

Wells Fargo & Company (WFC)

\$48.94 (As of 01/21/20)

Price Target (6-12 Months): **\$51.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 11/12/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:F

Value: B

Growth: F

Momentum: F

Summary

Shares of Wells Fargo have underperformed the industry in the past six months. Also, the company's earnings surprise history remains unimpressive, having surpassed the Zacks Consensus Estimate in only two of the trailing four quarters. The company's fourth-quarter 2019 earnings reflected lower net interest income and rise in expenses. Yet, improved mortgage banking business was a tailwind. Strategic acquisitions, along with rising loans and deposit balances, are impressive which is likely to aid NIM. Though the company's investment in the businesses to enhance compliance and risk-management capability seems encouraging, Wells Fargo has been slapped with several sanctions, which continues on the CFPB's dissatisfaction with the bank's progress on fixing risk-management issues. Also, rising costs curb bottom-line expansion.

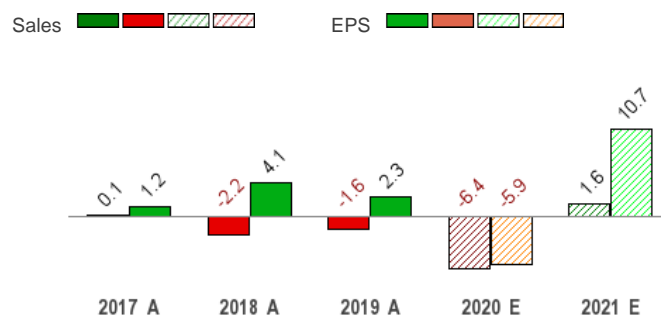
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$54.75 - \$43.34
20 Day Average Volume (sh)	19,127,010
Market Cap	\$207.0 B
YTD Price Change	-9.0%
Beta	1.11
Dividend / Div Yld	\$2.04 / 4.2%
Industry	Banks - Major Regional
Zacks Industry Rank	Top 16% (41 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-17.0%
Last Sales Surprise	0.3%
EPS F1 Est- 4 week change	-3.2%
Expected Report Date	04/10/2020
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	19,797 E	20,195 E	20,440 E	20,401 E	80,881 E
2020	19,584 E	19,797 E	20,018 E	19,924 E	79,595 E
2019	21,609 A	21,584 A	22,010 A	19,860 A	85,063 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.96 E	\$1.15 E	\$1.25 E	\$1.21 E	\$4.56 E
2020	\$0.87 E	\$1.02 E	\$1.11 E	\$1.08 E	\$4.12 E
2019	\$1.20 A	\$1.30 A	\$0.92 A	\$0.93 A	\$4.38 A

*Quarterly figures may not add up to annual.

P/E TTM	11.3
P/E F1	11.9
PEG F1	1.1
P/S TTM	2.0

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/21/2020. The reports text is as of 01/22/2020.

Overview

San Francisco-based – Wells Fargo & Company is one of the largest financial services company in the U.S. with \$1.9 trillion in assets and over \$1.3 trillion in deposits. The company provides banking, insurance, trust and investments, mortgage banking, investment banking, retail banking, brokerage services and consumer and commercial finance through over 7,400 stores, 13,000 ATMs, the internet and other distribution channels across North America and globally.

The company provides its services through three broad segments:

Community Banking offers a complete line of diversified financial products and services to consumers and small businesses, including checking and savings accounts, credit and debit cards, and auto, student, and small business lending.

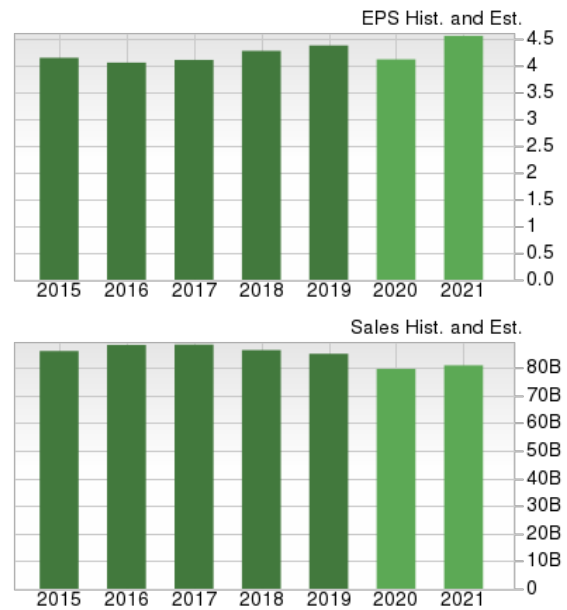
Wholesale Banking provides financial solutions to businesses across the United States and globally with annual sales generally in excess of \$5 million.

Wealth and Investment Management provides a full range of personalized wealth management, investment and retirement products and services to clients across U.S. based businesses.

In October 2019, Wells Fargo closes the sale of its commercial real estate brokerage business, Eastdil Secured and recorded a pre-tax gain of about \$362 million, reflected in fourth-quarter 2019 net income.

In July 2019, Wells Fargo divested its Institutional Retirement & Trust business to Principal Financial Group for \$1.2 billion. In February 2018, it completed the sale of its Shareowner Services business to U.K.-based Equiniti Group plc, for \$227 million. In 2017, Wells Fargo completed the divestiture of Wells Fargo Insurance Services USA, Inc to USI Insurance Services. The company offloaded the commercial insurance business, though retained personal insurance business.

In 2016, Wells Fargo sold its fund administration business, Wells Fargo Global Fund Services. Also, the company acquired GE Capital's Commercial Distribution Finance businesses in the Europe, Middle East and Africa, Australia & New Zealand and Asia. Along with these, the bank acquired GE Capital's commercial lending and leasing businesses in North America and GE Railcar Services.



Reasons To Buy:

- ▲ With the gradual change in the rate environment, margin pressure for Wells Fargo has eased. In 2017 and 2018, the company reported a rise in net interest margin (NIM) after witnessing a declining trend for years, as higher earning assets and loan yields were partially offset by high deposit costs. Following the Fed's three rate cuts, 2019 witnessed contraction of margin on account of lower rates. Nevertheless, improvement in economy and decent loan growth might support margin expansion in the quarters ahead.
- ▲ Wells Fargo's expansion plans have historically included a large number of acquisitions including the Wachovia merger in 2008. Moreover, since 2011, the company has completed a number of opportunistic transactions. Further, the expansion moves has been supported by the purchase of a number of businesses from GE Capital. The company plans to expand its operations in international markets and augment its asset management business. It has demonstrated its ability to assimilate local franchises, offering a wider range of products than the acquired company could have, thus increasing the number of options for customers. This has been the driving force behind its growth in the recent years.
- ▲ At the Barclays 2018 Global Financial Services Conference in September 2018, the company's chief financial officer, John Shrewsberry anticipates return on equity to be 12-15% over the next two years. In the previous years, management expected to operate in a lower target range due to persistently low interest rates and stricter regulations. However, improving economic conditions has enabled the bank to target higher ranges. Notably, Wells Fargo's average return on equity was 10.23% as of Dec 31, 2019. We believe its solid fundamentals will help achieve the targets over time.
- ▲ Wells Fargo registered strong growth in loans over the past few years, despite the planned run-off from non-strategic/liquidating portfolios. The company's total loans witnessed five-year CAGR (2015-2019) of 1.2%, with some annual volatility. Furthermore, deposits recorded five-year CAGR (2015-2019) of 2%. Therefore, both loan and deposit balances are poised to grow amid improving economy.
- ▲ Despite the macro pressure, Wells Fargo's credit quality continues to normalize. This trend is expected to continue, thereby providing room to drive future earnings. Notably, net charge-offs remained near a low level of 32 basis points (bps) as a percentage of average loans (annualized) as of Dec 31, 2019, exhibiting the benefit of a diversified loan portfolio.
- ▲ The stock seems undervalued when compared with the broader industry as its current price-to-book value and price-to-earnings (P/E) ratios are lower than the respective industry averages. Also, the stock has a Value Score of B.

Wells Fargo continues to benefit from loan and deposit growth, strong capital position and improving credit quality. Also, its acquisition moves are likely to support the company's growth strategy.

Reasons To Sell:

- ▼ Revenue growth has become challenging at Wells Fargo. Revenues witnessed a negative CAGR of nearly 0.3%, over the last five years (2015-2019), due to a lower rate environment and volatile non-interest income. Moreover, according to management, net interest income, which makes up more than 55% of revenues, is likely to decline in the low- to mid-single digits in 2020 influenced by a number of factors, including loan and deposit growth rates, pricing spreads, the level of interest rates and the shape of the yield curve.
 - ▼ Mortgage banking income witnessed a negative three-year (2016-2019) CAGR of 23.6%, impacting overall top-line growth, despite reversal in mortgage market. Wells Fargo, which was the largest mortgage originator in the United States as of 2017, has been witnessing lower mortgage servicing income, which is a concern.
 - ▼ Wells Fargo is facing challenges to control costs for the past few years. Non-interest expenses recorded a five-year (2015-2019) CAGR of 3.9% due to hike in personnel and other expenses. The company remains focused on expense management with projection of expenses to be near 2019 range. Nevertheless, we believe legal expenses related to pending litigation issues will keep depressing its bottom line in the upcoming period.
 - ▼ Troubles mounted at Wells Fargo, in September 2016, following the revelation of opening of millions of unauthorized accounts. Since then, the bank has settled numerous litigations and penalties. Further, the bank has been slapped with new sanctions, including a cap on the assets position by the Federal Reserve. Disclosure of issues in its auto-insurance business, online bill pay services, and in the Wealth and Investment Management segments are also on the downside. Recently, in a major setback, U.S. CFPB director expressed her dissatisfaction with Wells Fargo's progress fixing its risk management issues. With the ongoing review process of business practices, more wrongdoings may be revealed, increasing negative impact on the company's top line and reputational headwinds for the bank.
 - ▼ Wells Fargo received approval for its 2019 capital plan from the Fed. Per the plan, the company raised third-quarter 2019 common stock dividend to 51 cents per share, up 13.3%. The approved plan also includes share buyback program of up to \$23.1 billion for the four-quarter period beginning Jul 1, 2019. Previously, on Investor Day in May 2018, the bank raised the higher end of its payout ratio target to 55-80% from 55-75%. Though the company boasts an impressive capital deployment plan with a decent dividend payout ratio, its debt/equity ratio is unfavorable compared with the broader industry. Further, the company's performance in the past few quarters was volatile. Hence, its capital deployment activities might not be sustainable.
 - ▼ Shares of Wells Fargo have underperformed the industry in the past six months. With this unfavorable trend, the company's earnings estimates for current year have been revised 3.1% downward over the past 30 days. Therefore, given the above concerns and lack of positive estimate revisions, the stock has limited upside potential.
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Wells Fargo's involvement in a horde of legal issues is a concern. Also, escalating expenses and lower NII remain headwinds. Furthermore, declining mortgage income remains a major drag.

Last Earnings Report

Wells Fargo's Q4 Earnings Lag Estimates, Revenues Escalate

Wells Fargo's fourth-quarter 2019 adjusted earnings of 93 cents per share lagged the Zacks Consensus Estimate of \$1.12, on lower net interest income and rise in expenses. Results exclude litigation accruals.

Including litigation accruals (not tax-deductible) worth 33 cents per share related to certain matters, earnings came in at 60 cents per share compared with the prior-year quarter's \$1.21.

Reduced net interest income on lower rates and rise in expenses negatively impacted the results.

Moreover, provisions soared. However, higher fee income, driven by improved mortgage banking business, was on the upside. Further, escalation in loans and deposits acted as tailwinds.

For the year ended 2019, earnings per share came in at \$4.05, down 23 cents, year on year. The reported figure also missed the Zacks Consensus Estimate of \$4.53.

Including litigation accruals, net income came in at \$2.9 billion in the fourth quarter compared with the \$6.1 billion recorded in the prior-year quarter. For 2019, net income was \$19.6 billion compared with the \$22.4 billion reported in the prior year.

The quarter's total revenues came in at \$19.9 billion, outpacing the Zacks Consensus Estimate of \$19.8 billion. The revenue figure, however, came in lower than the prior-year quarter's tally of \$21 billion.

Revenues for the year ended 2019 came in at \$85.1 billion, beating the Zacks Consensus Estimate of \$84.3 billion. However, revenues edged down 1.5%, year over year.

Furthermore, on a year-over-year basis, quarterly revenue generation at the business segments was mixed. The Community Banking segment's total quarterly revenues slipped 8.7% and Wholesale Banking revenues were down around 4.3%. Yet, revenues in the Wealth and Investment Management unit were up 2.5%.

Net Interest Income Falls, Costs Up, Fee Income Improves

Wells Fargo's net interest income in the fourth quarter came in at \$11.2 billion, down 11% year over year. Higher interest expense, lower other interest income and reduced interest income from loans held for sale, loans and debt securities resulted in this downside. This was partly offset by increased interest income from equity securities and mortgage loans held for sale. Further, net interest margin shrunk 31 basis points (bps) year over year to 2.53%.

Non-interest income at Wells Fargo came in at around \$8.7 billion, up 4% year over year, primarily owing to rise in service charges on deposit accounts, card fees and mortgage banking revenues. These increases were mainly muted by lower revenues from insurance, lease income, other fees and income.

As of Dec 31, 2019, total loans were \$962.3 billion, up 1% sequentially. Higher consumer as well as commercial loan portfolio was recorded. Total deposits came in at \$1.32 trillion, up 1% from the prior quarter.

Non-interest expense at Wells Fargo was around \$15.6 billion in the October-December quarter, up 17% from the year-earlier quarter. This uptick primarily resulted from elevated salaries and commission and incentive compensation, employee benefits, equipment costs and other expenses. These were partly offset by lower core deposit and other intangibles, along with FDIC and other deposit assessments.

The company's efficiency ratio of 78.6% came in above the 63.6% recorded in the year-ago quarter. A rise in efficiency ratio indicates a fall in profitability.

Credit Quality: A Mixed Bag

Wells Fargo's credit quality metrics was a mixed bag in the December-end quarter. Allowance for credit losses, including the allowance for unfunded commitments, totaled \$10.5 billion as of Dec 31, 2019, down 1.9% year over year.

Net charge-offs were \$769 million or 0.32% of average loans in the reported quarter, up 6.7% from the year-ago quarter's net charge-offs of \$721 million (0.30%). Non-performing assets slipped 18.8% to \$5.6 billion in the fourth quarter, from the \$6.9 billion reported in the prior-year quarter. Notably, provision for credit losses was \$644 million, 24% higher.

Strong Capital Position

Wells Fargo has maintained a sturdy capital position. During the October-December period, the company returned \$9 billion to shareholders through common stock dividends and net share repurchases.

Wells Fargo's Tier 1 common equity under Basel III (fully phased-in) decreased to \$138.8 billion from the \$146.4 billion witnessed in the prior-year quarter. The Tier 1 common equity to total risk-weighted assets ratio was estimated at 11.1% under Basel III (fully phased-in) as of Dec 31, 2019, down from 11.7% in the year-earlier quarter.

Book value per share advanced to \$40.31 from the \$38.06 recorded in the comparable period last year.

Return on assets was 0.59%, down from the prior-year quarter's 1.28%. Return on equity was 5.91%, down from the year-ago quarter's 12.89%.

Quarter Ending 12/2019

Report Date	Jan 14, 2020
Sales Surprise	0.26%
EPS Surprise	-16.96%
Quarterly EPS	0.93
Annual EPS (TTM)	4.35

Outlook

Current expected credit loss (CECL) adoption

Wells Fargo expects to recognize a \$1.3-billion reduction in allowance for credit losses (ACL) and a corresponding increase in retained earnings (before tax) related to the adoption of CECL on Jan 1, 2020, predominantly reflecting:

- Commercial ACL expected to be \$2.9 billion lower under CECL, reflecting shorter contractual maturities and the benign credit environment.
- Consumer ACL expected to be \$1.5 billion higher under CECL reflecting longer or indeterminate maturities, net of recoveries in collateral value predominantly related to residential mortgage loans, which had previously been written down significantly below the current recovery value.

Based on the current interest-rate environment, management expects MBS premium amortization to be relatively stable in the first quarter and then beginning declining, although it is expected to be higher in full-year 2020 compared with 2019.

Management expects NII to decline in the low to mid-single digits in 2020 influenced by a number of factors including loan and deposit growth rates, pricing spreads, the level of interest rates and the shape of the yield curve.

Mortgage originations for the first quarter are expected to be lower due to normal seasonality.

Seasonally higher personnel expenses are anticipated in the first quarter, reflecting incentive compensation and employee benefits expense.

Moreover, ROE is anticipated to be 12-15% over the next two years (ended 2020), while ROTCE is expected to be 14-17%.

Recent News

Wells Fargo & City of Philadelphia Resolve Discrimination Suit - Dec 16, 2019

Relating to a discrimination lawsuit filed against Wells Fargo by the City of Philadelphia in May 2017, the two have agreed for a settlement, per which the bank will contribute \$10 million for sustainable housing-related programs for low-and moderate-income residents.

Accusations

In May 2017, a federal lawsuit was filed against Wells Fargo by the City of Philadelphia, accusing the former of engaging in discriminatory lending practices.

The city argued that the bank had purposely provided minorities with riskier loans, carrying high interest rates, even though they were eligible for cheaper loans. In an analysis conducted on the bank, it was revealed that about 23% of loans given to the African-American and Latino borrowers were risky and costly, while for the whites it represented only 7.6%. The complaint also noted that bank officials were aware of such practices.

It was noted that the U.S. Department of Justice and some of the other cities such as Los Angeles, Oakland, Miami, Baltimore, Memphis and Miami Gardens filed similar lawsuits against Wells Fargo. While some of these have already been resolved, others are continuing.

Nevertheless, the bank has declined the charges, claiming those to be "unsubstantiated accusations." It promises to have fairly conducted business in Philadelphia for the last 140 years. Additionally, Wells Fargo had requested to rescind the suit in July 2017, as the city failed to prove the allegations, but was denied by U.S. District Judge Anita Brody in January 2018.

Last June, Wells Fargo again filed a motion, claiming the city has failed to identify the loans alleged as discriminatory. Furthermore, the number of loans claimed was later reduced to 506 by the city from the previously-claimed 1,067. Nonetheless, the city claimed the bank's request to be "lacking merit" and believed it should be denied.

In addition to the above, a motion was filed by the city in August 2018, requesting Brody to demand audits and audit-related documents associated with Wells Fargo's FHA compliance relating to underwriting, buying, or selling loans to minority residents of Philadelphia.

The federal judge ordered the city to produce "enough information to identify each specific loan that the city alleged to be discriminatory in its complaint." The deadline provided for the same was till Oct 5.

Further, the city's motion received rejection, under which it had demanded from the court to induce Wells Fargo for providing documents and data of correspondent loans where the latter had purchased debt, although it did not play any role in the credit decision. Moreover, the city's claims included allegations on Wells Fargo for setting the terms and/or pricing under the Fair Housing Act on these loans as per the bank's needs though originated by third-party correspondent lenders.

As part of the recent settlement, Wells Fargo refrained from admitting the liability and "vigorously denied" the allegations.

Settlement

Specifically, the settlement includes grants worth \$8.5 million for down payment and closing-cost assistance to low- and moderate-income persons and households who would purchase houses within the limit of the city. Notably, the grants will be aided through the Philadelphia Housing Development Corporation's (PHDC) current program infrastructure.

Further, \$1 million will be distributed among up to three non-profit organizations, which have implemented the city's Residential Mortgage Foreclosure Prevention Program. Lastly, grants worth \$0.5 million will be provided to the city's land-care program.

Notably, homeowners and the referenced not-for-profit organizations will fully benefit from this agreement. Moreover, the funds provided by Wells Fargo will not be used for any other purpose.

Additionally, the City of Philadelphia and Wells Fargo will jointly conduct a program entitled "Understanding Philadelphia". The program initiated for staffs working at Wells Fargo Home Mortgage in the Philadelphia community and officials of the city and PHDC, along with some external subject matter experts.

The program motive is the securitization of the history of the housing market in the city, its varied neighborhoods and residents' existing housing needs.

"We're pleased that we've been able to resolve this matter in a way that will provide real, tangible sustainable homeownership opportunities for many low- and moderate-income residents of Philadelphia," said Joe Kirk, Wells Fargo region bank president, Greater Philadelphia. "The efforts funded by these grants are consistent with Wells Fargo's broader philanthropic strategy, which includes a \$1 billion commitment over the next six years to address the U.S. housing affordability crisis," Kirk further noted.

Wells Fargo Decreases Its Prime Lending Rate by 25 Bps - Oct 30, 2019

Pursuant to the U.S. Federal Reserve interest rate cut by 25 bps, Wells Fargo reduced its prime lending rate from 5.00% to 4.75%, effective Oct 31. Prior to this, the company reduced the rate from 5.25% to 5.00%, in September 2019.

Wells Fargo Unveils DLT-Based Cross-Border Transfer Program - Sep 17, 2019

Wells Fargo is launching pilot digital cash transfer program that will use its distributed ledger technology (DLT) platform to settle cross-border money transfers internally across its global network using digitized cash.

The pilot program is expected to be available in 2020. It will help complete dollar transfers initially and later expand to multicurrency transfers and gradually cover its entire global branch network.

Wells Fargo has no plans to connect its DLT network with any other digital cash solutions in the financial services markets. The company is said to have successfully tested the concept of money transfers between the United States and Canada.

Wells Fargo is introducing the service after acknowledging the importance of digitization of banking services in recent times. Also, it claims that DLT network will be a reusable enterprise utility through which it can build and deploy multiple DLT-based applications.

Lisa Frazier, head of the Innovation Group at Wells Fargo said, "We believe DLT holds promise for a variety of use cases, and we're energized to take this significant step in applying the technology to banking in a material and scalable way. Wells Fargo Digital Cash has the potential to enable Wells Fargo to remove barriers to real-time financial interactions across multiple accounts in multiple marketplaces around the world."

CFPB Dissatisfied With Wells Fargo's Progress on Risk Management – Apr 10, 2019

In a letter to Democratic Senators Elizabeth Warren and Sherrod Brown, U.S. Consumer Financial Protection Bureau (CFPB) Director Kathy Kraninger expressed her dissatisfaction with Wells Fargo's progress fixing its risk management issues.

"I am not satisfied with the bank's progress to date and have instructed staff to take all appropriate actions to ensure the bank complies with the consent order and Federal consumer financial law," she wrote in the letter dated April 5. "Broadly speaking, I consider all options on the table for enforcing Bureau consent orders," Kraninger added.

Previously, in Dec 2018, the central bank has rejected Wells Fargo's scandal prevention plans and demanded a stricter check over management. The bank had put forth the plan in April 2018, following which, CEO Tim Sloan and other executives had been in discussions with Fed officials over the ideal measures.

Wells Fargo was supposed to have the plan "approved, implemented and an independent third-party review completed" by the end of September 2018. However, the bank has clearly missed the target date, which could have led to more penalties, but the regulator has instead decided to allot Wells Fargo more time to satisfy the settlement terms.

Delay in plan approval is likely to keep Wells Fargo's asset growth restricted for a longer period. In order to get the cap lifted earlier, the bank will have to bolster its governance and controls.

Background

In February 2018, Federal Reserve chairperson — Janet Yellen — punished the lender with new sanctions for the malpractices and fake accounts scandal which came into the limelight in September 2016.

The Federal Reserve has ordered the bank to replace four board directors and also not increase its assets position beyond \$1.95 trillion (as of Dec 31, 2017). Notably, Wells Fargo has been instructed to substitute three directors by April, and the fourth by the end of 2018.

Therefore, the Fed's action demonstrates poor governance, compliance and risk management of Wells Fargo associated with the sales practices scandal, as well as mishandling of auto-insurance and mortgage fees. Notably, it is restricted from growth until governance and risk management improve; however, the bank is allowed to continue with current banking activities.

Dividend Update

On Oct 22, Wells Fargo announced quarterly common stock dividend of 51 cents per share. The dividend was paid on Dec 1 to its shareholders of record as on Nov 8, 2019.

Valuation

Wells Fargo's shares are down 2.3% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are up 18.4% and 12.8% over the past year, respectively.

The S&P 500 index is up 25.3% in the past year.

The stock is currently trading at 11.77X forward 12 months earnings, which compares to 11.69X for the Zacks sub-industry, 14.71X for the Zacks sector and 19.18X for the S&P 500 index.

Over the past five years, the stock has traded as high as 15.61X and as low as 8.51X, with a 5-year median of 11.82X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$51 price target reflects 12.26X forward earnings.

The table below shows summary valuation data for WFC

Valuation Multiples - WFC					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	11.77	11.69	14.71	19.18
	5-Year High	15.61	13.85	16.21	19.34
	5-Year Low	8.51	9.04	12.01	15.17
	5-Year Median	11.82	11.43	13.98	17.44
P/TB TTM	Current	1.63	2.34	3.32	12.75
	5-Year High	2.36	2.68	3.98	12.75
	5-Year Low	1.42	1.44	2.44	6.03

P/S F12M	5-Year Median	1.94	2.11	3.46	9.09
	Current	2.6	4.01	6.53	3.57
	5-Year High	3.61	4.59	6.61	3.57
	5-Year Low	2.33	2.61	5.2	2.54
	5-Year Median	2.93	3.59	6.04	3

As of 01/21/2020

Industry Analysis Zacks Industry Rank: Top 16% (41 out of 255)



Top Peers

JPMorgan Chase & Co. (JPM)	Outperform
Bank of America Corporation (BAC)	Neutral
Citigroup Inc. (C)	Neutral
Fifth Third Bancorp (FITB)	Neutral
KeyCorp (KEY)	Neutral
M&T Bank Corporation (MTB)	Neutral
The PNC Financial Services Group, Inc (PNC)	Neutral
U.S. Bancorp (USB)	Neutral

Industry Comparison Industry: Banks - Major Regional				Industry Peers		
	WFC Neutral	X Industry	S&P 500	BAC Neutral	C Neutral	JPM Outperform
VGM Score	F	-	-	D	C	F
Market Cap	206.98 B	43.13 B	24.65 B	308.17 B	174.44 B	429.20 B
# of Analysts	11	7	13	10	10	10
Dividend Yield	4.17%	2.73%	1.73%	2.10%	2.55%	2.63%
Value Score	B	-	-	B	B	D
Cash/Price	1.55	0.69	0.04	2.16	4.07	2.13
EV/EBITDA	3.10	4.95	14.11	-1.89	-6.70	-2.71
PEG Ratio	1.07	1.37	2.08	1.25	0.79	1.82
Price/Book (P/B)	1.24	1.30	3.39	1.28	0.99	1.83
Price/Cash Flow (P/CF)	9.83	10.65	13.81	10.50	9.26	11.30
P/E (F1)	11.88	11.77	19.19	11.24	9.24	12.77
Price/Sales (P/S)	1.99	2.50	2.69	2.71	1.69	3.00
Earnings Yield	8.42%	8.50%	5.21%	8.90%	10.83%	7.83%
Debt/Equity	1.37	0.95	0.72	1.00	1.41	1.24
Cash Flow (\$/share)	4.98	4.98	6.94	3.26	8.63	12.11
Growth Score	F	-	-	F	F	F
Hist. EPS Growth (3-5 yrs)	2.73%	13.07%	10.56%	26.87%	13.07%	16.24%
Proj. EPS Growth (F1/F0)	-5.94%	4.17%	7.57%	10.84%	14.13%	-0.06%
Curr. Cash Flow Growth	-26.05%	17.06%	14.73%	25.85%	19.03%	23.43%
Hist. Cash Flow Growth (3-5 yrs)	-3.81%	7.08%	9.00%	14.04%	5.10%	7.08%
Current Ratio	0.87	0.91	1.24	0.91	1.00	0.92
Debt/Capital	54.83%	45.81%	42.99%	47.63%	56.19%	54.21%
Net Margin	18.81%	23.17%	11.14%	24.15%	18.75%	25.49%
Return on Equity	12.11%	12.11%	17.16%	11.95%	10.32%	15.19%
Sales/Assets	0.05	0.05	0.55	0.05	0.05	0.05
Proj. Sales Growth (F1/F0)	-6.43%	0.76%	4.16%	0.74%	1.52%	1.68%
Momentum Score	F	-	-	A	B	C
Daily Price Chg	-0.49%	-1.12%	0.27%	-1.30%	-1.50%	-0.98%
1 Week Price Chg	-6.32%	-0.09%	0.39%	-0.09%	2.36%	1.57%
4 Week Price Chg	-9.07%	-4.94%	2.95%	-2.73%	1.67%	-0.54%
12 Week Price Chg	-6.19%	2.27%	7.76%	6.83%	9.32%	8.23%
52 Week Price Chg	-1.85%	14.53%	22.29%	17.77%	29.18%	32.93%
20 Day Average Volume	19,127,010	3,752,710	1,536,375	36,994,600	10,597,847	9,389,063
(F1) EPS Est 1 week change	-1.72%	0.00%	0.00%	0.76%	0.57%	0.64%
(F1) EPS Est 4 week change	-3.17%	-0.01%	0.00%	1.41%	1.95%	2.75%
(F1) EPS Est 12 week change	-5.01%	-0.12%	-0.40%	2.32%	1.39%	2.95%
(Q1) EPS Est Mthly Chg	-10.15%	0.00%	0.00%	2.93%	0.99%	3.25%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	B
Growth Score	F
Momentum Score	D
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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