Mellon, and prior to that, the CEO of Visa Inc. Michael Santomassimo is the CFO.

While Wells Fargo is a diversified financial services company, it has historically focused on the low-margin mortgage business. Wells Fargo views the mortgage as the gateway to a broader consumer relationship, and its earnings growth strategy has always been focused on revenue growth, driven in part by cross-selling, or selling multiple products to each customer. However, these sales practices were sharply curtailed in the wake of a 2016 sales scandal. There is also the risk that demand for WFC products may slow -- at least on the consumer side. In addition, Wells Fargo operates exclusively in the U.S. -- a mature and intensely competitive market.

Wells Fargo is primarily a retail and commercial banking and consumer finance firm. While the company has added to its trust and investment management business in recent years via internal growth and acquisitions, market-sensitive revenues have remained a relatively small part of its mix.

Wells Fargo is among the largest mortgage originators and servicers in the United States. However, in early 2023, the company announced plans to create a more focused home-lending business aimed at serving bank customers, as well as individuals and families in minority communities. Wells also said that it was exiting the correspondent business and that it planned to reduce the size of its mortgage servicing portfolio.

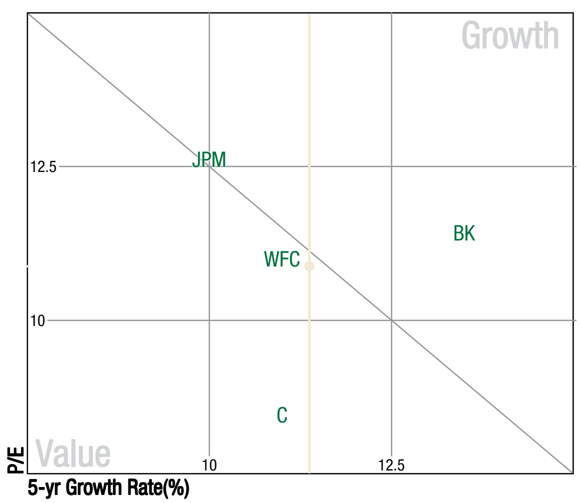
COMPANY DESCRIPTION

Wells Fargo is one of the largest diversified financial services firms in the United States, with a nationwide network of several thousand branches and a large base of financial advisors. Wells

Peer & Industry Analysis

The graphics in this section are designed to allow investors to compare WFC versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- **The scatterplot shows how WFC stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.**
- **The table builds on the scatterplot by displaying more financial information.**
- **The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how WFC might fit into or modify a diversified portfolio.**



Ticker	Company	Market Cap ($ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
JPM	JPMorgan Chase & Co.	657,344	10.0	12.6	21.2	4.2	BUY
WFC	Wells Fargo & Co.	204,105	11.0	11.0	16.2	15.7	BUY
C	Citigroup Inc	116,016	11.0	8.5	7.4	17.0	BUY
BK	Bank of New York Mellon Corp	55,765	13.5	11.4	11.8	13.5	BUY
Peer Average		**258,308**	**11.4**	**10.9**	**14.2**	**12.6**	

Analyst's Notes ...Continued

Fargo provides a full range of consumer banking, commercial banking, and investment banking services. The company nearly doubled its assets with the acquisition of the former Wachovia.

VALUATION

WFC shares have traded in a range of $51-$81 over the past year, and are currently near the middle top of that range.

The stock trades at 1.5-times tangible book value and at 11.1-times our 2025 EPS estimate, leaving room for improvement in our view. WFC traded at depressed multiples prior to the pandemic, hurt, we believe, by the sales practice scandal and the subsequent cap on assets. We expect valuation to improve as the company overcomes these challenges. Our target price of $75 (lowered from $85) implies a multiple of about 13-times our 2025 EPS estimate.

On April 14 at midday, BUY-rated WFC traded at $62.61, up $0.10.

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About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

Argus Research Disclaimer

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