

April 2013

BrandFinance® Banking 500 League Table Report



Contents

1.	Executive Summary Wells Fargo's results	3	8.	Comparison against peers	34
2.	Brand Strength Index	7	9.	A market perspective Equity analyst overview	38
3.	Valuation Assumptions	12	10.	Appendix One Comparison of brand valuation methodologies	42
4.	Valuation Approach Royalty Relief	15	11.	Appendix Two About Brand Finance	46
5.	Trade Mark review	28			
6.	Visual Identity Review	30			
7.	CSR Review	32			

01

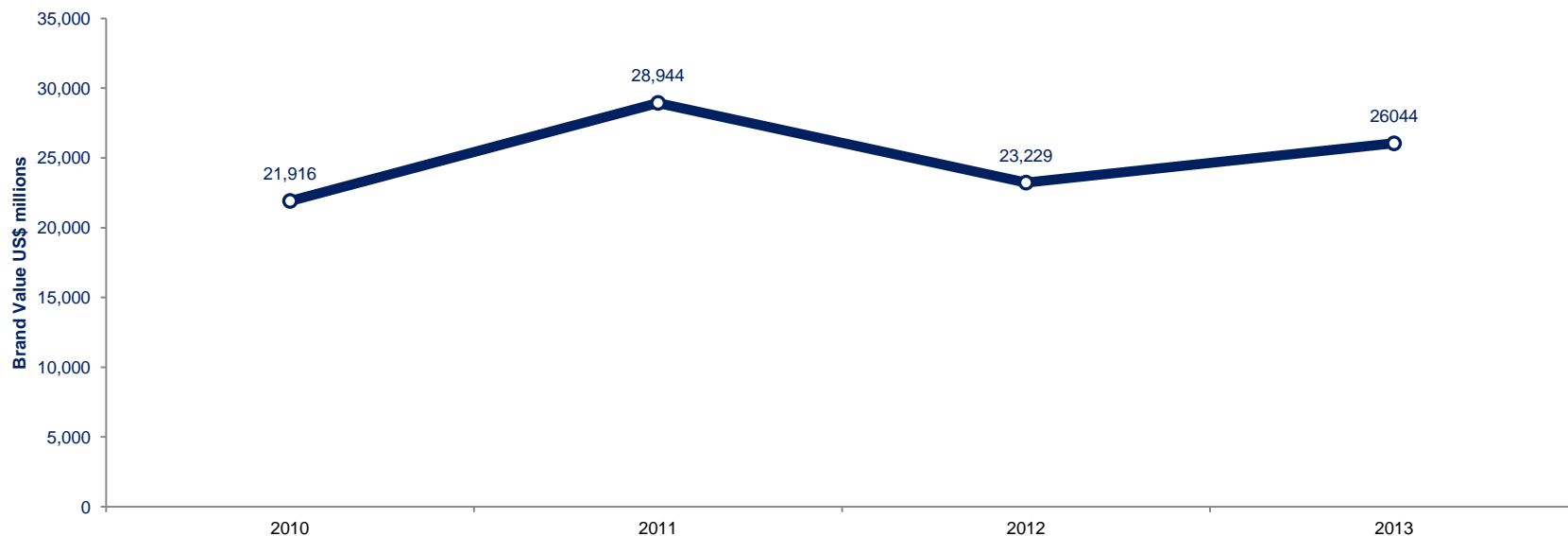
Section 1

Executive Summary

Values in US\$ million

	2012	2013	%
Brand Value	\$23,229	\$26,044	+12%
Market Cap	\$133,472	\$182,986	+37%
BV / MC	17%	14%	
Brand Rating	AA+	AA+	

**WELLS
FARGO**

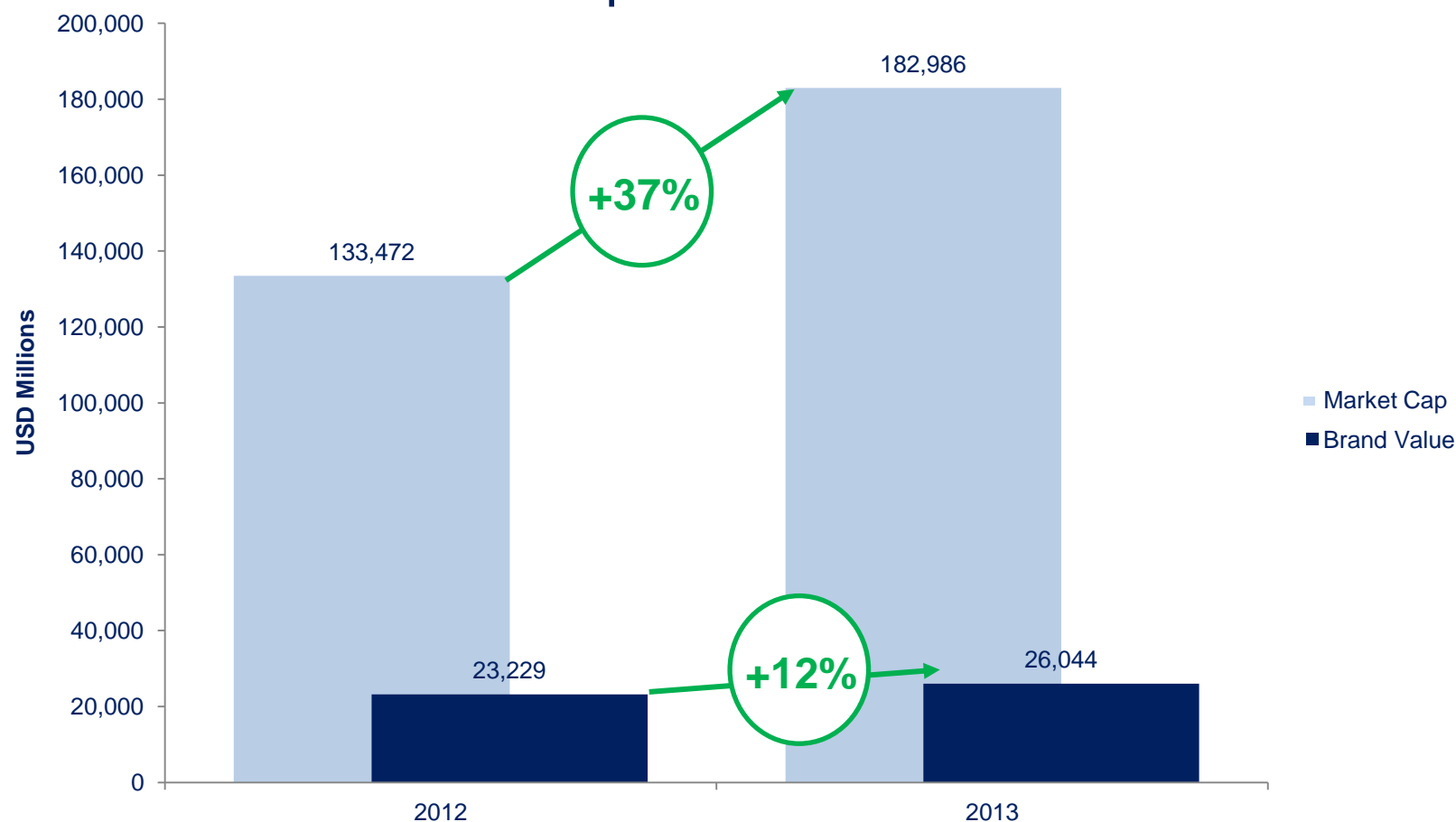


Wells Fargo					
Year	Banking 500 Rank	Brand Value	Market Cap	BV/MCAP	Brand Rating
2013	1	26,044	182,986	14%	AA+
2012	2	23,229	133,472	17%	AA+
2011	2	28,944	136,069	21%	AA+
2010	4	21,916	131,225	17%	AA

Comparison to 2012

Market Cap has increased by 37% to \$183 billion
Brand value has decreased by 12% to \$26 billion

Comparison to 2012



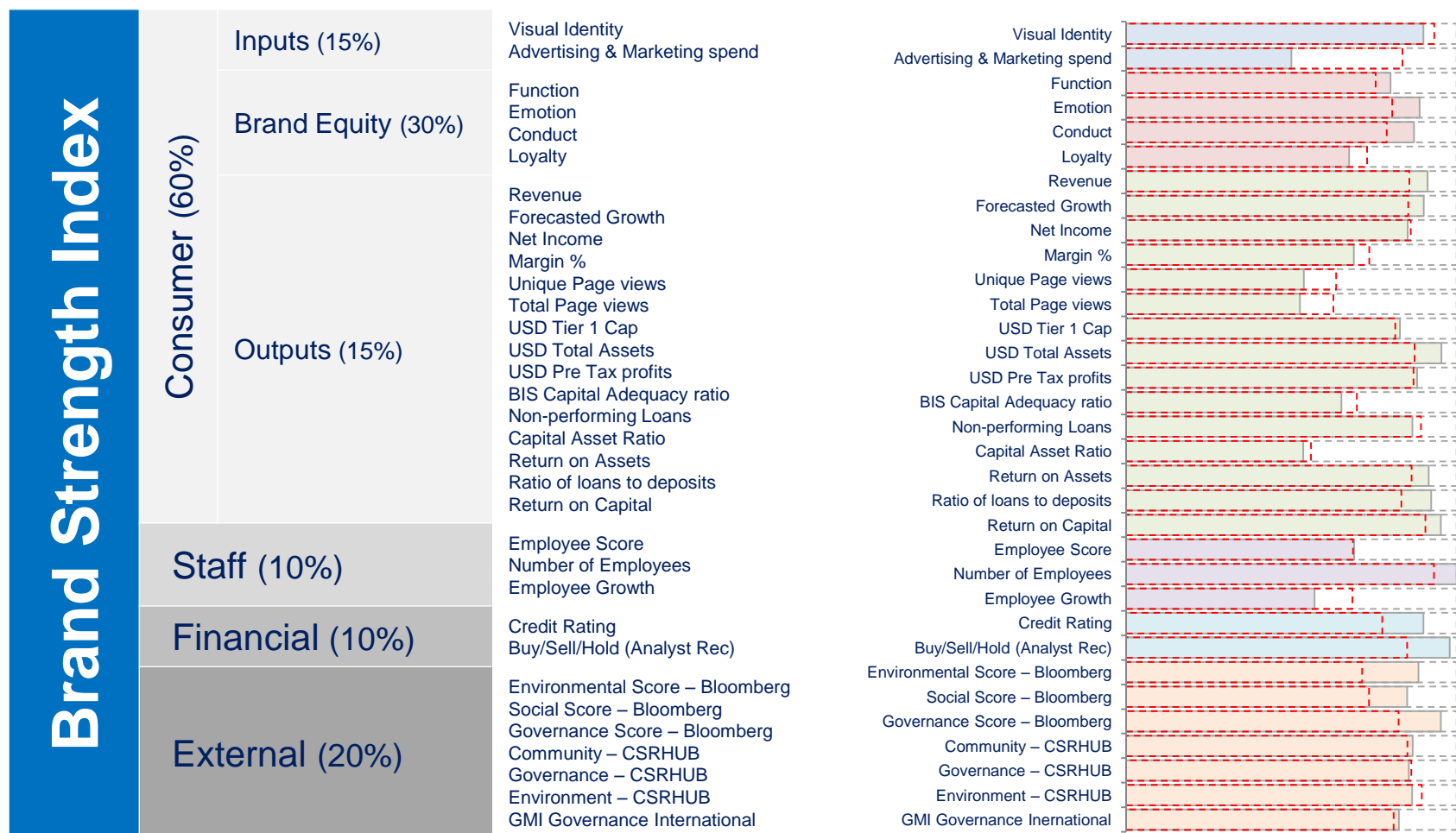
02

Section 2

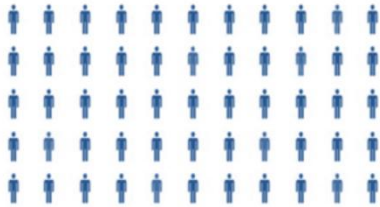
Brand Strength Index

Brand Strength Index How is it derived?

To conduct the valuation, it is necessary to determine the strength of the brand against other brands under review.



Brand Strength How does it impact the valuation?



Forecast Revenue

In addition to using historic trends to determine forecast revenue, brand equity – one of the components of the BSI – is used to determine forecast market share.



Royalty Rate

By a review of third party license agreements across sectors, Brand Finance has identified royalty ranges for use of the brand. The BSI is used to determine the applicable rate within the range based on the brand's strength in each market.



Discount Rate

The discount rate is used to discount royalty earnings back to a net present value. The BSI allows us to adjust the discount rate for each brand – a stronger brand would allow higher gearing and a lower credit risk premium and vice versa for a weaker brand.

Brand Strength Index How is it derived?

To conduct the valuation, it is necessary to determine the strength of the brand against other brands under review.

This chart summarises the conceptual approach of measuring brand strength within a single index.

Our Brand Strength Index ('BSI'), captures a range of measures across various stakeholders including:

- Consumers
- Staff
- Financial Audiences
- External Audiences

Consumer benchmarking incorporates measures relating to Brand Support; Brand Equity and Brand Performance for the brand relative to competitor brands.

Brand strength therefore measures both quality and size:

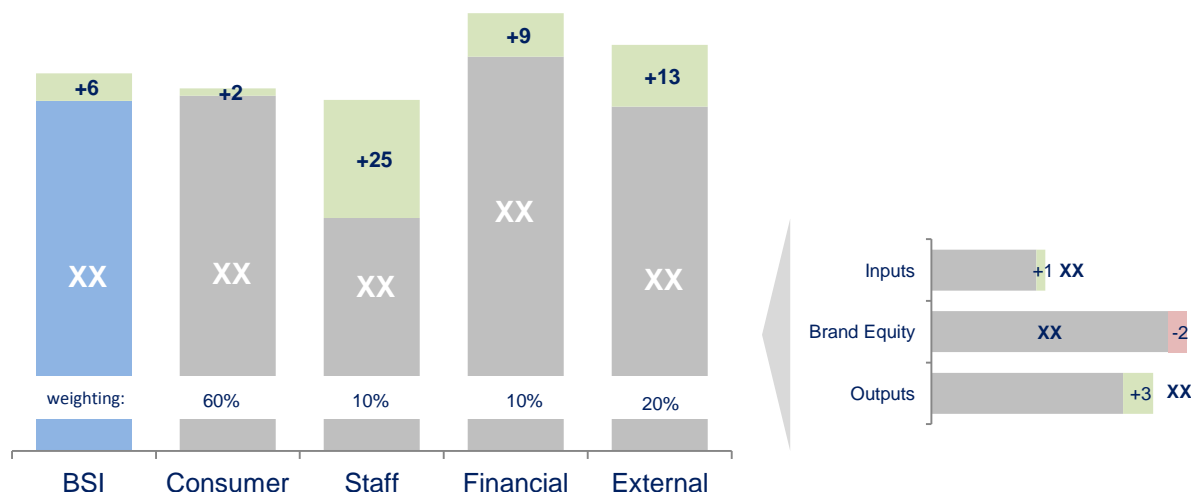
- Quality - the equity the brand has with users of the brand;
- Size - the physical presence of the brand in the global market.

The BSI is applied to the respective royalty range for each business sector in order to determine the applicable royalty rate.

For the purposes of the league tables, Brand Finance has relied on 3rd party studies and other information in the public domain.

For the purposes of conducting an internal, more detailed valuation, Brand Finance would rely on consumer and stakeholder research commissioned by the Brand in question.

Wells Fargo's Δ BSI 2012 / 2013



Our Brand Strength Index (BSI) – Partners / Sources



Bloomberg is a major global provider of 24-hour financial news and information including real-time and historic price data, financial data, trading news and analyst coverage, Bloomberg data is the source for our consolidated financials, forecast financials, and key performance metrics which make up a key part of our BSI.



Brand Finance has offices in over 15 countries whom we call upon for their local knowledge and insight to provide scores on the functional, emotional, conduct and loyalty metrics in our 'Customer' scores.



VI360 is a visual identity management company who specialize in helping clients implement, monitor and control the visual elements of their brand identity. The score is based on the relative strength of a brand's visual identity and management performance which is benchmarked against industry best practice.



MW Trade Marks are specialist Trade Mark Attorneys with extensive experience and a reputation for offering practical, business orientated advice at very competitive rates.



The world's largest CSR (corporate social responsibility) and sustainability ratings and information database. CSRHub covers 7,000 companies in 91 countries. Managers, researchers and activists use CSRHub to benchmark company performance, discover CSR best practices, and seek ways to change the world.



The Banker is the world's premier banking resource. Read in over 180 countries around the world, The Banker is one of the key sources of data and analysis for the Banking 500 study. Its unique database of more than 4000 banks, maps their financial strength and soundness via Tier 1 capital, profitability, and performance against peers.



CNN Money is the world's largest business website and the source of some key soft metrics in our BSI, namely their 'Best Companies To Work For' and 'Most Admired Company' rankings which make up part of our 'Customer' and 'Financier' scores.



Glassdoor is a free online jobs and career community that ranks companies based on "employee generated content" (salaries, company reviews, interview questions etc). We use these rankings in our 'Staff' score measures.



Google Ad Planner is an online advertising tool developed by Google Inc which provides information on the quantity and quality of web traffic to websites. Unique page views and total page views are metrics that we use in our 'Customer' score measures.

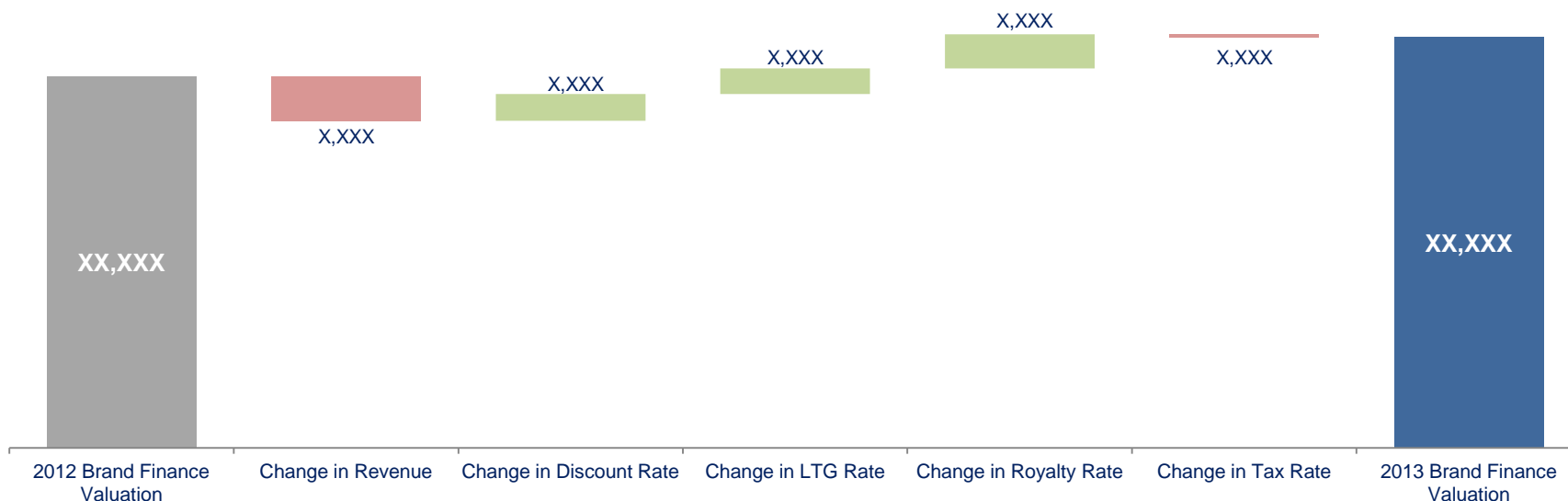
03

Section 3

Valuation Assumptions

Wells Fargo's Δ Value 2012 / 2013

Wells Fargo's brand value has increased XX% since 2012



Δ Revenues

- 2013 revenue forecasts have increased/decreased. Change in revenue forecast resulted in XX% increase/drop equal to US\$ X,XXX mln

Δ Brand Strength Index (BSI)

- Wells Fargo's brand strength decreased X points from XX in 2012 to XX. The BSI score aids in selection of a royalty rate for the brand (from a range within the sector). This resulted in a small drop in Royalty Rate that was accentuated by a shift in revenue towards product segments that command a lower royalty rate range.

Δ Discount Rate

- Discount rate represents the average cost of a company's sources of financing. Wells Fargo's risk has declined from X.X% to X.X% supported by a small gain in brand strength resulting in US\$ XXX mln increase (+X%)

Δ Long Term Growth

- Long term growth has only moderately decreased from X.X% to X.X% and contributes XX% of the total decrease in brand value

Performance Summary

Valuation schedule and assumptions

The table below shows the workings required to derive the graph on the previous slide

Valuation Comparison with Last Year	Last Historical Revenue	Last Forecasted Revenue	Discount Rate	LTG Rate	Royalty Rate	Tax Rate	Brand Value	Effective Change
2012 Brand Finance Valuation	XX,XXX	XX,XXX	X.X%	X.X%	X.X%	XX%	XX,XXX	
Change in Revenue	XX,XXX	XX,XXX	X.X%	X.X%	X.X%	XX%	XX,XXX	-X,XXX
Change in Discount Rate	XX,XXX	XX,XXX	X.X%	X.X%	X.X%	XX%	XX,XXX	X,XXX
Change in LTG Rate	XX,XXX	XX,XXX	X.X%	X.X%	X.X%	XX%	XX,XXX	X,XXX
Change in Royalty Rate	XX,XXX	XX,XXX	X.X%	X.X%	X.X%	XX%	XX,XXX	X,XXX
Change in Tax Rate	XX,XXX	XX,XXX	X.X%	X.X%	X.X%	XX%	XX,XXX	-XXX
2013 Brand Finance Valuation	XX,XXX	XX,XXX	X.X%	X.X%	X.X%	XX%	XX,XXX	X

04

Section 4

Valuation Approach Royalty Relief

Valuation Approach Royalty Relief

Brand Finance uses an Income Approach referred to as the '**Royalty Relief Methodology**' to value brands for the purposes of technical valuations.

- The 'Royalty Relief' approach assumes a hypothetical scenario in which the business does not actually own its brand but instead is required to license it from a third party;
- It can be performed on the basis of publicly available financial information;
- By determining the royalty fees the business would theoretically be required to pay, we are able to estimate the proportion of future cash flows that are attributable to the brand – the present value of the post-tax royalties are held to represent the value of the brand today;
- Royalty relief is an accepted methodology for valuing brands that is widely used and based in commercial reality. It is commonly used in legal cases and tax disputes;
- It ties back to the commercial reality of brands - their ability to command a premium in an arm's length transaction;
- The methodology is specifically recommended by the IVSC for use in IFRS reporting; &
- This method relies on verifiable third party data (licensing agreements – where appropriate) and therefore less judgment is involved than other methods.

5 steps to Royalty Relief



1. Determine forecast Revenue

Determine future revenues over a five year explicit forecast period. This is done by referencing historic revenue trends, market growth estimates, competitive forces and analyst projections.

2. Establish Royalty Rate Range

Review comparable licensing agreements. Analyse margins and value drivers across business sectors. Establish average royalty rate range for each sector.

3. Assess the Brand Strength

Determine the strength of the brand using the BSI. Apply BSI to royalty rate range to determine royalty rate for each business unit.

4. Determine the Discount Rate

Determine discount rate to calculate the net present value ('NPV') of future brand earnings (accounting for the time value of money and the associated risk).

5. Brand Valuation Calculation

The NPV of post-tax royalties equals the brand value

1. Determine Forecast Revenue

2. Establish Royalty Rate Range

3. Assess the Brand Strength

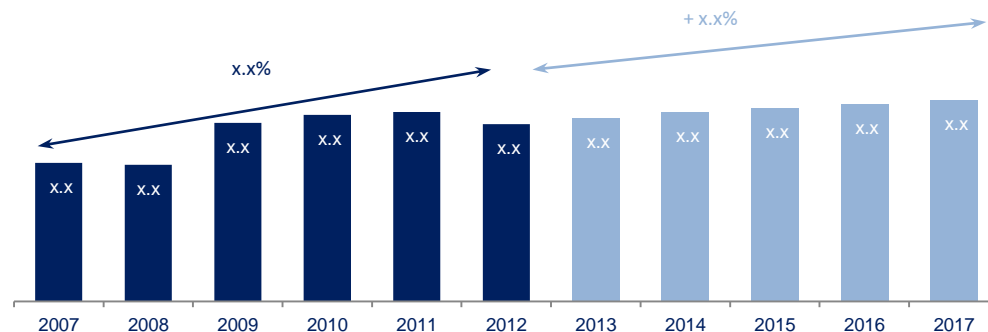
4. Determine the Discount Rate

5. Brand Valuation Calculation

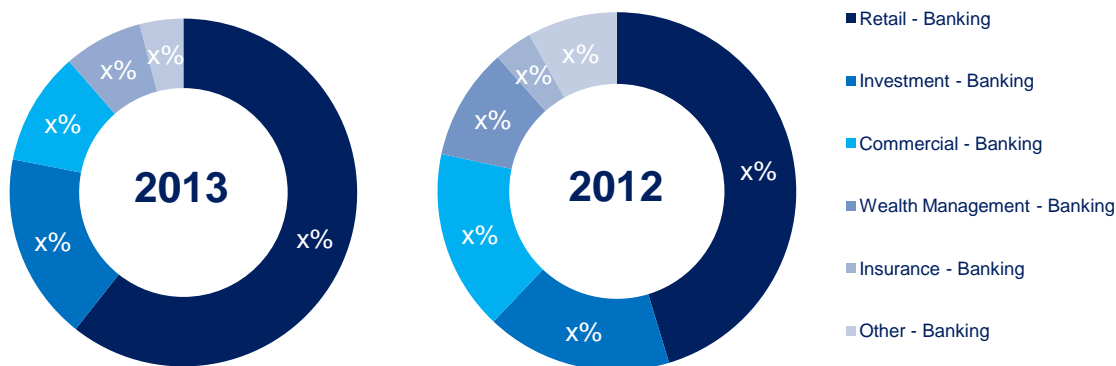
$$\sum_{t=1}^T \left\{ \frac{[\text{Rev}_t * \text{royalty rate} * (1 - \text{tax})]}{(1 + \text{discount rate})^t} \right\}$$

- The first step in the valuation involves estimating future sales for each brand over a 5 year explicit forecast period
- Forecast revenue is derived by reference to historic trends, market growth estimates, competitive forces and analyst projections
- Bank Brand's revenue grew at x.x% CAGR over the historic period 2007 to 2012 and is forecast to grow at x.x% over the forecast period 2012 to 2017
- Revenue was segmented by business sector in order to take into consideration the role of brand in each sector
- Using the revenue information provided by Bank Brand, the majority of revenue is derived through Retail banking (x%) followed by investment banking (x%).

Historic (2007 – 2012) vs. forecast revenue (2013 – 2017) – US\$ bn



Revenue by business segment

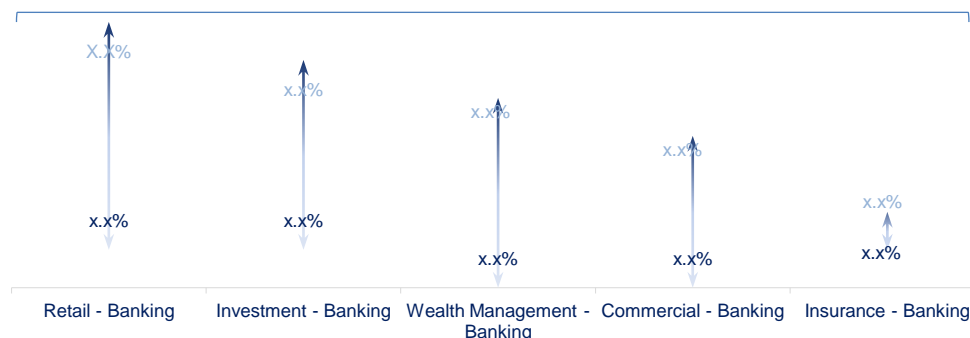


1. Determine Forecast Revenue
- 2. Establish Royalty Rate Range**
3. Assess the Brand Strength
4. Determine the Discount Rate
5. Brand Valuation Calculation

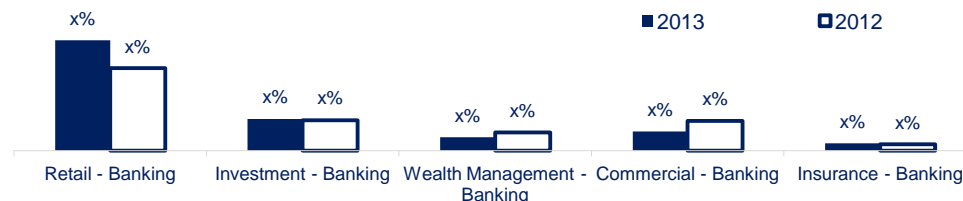
$$\sum_{t=1}^T \left\{ \frac{[\text{Rev}_t * \text{royalty rate} * (1 - \text{tax})]}{(1 + \text{discount rate})^t} \right\}$$

- 3rd party licence agreements in the public domain demonstrate the role of the brand across various business sectors
- Brand Finance has relied on its internal database of royalty rates and experience of sector specific studies in order to determine royalty ranges for each of the sectors as segmented in the valuation
- The classification of Bank Brand's revenue, we can establish an applicable royalty range for each of the revenue streams generated by respective business sectors
- Using the revenue classification, a blended total level product only royalty range applicable for the Bank Brand brand would fall between:
 - low royalty rate: x.x%
 - high royalty rate: x.x%

Banking Royalty Ranges



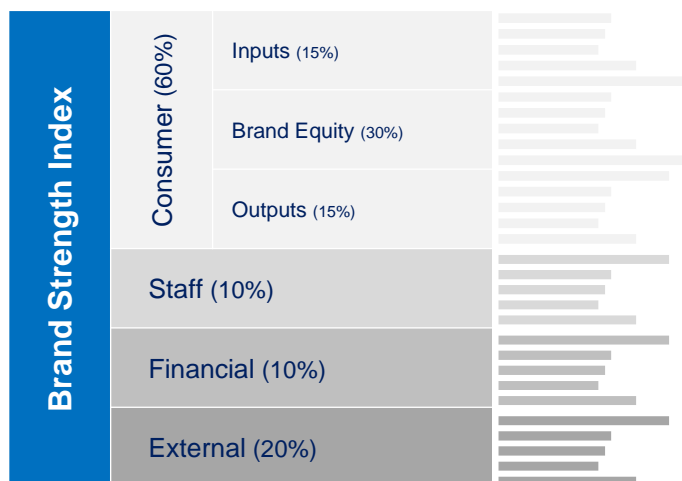
Revenue % by Business Sector



1. Determine Forecast Revenue
2. Establish Royalty Rate Range
- 3. Assess the Brand Strength**
4. Determine the Discount Rate
5. Brand Valuation Calculation

$$\sum_{t=1}^T \left\{ \frac{[\text{Rev}_t * \text{royalty rate} * (1 - \text{tax})]}{(1 + \text{discount rate})^t} \right\}$$

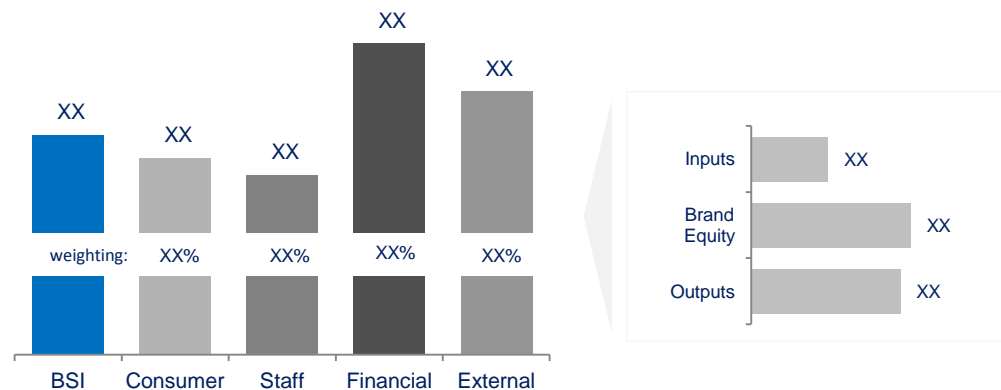
- Our Brand Strength Index ('BSI'), captures a range of measures across various stakeholders including:
 - Consumers
 - Staff
 - Financial Audiences
 - External Audiences
- Consumer benchmarking incorporates measures relating to Brand Support; brand Equity and Brand Performance for the brand relative to competitor brands
- Brand strength therefore measures both quality and size:
 - ✓ Quality - the equity the brand has with users of the brand;
 - ✓ Size - the physical presence of the brand in the global market.
- The BSI is applied to the respective royalty range for each business sector in order to determine the applicable royalty rate



1. Determine Forecast Revenue
2. Establish Royalty Rate Range
- 3. Assess the Brand Strength**
4. Determine the Discount Rate
5. Brand Valuation Calculation

$$\sum_{t=1}^T \left\{ \frac{[\text{Rev}_t * \text{royalty rate} * (1 - \text{tax})]}{(1 + \text{discount rate})^t} \right\}$$

- Bank Brand achieves a BSI of XX out of a possible 100 points in comparison to sector and regional competitors
- Bank Brand is rated highly across Financial and External audiences however lower scores on Consumer measures reduces the brand's overall BSI
- Further details regarding each of the macro indicators are provided in this report



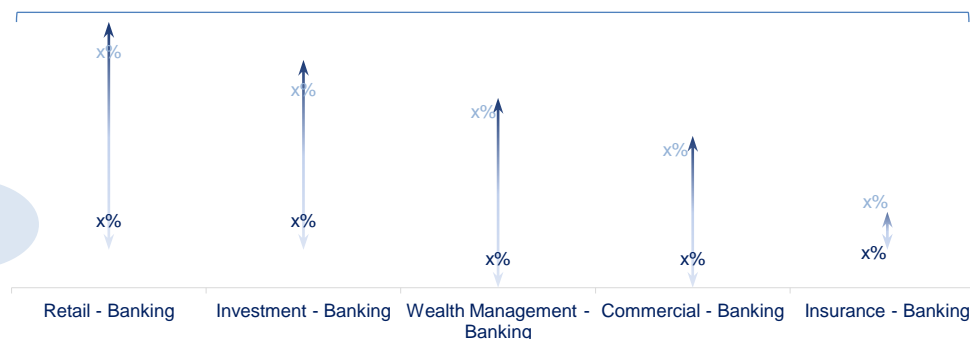
1. Determine Forecast Revenue
2. Establish Royalty Rate Range
- 3. Assess the Brand Strength**
4. Determine the Discount Rate
5. Brand Valuation Calculation

$$\sum_{t=1}^T \left\{ \frac{[\text{Rev}_t * \text{royalty rate} * (1 - \text{tax})]}{(1 + \text{discount rate})^t} \right\}$$

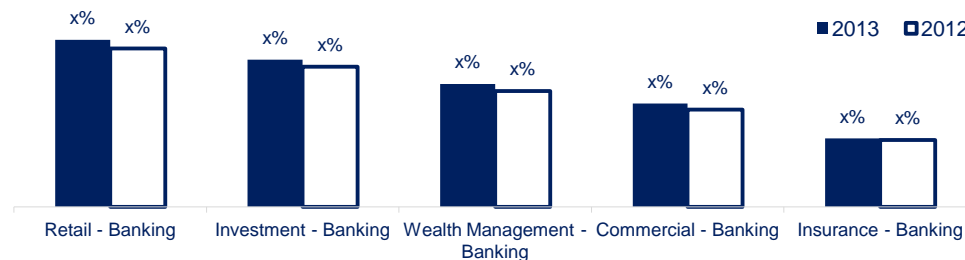
- Apply Bank Brand's BSI score to the royalty range identified for each sector to determine the applicable royalty rate for brand
- The analysis demonstrates Bank Brand achieves its highest royalty rates across the Retail banking business unit (x.xx%) followed by a x.xx% royalty rate in Investment banking
- The blended royalty rate across the business represents the equivalent of a x.xx% of net revenues

XX

Banking Royalty Ranges



Bank Brand Royalty Rate by Business Sector



1. Determine Forecast Revenue
2. Establish Royalty Rate Range
3. Assess the Brand Strength
- 4. Determine the Discount Rate**
5. Brand Valuation Calculation

$$\sum_{t=1}^T \left\{ \frac{[\text{Rev}_t * \text{royalty rate} * (1 - \text{tax})]}{(1 + \text{discount rate})^t} \right\}$$

- The discount rate is used to calculate the present value of future brand earnings (accounting for the time value of money and the associated risk).
- Weighted Average Cost of Capital (WACC) is used as a discount rate in the valuation, after adjusting for brand specific risk, as determined by the BSI.
- WACC represents the average costs of a brand's sources of financing. It also is the overall required rate of return on the firm.
- WACC is calculated as:
(proportion of debt funding * cost of debt + proportion of equity funding * cost of equity)

$$\text{WACC} = (K_E \times (1 - P_D)) + (K_D \times P_D)$$

where

$$K_E = R_F + (R_E \times \beta_B)$$

K_E = Cost of Equity
 P_D = Proportion of Debt
 R_F = Risk Free Rate
 R_E = Equity Risk Premium
 β_B = Brand Beta

and

$$K_D = (R_F + B_R) \times (1 - \text{Tax})$$

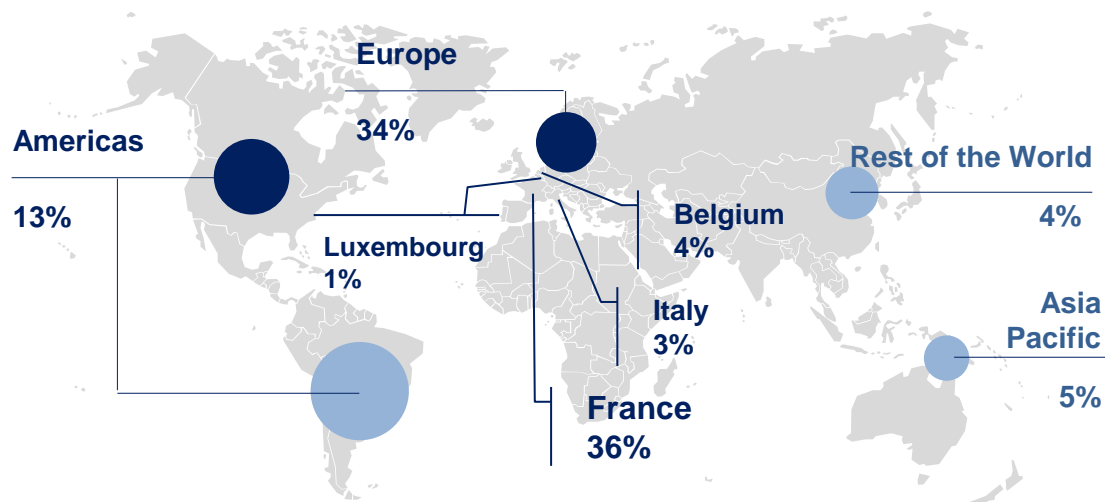
K_D = Cost of Debt
 P_D = Proportion of Debt
 R_F = Risk Free Rate
 B_R = Brand Risk Premium

ILLUSTRATIVE

1. Determine Forecast Revenue
2. Establish Royalty Rate Range
3. Assess the Brand Strength
- 4. Determine the Discount Rate**
5. Brand Valuation Calculation

$$\sum_{t=1}^T \left\{ \frac{[\text{Rev}_t * \text{royalty rate} * (1 - \text{tax})]}{(1 + \text{discount rate})^t} \right\}$$

- In order to account for both long term growth and risk across the Bank Brand's branded business, Brand Finance has taken into account regional contribution of revenue and earnings as reported by Bank Brand
- XX% of Bank Brand's earning are generated in Europe with an additional XX% from the Americas.



1. Determine Forecast Revenue

2. Establish Royalty Rate Range

3. Assess the Brand Strength

4. Determine the Discount Rate

5. Brand Valuation Calculation

$$\sum_{t=1}^T \left\{ \frac{[\text{Rev}_t * \text{royalty rate} * (1 - \text{tax})]}{(1 + \text{discount rate})^t} \right\}$$

- Using the revenue and earnings contribution as reported by Bank Brand, Brand Finance has calculated a blended discount rate (weighted average cost of capital) taking into account region risk and growth expectations
- The discount rate for each region is determined individually then blended together.
- Using an assumption that Bank Brand's proportion of debt funding is 25%, Brand Finance has calculated Bank Brand's European discount rate to be 9.8%
- When this is weighted and blended with the other regions the overall discount rate comes out at 9.3%.

$$\text{European WACC } 7.2\% = (11.5\% \times (1 - 25\%)) + (4.5\% \times 25\%)$$

$$K_E \text{ } 8.8\% = 2.3\% + (7.0\% \times 0.9)$$

where

K_E = Cost of Equity
 P_D = Proportion of Debt
 R_F = Risk Free Rate
 R_E = Equity Risk Premium
 β_B = Brand Beta

$$K_D \text{ } 2.7\% = (2.3\% + 1.7\%) \times (1 - 33.3\%)$$

and

K_D = Cost of Debt
 P_D = Proportion of Debt
 R_F = Risk Free Rate
 B_R = Brand Risk Premium

	WACC	Weighting	Weighted WACC	Blended WACC
France	7.2%	36%	2.6%	9.0%
Europe	9.9%	34%	3.4%	
Americas	10.7%	13%	1.4%	
Belgium	7.8%	4%	0.3%	
Italy	9.0%	3%	0.3%	
Asia Pacific	10.0%	5%	0.5%	
Luxembourg	8.8%	1.2%	0.1%	
Rest of the World / Other	11.1%	3.8%	0.4%	

1. Determine Forecast Revenue
2. Establish Royalty Rate Range
3. Assess the Brand Strength
4. Determine the Discount Rate

5. Brand Valuation Calculation

$$\sum_{t=1}^T \left\{ \frac{[\text{Rev}_t * \text{royalty rate} * (1 - \text{tax})]}{(1 + \text{discount rate})^t} \right\}$$

Total Brand Value (USD\$ m)	18,573
Explicit Period	4,388
Perpetuity	14,184



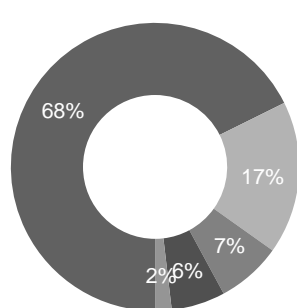
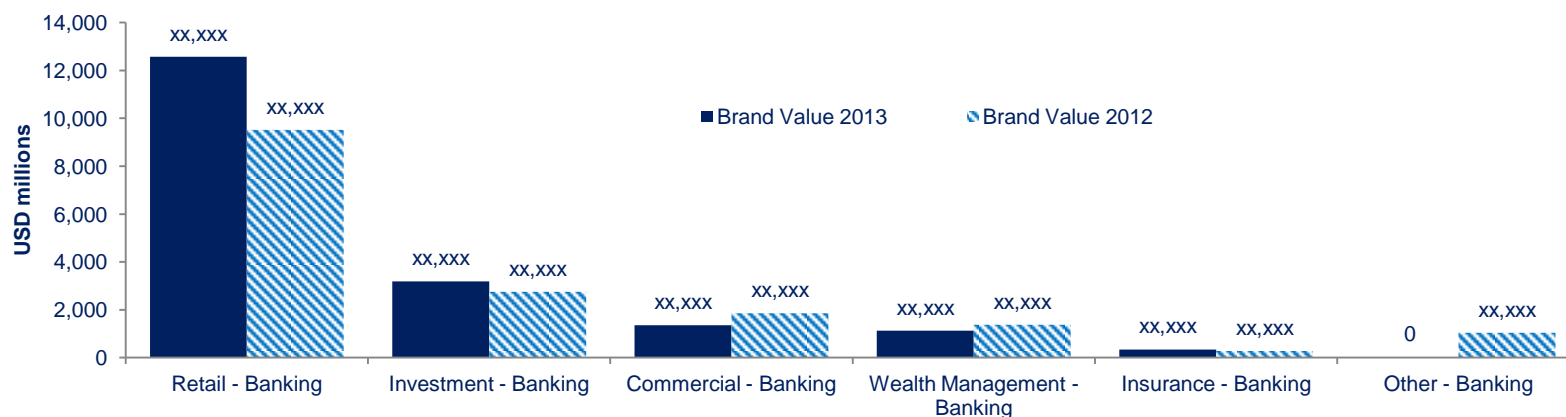
	2009	2010	2011	2012	2013	2014	2015	2016
Revenue (USD\$ m)	56,497	57,318	53,660	55,399	57,152	58,409	59,694	61,007
Royalty range low			0.91%					
Royalty range high			3.58%					
BSI			81					
Royalty rate			3.07%					
Brand Contribution				1,498	1,587	1,627	1,668	1,709
Tax				-335	-346	-354	-361	-369
Net Brand Contribution				908	937	958	979	1,000
Discount Rate			9.0%					
Discount Factor				1.09	1.19	1.29	1.41	1.54
Net Present Value				1,371	1,329	1,247	1,170	1,097
Long Term Growth			2.2%					
Perpetuity								14,184

1. Determine Forecast Revenue
2. Establish Royalty Rate Range
3. Assess the Brand Strength
4. Determine the Discount Rate

5. Brand Valuation Calculation

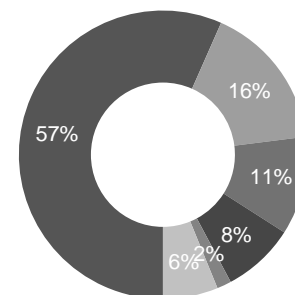
$$\sum_{t=1}^T \left\{ \frac{[\text{Rev}_t * \text{royalty rate} * (1 - \text{tax})]}{(1 + \text{discount rate})^t} \right\}$$

Bank Brand Value by Business Sector (USD 18,573m)



2013

- Retail - Banking
- Investment - Banking
- Commercial - Banking
- Wealth Management - Banking
- Insurance - Banking
- Other - Banking



2012

05

Section 5

Trade Mark Review

Trade Mark Review

Wells Fargo's trade mark protection

Positives

- ✓ **Use of Madrid Protocol** Some use of the Madrid Protocol to register trade marks on a cost effective basis (please see below).
- ✓ **Core marks protected** Extensive protection for both the Wells Fargo word and logo marks in Europe (please see below).

Negatives

- ✗ **No class 9 protection** No protection in the associated class 9 for downloadable publications or electronic cards.
- ✗ **Use of Madrid Protocol** The Madrid Protocol could be better used to obtain wide geographical coverage at reduced costs.

Wells Fargo has a well protected trade mark portfolio. Better use could be made of the Madrid Protocol.

06

Section 6

Visual Identity Review

Visual Identity Assessment

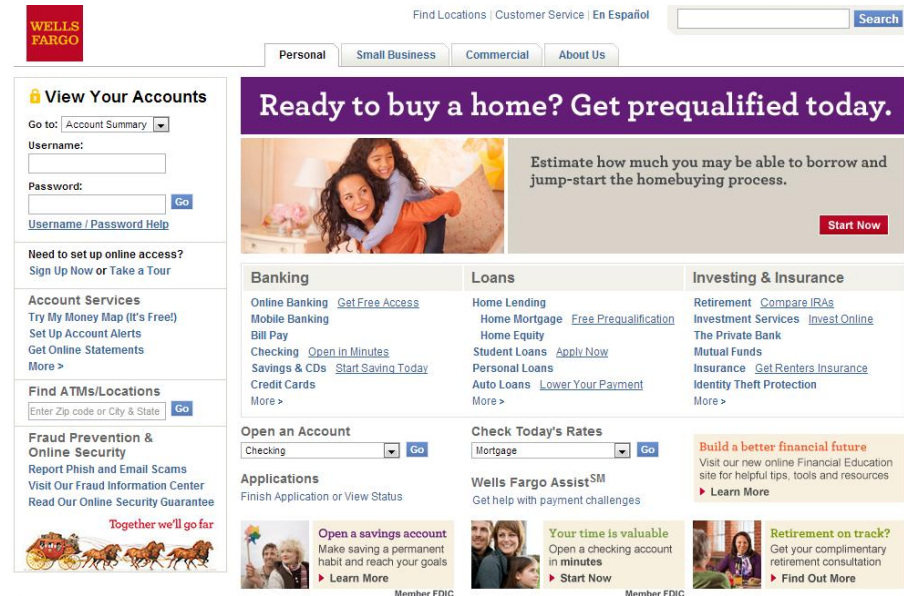
Wells Fargo

Wells Fargo has a good clean identity that displays the name of the company.

One of the major challenges for Wells Fargo is its diversity of products and services, as well as many international locations. The secondary descriptor which appears locked to the main logo varies in execution, with different types of font, color tone and sometimes kerning applied throughout its business divisions and locations.

To ensure brand consistency, and to deliver on the stated ambition to become a single and unified brand, tighter controls on the execution of secondary naming and the communications house style are essential to building and maintaining brand strength.

As Wells Fargo acquires new businesses and introduces new financial products to the market, a consistently implemented brand identity system will demonstrate the attention to detail and commitment to excellence that promote and build on the brand promise.



07

Section 7

CSR Review

Sustainability Metrics Review

Wells Fargo

Positives

✓ Strong relative scores

Both the overall score and the score in each major area are in line with or above those of other companies in North America.

✓ Above average Community scores

While a 54 in Community is only slightly above the overall average for companies in the system, it stands out relative to comparable companies.

Negatives

✗ Employee Training & Health is a weak spot

The 40 rating in this area is a sign that the company needs to review these policies and practices.

✗ Environment scores should be easy to improve

It is relatively easy to improve scores in Resource Management and in Environment Policy & Reporting. Improvements in these areas could make the bank a leader in its group.

Company	Overall	Community	Employees	Environment	Governance	# of Sources
Wells Fargo	52.0	53.7	49.0	49.0	55.0	19
Sampo OYJ	44.0	38.0	42.0	36.7	58.7	12
DAIWA Securities Group Inc.	53.0	52.0	50.7	50.7	58.3	21
HSBC Holdings PLC	61.0	51.0	64.3	62.0	65.0	57
State Bank of India Group	44.0	47.3	47.7	37.7	42.7	21
Westpac Banking Corporation	66.0	62.7	67.3	61.3	72.3	34





08

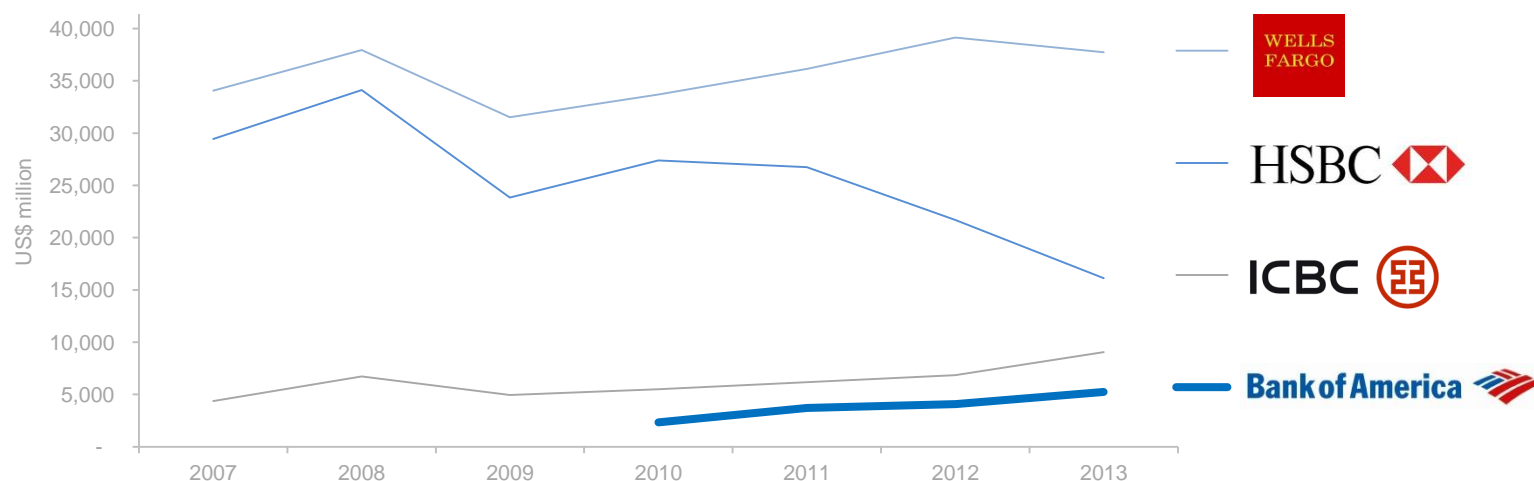
Section 8

Comparison Against Selected Peers

Brand value comparison

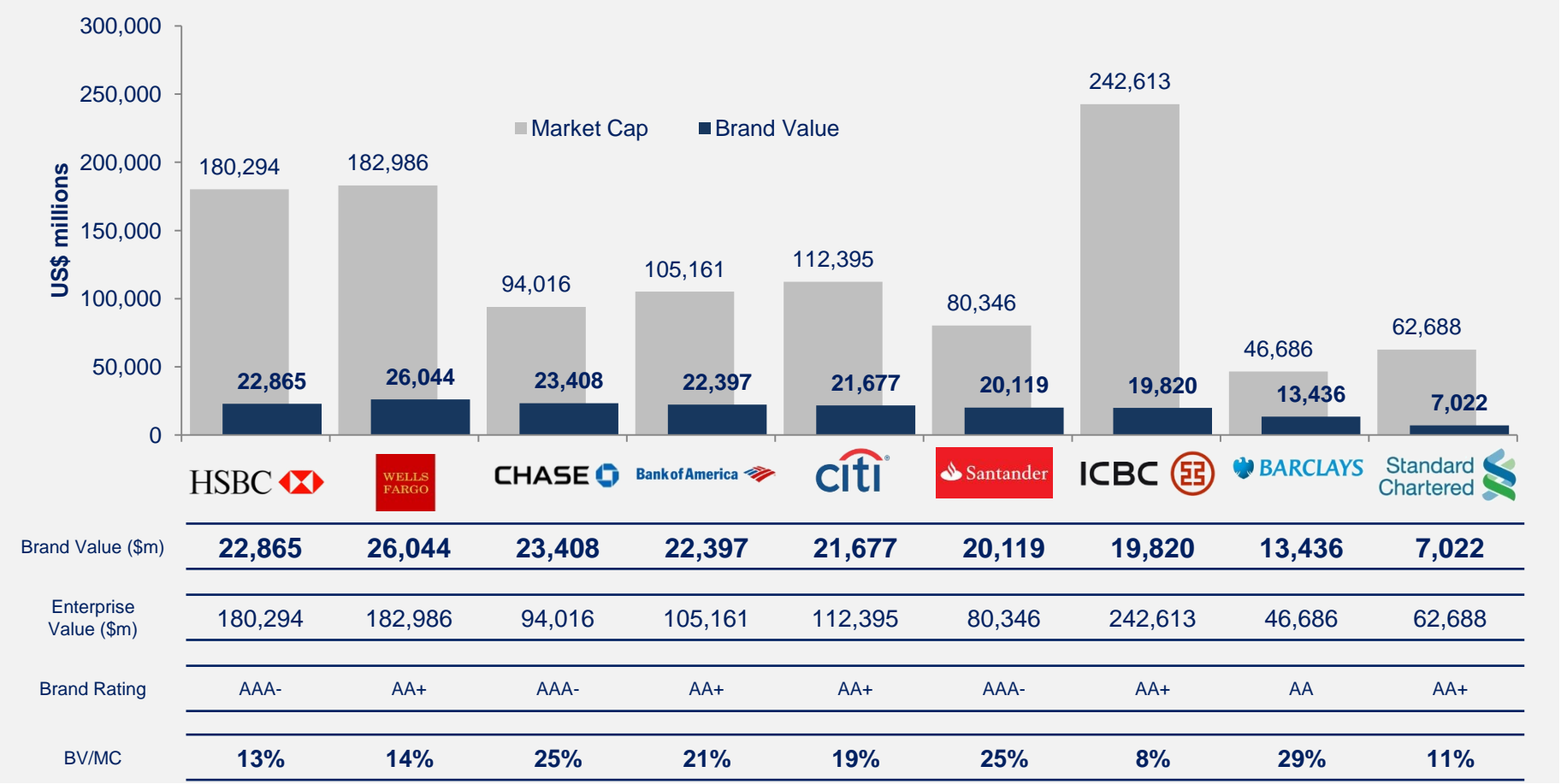
Competitor summary

			Brand value	Brand rating
1 (1)		Wells Fargo	XX,XXX (-X%)	XXX
2 (2)	HSBC 	HSBC	XX,XXX (-X%)	XXX
3 (3)	ICBC 	ICBC	XX,XXX (+X%)	XXX
4 (4)	Bank of America 	Bank of America	XX,XXX (X%)	XXX



Brand value comparison

Competitor summary



Brand value comparison

Competitor summary – BSI Heatmap

		Wells Fargo	HSBC	Santander	Deutsche Bank	Barclays	Credit Suisse	Société Générale	Bradesco
CONSUMER - 60%	Visual Identity								
	CEO Score								
	Advertising & Marketing Spend								
	Function								
	Emotion								
	Conduct								
	Loyalty								
	Revenue								
	Forecasted Growth								
	Net Income								
	Margin								
	Unique Page Views								
	Total Page Views								
	USD Tier 1 Capital								
	USD Total Assets								
	USD Pre-Tax Profits								
	BIS Capital Adequacy Ratio (Total)								
	Non-Performing Loans (NPL)								
	Capital Assets Ratio								
	Return on Assets								
	Ratio of Loans to Deposits								
	Return on Capital								
STAFF - 10%	CEO Score								
	Employee Score								
	Number of Employees								
	Employee growth								
FINANCE - 10%	CEO Score								
	Credit Rating								
	Buy / Sell / Hold (Analyst Rec)								
OTHER - 20%	CEO Score								
	Environmental Score - Bloomberg								
	Social Score - Bloomberg								
	Governance Score - Bloomberg								
	Community - CSRHUB								
	Governance - CSRHUB								
	Environment - CSRHUB								
	GMI Governance International								

09

Section 9

A Market Perspective

Analysts imply the market may be overvaluing Wells Fargo

	Firm	Analyst	Date	Target (£)	Implied MC (£m)	Premium
1	Goldman Sachs	Frederik Thomasen	08 May 12	820	151,502	14%
2	DBS Vickers	Alexander Lee	21 Jan 13	796	147,033	11%
3	Keefe, Bruyette & Woods	Mark J Phin	03 Dec 12	770	142,264	7%
4	BNP Paribas Equity Research	Dominic Chan	21 Dec 12	767	141,728	7%
5	Espirito Santo Investment Bank Research	Shailesh Raikundlia	07 Dec 12	760	140,416	6%
6	Citic Securities Co., Ltd	Steven Chan	03 Jan 13	755	139,426	5%
7	Macquarie	Thomas Stoegner	16 Jan 13	750	138,569	5%
8	Credit Suisse	Amit Goel	15 Jan 13	750	138,569	5%
9	Sanford C. Bernstein & Co	Chirantan Barua	11 Jan 13	750	138,569	5%
10	Exane BNP Paribas	Tom Rayner	10 Dec 12	750	138,569	5%
11	Barclays	Rohith Chandra-Rajan	22 Jan 13	730	134,873	2%
12	Nomura	Chintan Joshi	16 Jan 13	730	134,873	2%
13	JPMorgan	Raul Sinha	14 Jan 13	725	133,950	1%
	Current Market Price		28 Jan 13	717	132,102	0%
14	Deutsche Bank	Jason Napier	13 Dec 12	715	132,102	0%
15	Mizuho Securities	Jim Antos	19 Nov 12	709	130,993	-1%
16	Societe Generale	James Invine	14 Dec 12	700	129,331	-2%
17	S&P Capital IQ	Frank Braden	14 Dec 12	700	129,331	-2%
18	Canaccord Genuity Corp	Gareth Hunt	09 Nov 12	700	129,331	-2%
19	Investec	Ian Gordon	08 Jan 13	685	126,559	-4%
20	Mediobanca SpA	Christopher J Wheeler	13 Dec 12	685	126,559	-4%
7	Day by Day	Valerie Gastaldy	18 Sep 12	685	126,559	-4%
8	Berenberg Bank	James Chappell	12 Nov 12	680	125,635	-5%
9	AMTD Financial Planning Limited	Kenny Tang Sing Hing	06 Dec 12	676	124,829	-6%
10	China International Capital Corp	Sally Ng	12 Jul 12	668	123,499	-7%
11	AlphaValue	David Grinsztajn	24 Jan 13	666	123,049	-7%
12	Liberum Capital Ltd	Cormac Leech	07 Dec 12	665	122,864	-7%
13	Daniel Stewart & Co	Simon Willis	09 Jan 13	650	120,093	-9%
14	Independent Research GmbH	Stefan Bongardt	06 Dec 12	650	120,093	-9%
15	Landesbank Baden-Wuerttemberg	Werner Schirmer	06 Dec 12	640	118,245	-11%
16	Grupo Santander	Arturo De Frias	18 Sep 12	632	116,767	-12%
17	CCB International Securities Ltd	Adam Chan	05 Nov 12	630	116,471	-12%
	Brand Finance Valuation	(date of download	18 Oct 12	617	113,996	-14%
18	BOCOM International Holdings	Li Shanshan	09 Jan 13	592	109,304	-17%
19	RBC Capital Markets	Patrick Lee	11 Dec 12	585	108,083	-18%
20	Oriel Securities Ltd	Vivek Raja	11 Dec 12	550	101,617	-23%

What the analysts are saying

A sample of analyst views suggest that Wells Fargo's business is performing at par, however, its limited distribution reach may hinder future growth

J.P.Morgan

Target share price – £ 1.41

- Wells Fargo's AUM at end of September 2012 compared with our estimate of £65.2bn. AUM increased by 2% in the quarter.
- The company continues to suffer UK retail outflows in Q3 ahead of RDR and due to short-term performance, but SICAVs saw a sharp rebound in the quarter while US mutual funds were only slightly negative.
- Our estimates are little changed. The continuing outflows from UK retail have caused us to moderate our flow assumptions in Q4, but we have been more optimistic elsewhere. The stock appears cheap relative to peers but arguably needs better news on overall flows to see re-rating.

Rae Maile, 01.11.12

SOCIETE GENERALE

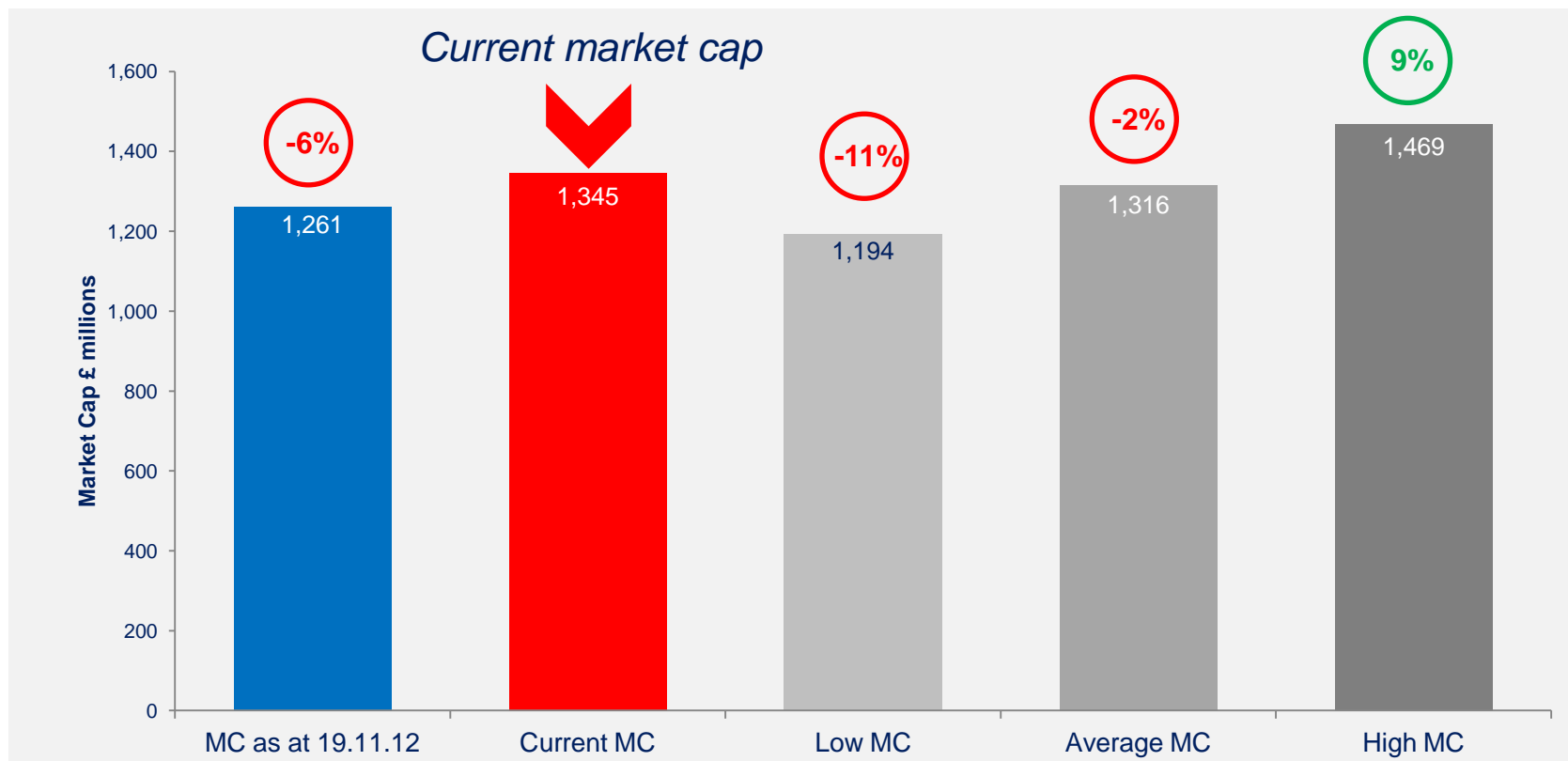
Target share price – £ 1.15

- With 805 of Wells Fargo's FUM sourced from the UK and Europe, the limitations of Henderson's distribution reach are being exposed by macro economic uncertainty.
- While Wells Fargo's investment performance is robust (66% of FUM outperforming over three years), its best performing investment propositions remain in markets where risk appetite is currently limited.
- We retain our hold recommendation. Management is clearly very active in trying to broaden the product range and distribution platform...we feel the ability of the business to deliver additional FUM flow and revenue momentum remains too uncertain for us to move to a more positive recommendation. The prospective dividend yield of c.6.8% is attractive but in recent weeks it has shown to have been little defence when sentiment towards the stock is weak.

Michael Sanderson, 2.08.12

How this affects out valuation

Wells Fargo's varying Market Caps



- The average analyst MC represents a 2% discount on the current share price which implies that the market is overvaluing Bank X
- Our valuation as at 19/11/12 puts a 6% discount on the current share price

A

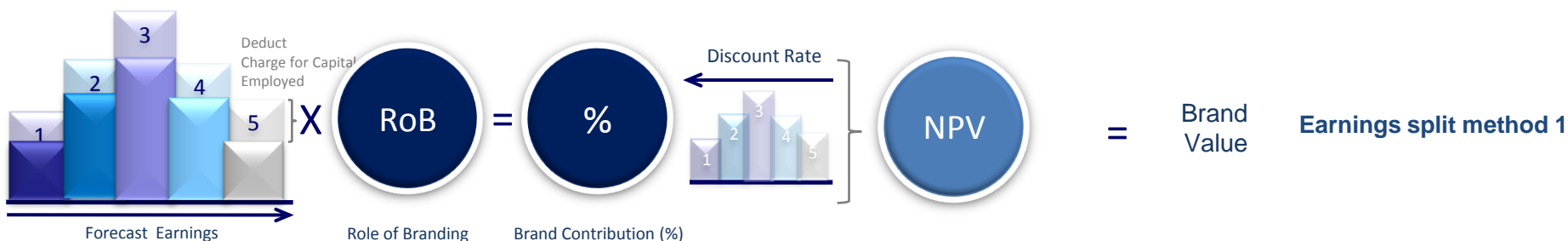
Section A

Methodology Comparison

Visual representation of the three leading methodologies



ROYALTY RELIEF: Determine sales forecast, multiply sales forecast by royalty rate, deduct tax. Net Present Value (NPV) of brand contribution = Brand Value (Favoured by Brand Finance plc)



EARNINGS SPLIT (Role of branding): Determine forecast earnings, deduct charge for capital employed to give intangible earnings (EVA), apply role of brand to determine brand contribution. NPV of brand contribution = Brand Value



EARNINGS SPLIT : Determine current year earnings, deduct charge for capital employed to give intangible earnings (EVA), determine brand contribution. Apply brand multiple = Brand Value

Methodology Summary

	Royalty Relief method	Earnings split method 1	Earnings split method 2
Definition of Brand Value	Brand Value is the Net Present Value of the estimated future cash flows attributable to the brand	The dollar value of a brand is calculated as Net Present Value or today's value of the earnings the brand is expected to generate in the future	The financial value of a brand is defined as the sum of all earnings that a brand is expected to generate
Valuation based on which key financial metric?	Net Sales	Intangible Earnings	Intangible Earnings
Forecast of future Economic Value Added	Royalty Rate study based on third party arms length comparables, brand strength and margin analysis	Based on drivers of demand analysis (Role of Brand Index)	Based on % of committed consumers base
Time scale (modeling)	DCF of five year explicit forecast and perpetuity	DCF of five year explicit forecast and perpetuity	Not explicitly taken into account; Uses current Intangible Earnings
How is risk accounted for?	Discount rate calculated from first principles using Capital Asset Pricing Model (CAPM) producing Weighted Average Cost of Capital (WACC) that takes into account brand specific risk	Discount rate determined by estimating brand risk using a Brand Strength Index (BSI) and applying the answer to an "S curve" of possible rates.	Multiple (short term growth indicator)
BV Calculation	$BV = \sum (S_i * RR * (1 - \text{tax})) / (1 + r)^i$ <p>Where S = Sales Forecasts; RR = Royalty Rate; r = Discount Rate; i = number of years</p>	$BV = \sum (EVA_i * RBI) / (1 + r)^i$ <p>Where EVA = Intangible Earnings; RBI = Role of brand Index; r = Discount Rate (S curve); i = number of years</p>	$BV = EVA * (\%) * M$ <p>Where EVA = intangible Earnings; % = Brand Contribution); M = Brand Momentum</p>

Pros & Cons

Royalty Relief

- | | |
|------|---|
| Pros | <ul style="list-style-type: none">• This is an accepted methodology for valuing brands, that is widely used and based in commercial reality. It is commonly used in legal cases and tax disputes;• It ties back to the commercial reality of brands - their ability to command a premium in an arm's length transaction.• The methodology specifically recommended by the IVSC for use in IFRS reporting;• It relies on verifiable third party data (licensing agreements) and therefore less judgment is involved;• It recognizes that brands can have a value even where the underlying business is unprofitable.• It can be performed on the basis of publicly available financial information. |
| Cons | <ul style="list-style-type: none">• At times it is difficult to source comparable license agreements for a particular sector.• Unless the Royalty Range is analysed carefully, it could lead to a conservative or even an aggressive brand valuation. |

Earnings Split

- Also a generally accepted methodology for valuing brands
 - With sufficient market research, it can provide insight into impact of drivers of demand on the value of different intangible assets in the business
-
- Highly judgmental, particularly when done without specific, detailed market research into drivers of demand
 - Calculations based on profit can lead to volatile results which do not reflect the underlying value of the brand; businesses that are loss-making will have zero or negative brand value, which is inappropriate in many cases
 - Approach to determining discount rate has been criticised as lacking transparency and not being applicable to all situations
 - Generic approach for brand strength may lack cohesion with particular sectors
 - Calculations of EVA are notoriously complex and hard to audit. E.g. Stern Stewart claim to make 167 adjustments between accounting profits and EVA (EVA's of many brands from time to time can be negative)

B

Section B

About Brand Finance

Our Services

At Brand Finance, we are entirely focussed on quantifying and leveraging intangible asset value. Our services compliment and support each other, resulting in robust valuation methodologies, which are underpinned by an in-depth understanding of revenue drivers and licensing practice

Valuation

We perform valuations for financial reporting, tax planning, M&A activities, joint ventures, IPOs and other transactions. We work closely with auditors, tax authorities and lawyers.

Financial reporting
Tax and transfer pricing
Litigation
Investor relations

Analytics

Our analytical services help clients to better understand the drivers of business and brand value. Understanding how value is created, where it is created and the relationship between brand value and business value is a vital input to strategic decision making.

Brand equity drivers
Brand strength analysis
Brand risk analysis (BrandBeta®)
Brand scorecards
Marketing mix modelling
Marketing ROI

Strategy

We give marketers the framework to make effective economic decisions. Our value-based marketing service enables companies to focus on the best opportunities, allocate budgets to activities that have the most impact, measure the results and articulate the return on brand investment.

Brand strategy
Brand architecture
Brand extension
Budget setting and allocation
Brand value added (BVA®)

Transactions

We help private equity companies, venture capitalists and branded businesses to identify and assess the value opportunities through brand and market due diligence and brand licensing.

Brand due diligence
Brand licensing
Fundraising

Contact details

Brand Finance plc is the leading brand valuation and strategy firm, helping companies to manage their brands more intelligently for improved business results.

If you'd like to know more about Brand Finance, we are eager to hear from you. Please contact:



David Haigh
Chief Executive Officer
d.haigh@brandfinance.com



Richard Yoxon
Managing Director
r.yoxon@brandfinance.com

For further information on Brand Finance's services and valuation experience, please contact your local representative.

www.brandfinance.com

Country	Name of Contact	Email address
Australia	Xander Bird	x.bird@brandfinance.com
Brazil	Gilson Nunes	g.nunes@brandfinance.com
Canada	Edgar Baum	e.baum@brandfinance.com
Croatia	Borut Zemljic	b.zemljic@brandfinance.com
Dubai	Gautam Sen Gupta	g.sen-gupta@brandfinance.com
East Africa	Jawad Jaffer	info@brandfinance.co.ke
Holland	Marc Cloosterman	m.cloosterman@brandfinance.com
Hong Kong	Rupert Purser	r.purser@brandfinance.com
India	Unni Krishnan	u.krishnan@brandfinance.com
Portugal	João Baluarte	j.baluarte@brandfinance.com
Russia	Alexander Eremenko	a.eremenko@brandfinance.com
Singapore	Samir Dixit	s.dixit@brandfinance.com
South Africa	Oliver Schmitz	o.schmitz@brandfinance.com
Spain	Pedro Tavares	p.tavares@brandfinance.com
Sri Lanka	Ruchi Gunewardene	r.gunewardene@brandfinance.com
Switzerland	Richard Yoxon	r.yoxon@brandfinance.com
Turkey	Muhterem Ilgüner	m.ilguner@brandfinance.com
United Kingdom	Richard Yoxon	r.yoxon@brandfinance.com
USA	Bill Barker	w.barker@brandfinance.com
USA	Elise Neils	e.neils@brandfinance.com

Our Clients

Blue chip clients

HSBC



MARS
incorporated



easyJet



DE BEERS
A DIAMOND IS FOREVER



Brand Finance works for a wide range of clients conducting national and international brand valuation and brand strategy assignments. Here is a small selection of the clients we have worked with.



David Haigh Chief Executive

Brand Finance plc

D.Haigh@brandfinance.com

+ 44 (0)20 7389 9400

3rd Floor, Finland House

56 Haymarket

London

SW1Y 4RN

Brand Finance plc (London) is the world's leading independent brand valuation consultancy. Brand Finance has a global footprint with offices in 22 countries. For more information please refer to our website:

www.brandfinance.com