

Wells Fargo (WFC US)

FUNDAMENTAL VIEW ¹

As of 10 Dec 2024

- WFC is a leading domestic bank with strong positioning across consumer and commercial lending asset classes and a top 3 deposit market share in the U.S.
- The core credit risk profile remains solid; the company has actively shed non-core assets and business lines (including WFAM), both as a means of managing under the Fed's asset cap and part of new-ish CEO Scharf's streamline strategy.
- The balance sheet is strong, but WFC continues to suffer from internal deficiencies across a range of compliance and risk mgmt. functions unearthed after the fake account scandal. Positively, the Fed reportedly approved WFC's overhaul plans, a crucial step in the remediation process; WFC also continues to close outstanding consent orders, though some remain outstanding.

RISKS & CATALYSTS

As of 10 Dec 2024

- The asset cap and associated regulatory remediation remains a millstone with an unknown timeframe, though recent reporting has the cap being lifted in 2025. There was some risk that Wells could bleed share and franchise value in an economic recovery if the company cannot fully capture the business opportunity due to the asset cap, though so far that has not been the case given freed up balance sheet capacity earlier in 2020-22 and the sharp slowdown in loan growth since.
- Wells Fargo faces reputational risk tied to those misconduct and business practices scandals, though likely fading with time and remediation progress; at 3Q24, WFC high-end estimable loss above legal accruals was \$2 bn.
- Wells has less fee income diversification as peers, largely due to the much smaller scale of the capital markets businesses and smaller presence in credit cards, both points of emphasis under Scharf as Wells embarked on aggressive card product refreshes and trading buildout.

CREDIT QUALITY SCORE (CQS)²

As of 24 Dec 2024

CURRENT CQS

66

CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR)⁴ VS CQS



KEY METRICS

As of 10 Dec 2024

\$ MN	FY20	FY21	FY22	FY23	3Q24
ROAE (annual)	1.8%	11.4%	7.3%	10.5%	9.9%
ROAA (annual)	0.17%	1.11%	0.70%	1.00%	0.94%
PPNR / Avg. Assets	0.72%	1.26%	0.91%	5.14%	1.35%
Efficiency Ratio	81%	70%	78%	281%	68%
Net Interest Margin (Annual)	2.27%	2.05%	2.63%	3.05%	2.79%
Net charge-offs (LTM) / Loans	0.34%	0.18%	0.17%	0.37%	0.52%
Common Dividend Payout	152%	11%	32%	108%	28%
CET1 Ratio	11.6%	11.4%	10.6%	11.4%	11.3%
Supplementary Leverage Ratio (SLR)	8.1%	6.9%	6.9%	7.1%	6.9%
Liquidity Coverage Ratio (LCR)	133%	118%	122%	125%	125%

BUSINESS DESCRIPTION

As of 10 Dec 2024

- Wells Fargo ranks as the U.S.'s 4th largest bank by total assets (\$1.92 tn at 3Q24) and 3rd largest by total deposits (\$1.35 tn).
- Wells Fargo ranks 3rd in terms of U.S. deposits with approximately \$1.37 tn in deposits at YE23 and 4,379 branches across the U.S. (S&P Capital IQ). The company has leading market shares across its geographically diverse footprint, including in California (#3), South Dakota (#2), Florida (#2), Texas (#3), Minnesota (#2), and Georgia (#3).
- Wells Fargo's major business lines include U.S. retail banking, mortgage banking, consumer finance, corporate and middle market banking, and wealth management.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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